DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1980

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

EDWARD P. BOLAND, Massachusetts, *Chairman*

BOB TRAXLER, Michigan
LOUIS STOKES, Ohio
TOM BEVILL, Alabama
LINDY (MRS. HALE) BOGGS, Louisiana
MARTIN OLAV SABO, Minnesota
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PART 8

MEMBERS OF CONGRESS AND PUBLIC WITNESSES

Printed for the use of the Committee on Appropriations

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Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1980

TUESDAY, APRIL 24, 1979

MEMBERS OF CONGRESS AND PUBLIC WITNESSES

VETERANS' ADMINISTRATION

WITNESS

HON. JAMES FLORIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. BOLAND. The Committee will come to order.

Our first witness today will be the distinguished Member of Congress, James Florio, representing the Camden area of New Jersey.

We will be delighted to hear from you, Congressman Florio.

Mr. FLORIO. Thank you, Mr. Chairman. I am happy to be here in my annual visitation.

I have a brief statement which I would like to submit for the record and I will summarize now.

[The statement follows:]

HOUSE APPROPRIATIONS SUBCOMMITTEE ON

HUD - INDEPENDENT AGENCIES

April 24, 1979

TESTIMONY OF CONGRESSMAN

JAMES J. FLORIO

F.Y. 1980 Budget Request for
Proposed Camden, New Jersey
Veterans Administration Medical Center

Mr. Chairman, members of the Committee, I appreciate this opportunity to testify in support of the Administration's fiscal year 1980 budget request for $67.8 million to construct the Camden Veterans Administration hospital. These monies would provide the balance of the facility's total construction cost of $75.3 million.

In my testimony before this Subcommittee last year I reviewed the benefits this facility would provide to the approximate 700,000 veterans and their families residing in the Philadelphia/Southern New Jersey area.

At that time this Subcommittee, and the Congress, approved legislation denying an Administration request to reduce the Camden hospital to an out-patient clinic and reprogram $7.5 million already appropriated for Camden to other projects.

Several weeks ago the Subcommittee questioned Veterans Administration officials over their fiscal year 1980 budget request for Camden. It is clear to me that the committment of the Administration to this project now equals that shown previously by the Congress. The 480-bed facility planned for Camden will provide the medical needs required by the currently underserved veterans of the Philadelphia metropolitan area.

As this Committee knows, nearly half of the beds projected for Camden will be devoted to long-term nursing care patients and patients requiring psychiatric treatment.

The Veterans Administration reported to the Congress last year that the demands on the V.A. hospital system will grow significantly as our veteran population ages. In only thirty years there may be more than

a million veterans over the age of 85 years, compared to 130,000 at present. The hospital proposed for Camden will be designed to accomodate this need.

The construction schedule for the Camden hospital has been set back as a result of last year's controversy. The V.A. does not anticipate that their initial construction award for the hospital can be obligated until June of 1981.

The appropriation of construction money during fiscal year 1980, however, can help insure that pre-construction planning on the project is carried forward on schedule. I have discussed this matter with the Office of Management and Budget and the V.A. They believe that fiscal year 1980 monies are necessary if an orderly planning of the hospital is to be maintained.

Next month the Congress will consider the fiscal year 1980 First Concurrent Budget Resolution. The Resolution not only denies budget authority to the hospital, but voices the House Budget Committee position that the hospital may not be needed and that the project should undergo further review.

One year ago I testified before this Subcommittee asking for your support for the continuation of this project. After careful review you agreed that the hospital would be an asset to the Camden community and is needed if veterans in the area are to have sufficient medical services.

The support of this Subcommittee is again needed if the momentum we have gained on this project is to be maintained.

Pre-construction development of the hospital is continuing and has already had a significant impact on its surrounding community. The Camden City Housing Authority has acquired title to all but two of the private subdivisions on the hospital's site. A legal transfer of the ground from the City to the V.A. will be accomplished this summer.

Camden has expended $1 million in re-directing "Seventh" Street that passed through the middle of the hospital grounds. Camden's direct cost in site preparation will exceed $1.3 million by the time construction is ready.

This week the City of Camden will dedicate a new $2.5 million Police Administration building, built adjacent to the hospital's site. This high police visibility will help insure safety to hospital guests and employees.

Development is also underway on a $14 million transportation center to provide better mass transportation services to the V.A. complex. This Center will link rail and bus systems throughout Philadelphia and South Jersey directly to the Cooper Medical Center/V.A. hospital site. The City of Camden and the State of New Jersey have committed over $3 million for the project. The balance of costs is expected to be provided shortly through Federal Department of Transportation assistance.

City and State committment to the V.A. hospital project reflects the large influence it is hoped the facility will have on the redevelopment of central Camden. We must not lose sight, however, that the hospital's principal role is to provide needed medical benefits to area veterans.

Preliminary discussions between Camden's Cooper Medical Center, the V.A., and other medical facilities in South Jersey offer promise for the sharing of services and cost efficiency in treating area veterans. The recent completion of Cooper's extensive modernization and expansion of their patient care facility promises a wide berth of cost-sharing opportunities with the proposed V.A. hospital. The sharing of high-cost hospital services such as laboratory work, therapeutic and diagnostic radiology and nuclear medicine between the V.A. hospital and area facilities could save as much as $8 to $12 million a year according to community hospital estimates.

The development of a South Jersey Medical School is also steadily progressing. It is the hope of the New Jersey College of Medicine and Dentistry (CMDNJ) that the V.A. hospital will be used as a primary teaching site for both allopathic and osteopathic clinical programs.

Currently 48 osteopathic and 12 medical students affiliated with CMDNJ schools in North Jersey receive their final two years of clinical training at Camden's Cooper Medical Center and other facilities in suburban Camden County.

Last week the New Jersey Board of Higher Education approved the construction of Camden's first full-fledge medical school facility. This facility will be built adjacent to the Cooper hospital and the V.A. Medical Center and will house classrooms, teaching staff and laboratories to serve both M.D. and D.O. students.

This facility will allow CMDNJ to greatly expand their Camden medical education program. The plan adopted by the Board of Higher Education will allow 56 third-year and an equal number of fourth-year osteopathic students and 48 medical students each in their third and fourth years to take their clinical studies at the new facility.

The proposed V.A. hospital, together with Cooper, will be a core teaching site for these medical programs and will play an instrumental role in the attraction, selection and development of the school's faculty. The South Jersey medical school programs hope to address the shortage of physicians throughout the Southern New Jersey area caused by the need for medical students to leave the State to complete their education.

Mr. Chairman, I appreciate this opportunity to review the progress we have made on the Camden V.A. hospital project. I am prepared to answer any question the Committee may have.

Thank you.

Mr. FLORIO. I am here with regard to the annual appropriation for the VA hospital.

As you recall, last year this Committee considered the request of the Administration to reprogram monies which had been put into the budget for this hospital. At that point you made a very wise decision in my opinion, denying an Administration request to reduce the Camden hospital to an outpatient clinic and reprogram $7.5 million already appropriated for Camden to other projects.

That money has been used. The architect has been hired and is hard at work preparing the plans for the hospital.

Several weeks ago the Subcommittee questioned Veterans Administration officials over their fiscal year 1980 budget request for Camden. As you know, the Administration has included the full allocation to be included in this budget.

The function of the hospital will be devoted to long-term nursing care patients and psychiatric care patients to a large extent. Over half the beds in the hospital are projected for that purpose.

The VA hospital indicates that there will be a need for the aging veteran population. In 30 years there will be over a million veterans over the age of 85. The hospital is designed to accommodate this need.

The construction schedule for the Camden hospital has been set back as a result of last year's controversy. The VA does not anticipate that their initial construction award for the hospital can be obligated until June, 1981.

The appropriation of construction money during fiscal year 1980, however, can help ensure that preconstruction planning on the project is carried forward on schedule. I have discussed this matter with the Office of Management and Budget and the Veterans Administration. It is nice to have OMB on my side this year. They believe that fiscal year 1980 monies are necessary if an orderly planning of the hospital is to be maintained.

Next month the Congress will consider the fiscal year 1980 First Concurrent Budget Resolution. The resolution not only denies budget authority to the hospital and a number of other veteran benefits; this was done without hearings. I have been in touch with Mr. Roberts and he intends to amend the Budget Committee request on the Floor to allow for a higher degree of funding. I will be working with him in case it is needed so that we include the monies in the resolution for the VA hospital.

One year ago I testified before this Subcommittee asking for your support for the continuation of this project. After careful review you agreed that the hospital would be an asset to the Camden community and is needed if veterans in the area are to have sufficient medical services.

The support of this Subcommittee is again needed if the momentum we have gained on this project is to be maintained.

Preconstruction development of the hospital is continuing and has already had a significant impact on its surrounding community. The Camden City Housing Authority has acquired title to all but two of the private subdivisions on the hospital's site. A legal transfer of the ground from the city to the VA will be accomplished this summer.

Camden has expended $1 million in redirecting Seventh Street that passed through the middle of the hospital grounds. Camden's direct cost in site preparation will exceed $1.3 million by the time construction is ready. This week I will be going back to dedicate a new $2.5 million police administration building, immediately adjacent to the hospital, placed on the site at the request of the VA because of its concern for security.

Development is also under way on a $14 million transportation center to provide better mass transportation services to the VA complex. This center will link rail and bus systems throughout Philadelphia and South Jersey directly to the Cooper Medical Center/VA hospital site. The City of Camden and the State of New Jersey have committed over $3 million for the project. The balance of costs is expected to be provided shortly through Federal Department of Transportation assistance.

City and State commitment to the VA hospital project reflects the large influence it is hoped the facility will have on the redevelopment of central Camden. We must not lose sight, however, that the hospital's principal role is to provide needed medical benefits to area veterans. The main purpose is—as you pointed out last year very dramatically—the ability to service the veterans' needs.

Preliminary discussions between Camden's Cooper Medical Center, the VA, and other medical facilities in South Jersey offer promise for the sharing of services and cost efficiency in treating area veterans. The recent completion of Cooper's extensive modernization and expansion of their patient care facility promises a wide berth of cost-sharing opportunities with the proposed VA hospital. The sharing of high-cost hospital services such as laboratory work, therapeutic and diagnostic radiology, and nuclear medicine between the VA hospital and area facilities could save as much as $8 to $12 million a year according to community hospital estimates.

Incidentally, this is being done pursuant to the report language, directing the VA and area hospitals to entertain cost-sharing capability as much as possible.

The development of a South Jersey Medical School is also steadily progressing. It is the hope of the New Jersey College of Medicine and Dentistry (CMDNJ) that the VA hospital will be used as a primary teaching site for both allopathic and osteopathic clinical programs.

Currently 489 osteopathic and 12 medical students affiliated with CMDNJ schools in North Jersey receive their final 2 years of clinical training at Camden's Cooper Medical Center and other facilities in suburban Camden County.

Last week the New Jersey Board of Higher Education approved the construction of Camden's first full-fledged medical school facility. This facility will be built adjacent to the Cooper hospital and the VA Medical Center and will house classrooms, teaching staff, and laboratories to serve both M.D. and D.O. students. As you may recall, there was some controversy between the allopathic and osteopaths.

This facility will allow CMDNJ to greatly expand their Camden medical education program. The plan adopted by the Board of Higher Education will allow 56 third-year and an equal number of fourth-year osteopathic students and 48 medical students each in

their third and fourth years to take their clinical studies at the new facility.

The proposed VA hospital, together with Cooper, will be a core teaching site for these medical programs and will play an instrumental role in the attraction, selection, and development of the school's faculty. The South Jersey medical school programs hope to address the shortage of physicians throughout the southern New Jersey area caused by the need for medical students to leave the State to complete their education. The fact of the matter is this will be what the VA has tried to provide all along, an adequate university affiliation to provide the instruction necessary.

Mr. Chairman, I appreciate this opportunity to review the progress we have made on the Camden VA hospital project. I am prepared to answer any question the Committee may have.

I suppose I am asking that you accept the recommendations in the President's budget. Now it appears the Congress has clearly spoken out in the past, last year being the most recent time. Likewise, the Administration has spoken out and asked for the inclusion of the full amount in this year's budget, and OMB has thought through its position. It seems to me the reliance of all these different characters and participants in the process almost demands the Congress go forth with its commitment. Likewise, the need of the veterans is beyond question. I would appreciate the Committee's consideration.

Mr. BOLAND. Thank you very much. Mr. Florio, as you know, the controversy surrounding this hospital still exists, and despite some agreement reached by the allopathic and osteopathic groups, there are still some problems. The hospital is concerned about overbedding. As you know, the Southern New Jersey Health Systems Agency is now engaged in an impact study of bedding and overbedding.

The Committee's understanding is that particular impact study has not been completed. It only started in January so they have only spent about 4 months on it now.

Mr. FLORIO. As you may recall from last year, the HSA had conducted a previous study. They are conducting another study because of the Administration. They have come out with another study which indicated this hospital would not contribute to overbedding. They have no jurisdiction over VA capability.

Mr. BOLAND. No, but their findings would be of interest.

Mr. FLORIO. They voluntarily became involved in this.

Mr. BOLAND. But they are now engaged in a second study?

Mr. FLORIO. That is right.

Mr. BOLAND. Why was there a second study?

Mr. FLORIO. Because the Administration asked them last year to become involved in this. That was when the Administration was taking a position that was not desirable. Since that time, the Administration has changed its mind.

Mr. BOLAND. Why did the Budget Committee drop it?

Mr. FLORIO. I have been in contact with Mr. Giaimo and he talked about the press of fiscal constraints. In fact, there was talk about reducing the budget, which is commendable.

I asked if there had been any hearings to provide any basis; if he was aware of the deliberations of this Committee last year and

other committees as well. He indicated he felt the money would be put back.

Mr. BOLAND. Did he indicate whether he was persuaded by the chief of construction for VA when he indicated the money would not be used in fiscal year 1980?

Mr. FLORIO. Our office has been in contact with the VA and they said there is a possibility the construction would not go forward until 1981. They needed preconstruction monies for street alignment and other things. The architect tells me he will be ready to recommend that construction commence the latter part of 1980, early 1981.

Mr. BOLAND. I would think the best source on whether or not the VA could get under construction in 1980 would be the head of the construction department. His opinion, stressed in his appearance before this Committee, was that construction could not get under way before then. Have you talked to him at all?

Mr. FLORIO. I have not talked to him directly, but I have talked to everybody over there, legal counsel and VA, and they are all supportive.

One of the other things I am concerned about is, next year there will be an even greater press to cut budget allocations, and we may very well get caught up in a situation next year when there will be an effort to push for more reductions in the budget. At that time, those lingering around not supportive of this hospital may see it as an opportunity to say, "Well, we are going into an election year." They will use whatever excuse they can find to cut the budget.

I think it is necessary that a substantial portion of the entire amount be allocated so we do not get ourselves in the position where the architect is ready to recommend construction in late 1980–81. There has been a 15-percent increase in construction costs of inflation. We have already delayed a year, which means we will buy that much less of hospital services.

Mr. BOLAND. Thank you very much.

Lindy?

Mrs. BOGGS. As you well know, we are very supportive of you.

Mr. FLORIO. I appreciate that support.

Mr. BOLAND. Thank you very much. Nice to have you with us.

ENVIRONMENTAL PROTECTION AGENCY—CONSTRUCTION GRANTS

WITNESSES

HON. AL ULLMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON
DICK CARLSON, MAYOR, BEND, OREG.
NED DEMPSEY, PROJECT ENGINEER

Mr. BOLAND. Mr. Ullman, we are delighted to have with us the distinguished Chairman of the House Ways and Means Committee. We are delighted to have you, Al. We know how busy you are. We are pleased to have you.

It is my understanding you are accompanied by Dick Carlson, who is the mayor of Bend, Oregon.

What is the size of Bend?

Mr. CARLSON. About 18,000.

Mr. ULLMAN. The most beautiful city in America, under the shadow of the Cascades.

Mr. Chairman and my distinguished friends on this Subcommittee, I appear always with some trepidation—this year with our problem of balancing the budget.

Mr. BOLAND. I do not know why you appear with trepidation. We spend the money; all you have to do is raise it.

Mr. ULLMAN. I know some of the limitations on raising the money. But at any rate, the Clean Water Act, which we are concerned about, has a somewhat unhappy history, as the distinguished Chairman knows. The further reduction in Section 201 will be seen as still another failure in holding to commitments we have made to communities in programs that are well along. I urge the Subcommittee to find some solution to this problem. I understand my colleague Mr. Cleveland will be submitting one approach to the problem. I will be supportive and I think this can be done without penalizing the other States under the formula. That would probably be the best solution to a serious dilemma.

The city of Bend is an illustration of this program. It has a unique problem; it is built on solid rock and has a sewage problem that has been almost impossible. Yet they have to meet the deadlines. They have bitten the hard bullet and are moving, but they are caught now in this very serious dilemma with the shortage of funds to continue their program. Mr. Chairman, allow me to put my full statement in the record and introduce my good friend, the very distinguished mayor of a very lovely city, Mayor Dick Carlson.

STATEMENT OF
REP. AL ULLMAN
SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES
APRIL 24, 1979

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE TODAY.

I AM CONSCIOUS OF THE EXTREMELY DIFFICULT TASK YOU FACE IN ATTEMPTING TO RECONCILE PAST PROGRAM COMMITMENTS WITH THE PRESSURES FOR INCREASED FISCAL RESTRAINT.

THE 96TH CONGRESS HAS BEEN DUBBED THE "INVESTIGATIVE CONGRESS" -- A LABEL THAT APTLY DESCRIBES THE CAUTIOUS THINK-BEFORE-YOU-SPEND ATTITUDE SO PREVALENT THIS YEAR.

THE APPROPRIATIONS COMMITTEE HAS BEEN CHALLENGED AS NEVER BEFORE TO SCRUTINIZE THE TRACK RECORDS OF FEDERAL PROGRAMS SEEKING NEW FUNDING LEVELS.

NO ONE WOULD QUESTION THE NEED FOR THE AMBITIOUS CLEAN-UP EFFORTS AUTHORIZED BY CONGRESS OVER THE LAST DECADE WHICH FALL WITHIN THE PURVIEW OF THIS SUBCOMMITTEE. THE QUESTIONS ON OUR MINDS ARE RATHER: HOW WELL ARE THESE PROGRAMS WORKING? ARE THE NATION'S FISCAL RESOURCES BEING SPENT EFFECTIVELY, ON TARGET, IN ACCORDANCE WITH THE INTENTIONS OF CONGRESS? IF NOT, WHY NOT? IF PROBLEMS EXIST, WHAT CAN BE DONE THROUGH THE APPROPRIATIONS PROCESS TO CORRECT THEM?

THE CLEAN WATER PROGRAM HAS AN UNHAPPY FISCAL HISTORY WITH WHICH WE ARE ALL FAMILIAR. FOLLOWING PASSAGE OF THE FEDERAL WATER POLLUTION CONTROL ACT IN 1972, FUNDS APPROPRIATED BY THE CONGRESS FOR THE PLANNING, DESIGN AND CONSTRUCTION OF SEWAGE TREATMENT FACILITIES WERE IMPOUNDED IN 1972, 1973 AND 1974. STATE AND COMMUNITY GOVERNMENTS, CONSCIOUS OF THE DETERIORATION IN THE NATION'S WATER SUPPLIES, STRUGGLED TO GET LOCAL AND REGIONAL PROJECTS OUT OF THE PLANNING PHASE AND ON TO THE DRAWING BOARDS OF THE ENGINEERS IN THE FACE OF UNCERTAINTIES OVER FEDERAL FUNDING, SUDDEN SHIFTS IN PROGRAM REQUIREMENTS, AND UNPLEASANT SURPRISES RESULTING -- THROUGH NO ONE'S FAULT -- FROM THE LIMITED STATE OF THE ART IN THE EARLY CLEAN-UP YEARS.

WITH THE COURT-ORDERED RELEASE OF IMPOUNDED FUNDS IN 1975 CAME AN EMBARRASSMENT OF RICHES FROM WHICH SOME STATES HAVE NEVER RECOVERED.

THE SURVEYS AND INVESTIGATIONS STAFF REPORT FOCUSES ON THE WORST ASPECTS OF THIS PROBLEM: CONFUSION, DELAY, INEFFICIENCY, OBLIGATION OF FUNDS AS ALLOTMENT DEADLINES APPROACHED TO LESS-THAN-QUALITY PROJECTS, AND LATER DE-OBLIGATION AND FURTHER CHOKING OF THE

FISCAL PIPE-LINE AS DEFICIENCIES IN PLAN AND DESIGN BECAME OBVIOUS.

THE LAW SPECIFIES THAT STATES MUST OBLIGATE THEIR ALLOTMENTS BY THE END OF THE FISCAL YEAR FOLLOWING THE ONE IN WHICH THEY WERE APPROPRIATED OR ELSE TURN BACK THE UNSPENT FUNDS TO EPA FOR REDISTRIBUTION TO STATES THAT HAVE OBLIGATED ALL OF THEIR MONEY AND COULD USE MORE. THIS PROVISION IS DESIGNED TO CHANNEL THE MONEY FIRST TO STATES WHERE IT IS NEEDED MOST AND TO PROVIDE AN INCENTIVE FOR OTHERS TO GEAR UP THEIR PLANNING EFFORTS AND MOVE PROJECTS INTO THE DESIGN AND CONSTRUCTION PHASE. IN FACT, SUCH RE-ALLOTMENT HAS NEVER TAKEN PLACE.

STATES THAT ARE PERFORMING WELL, SPENDING THEIR ALLOTMENTS ON TARGET, IN AN ORDERLY MANNER, ACCORDING TO A PRIORITY LIST MEETING EPA'S NEW "QUALITY" STANDARDS, MUST AWAIT THE BEGINNING OF THE NEW FISCAL YEAR TO CONTINUE FUNDING IN CONFORMANCE WITH PRIOR COMMITMENTS TO COMMUNITIES THAT HAVE LAUNCHED SEWAGE TREATMENT CONSTRUCTION PROJECTS.

COMPLETION OF SUCH PROJECTS TAKES FROM THREE TO SEVEN YEARS. ANY REDUCTION IN PROSPECTIVE FUNDING FOR THOSE STATES THAT ARE NOW SPENDING CURRENT ALLOTMENTS CAUSES SEVERE DISRUPTION AND HARDSHIP AT THE COMMUNITY LEVEL.

IN THE LAST DECADE WE HAVE SEEN A DRAMATIC CHANGE IN PUBLIC ATTITUDES TOWARDS ENVIRONMENTAL PUBLIC WORKS. IT IS NO LONGER SIMPLY THE REPRESENTATIVES OF LOCAL GOVERNMENT, THE CONSTRUCTION INDUSTRY AND THE UNIONS WHO SUPPORT SUCH PROJECTS. MERCHANTS AND DEVELOPERS WHO ONCE LOOKED UPON FEDERAL AIR AND WATER QUALITY STANDARDS AS HIGH-FALUTIN, UNNECESSARY AND INTRUSIVE ARE CONSCIOUS OF THE MULTIPLIER EFFECT THAT DOLLARS SPENT ON A CLEAN AND HEALTHY ENVIRONMENT HAVE ON ECONOMIC GROWTH AND DEVELOPMENT. THEY ARE EQUALLY CONSCIOUS, CONVERSELY, OF THE CHILLING IMPACT OF BUILDING AND SEWER MORATORIUMS BECAUSE OF INADEQUATE TREATMENT FACILITIES.

INDUSTRIALISTS WHO ONCE LOOKED FOR EASY COMMUNITY STANDARDS ON WASTE TREATMENT AND DISPOSAL ARE NOW SEEKING PARTNERSHIP WITH LOCAL GOVERNMENT IN ACHIEVING COOPERATIVE SOLUTIONS THAT WILL PROTECT THEM FROM THE ACCUMULATION OF LATER LEGAL LIABILITIES.

LAST, THE PUBLIC AT LARGE HAS BECOME CONSCIOUS OF THE IMPORTANCE OF CLEAN AIR AND WATER AS A MEASURE OF THE QUALITY OF LIFE. NEWS OF THE FAILURE OF SAFETY DEVICES AT THREE MILE ISLAND, OF THE PRESENCE OF OTHER ENVIRONMENTAL "TICKING TIME BOMBS" IN OUR MIDST, IS FOLLOWED ANXIOUSLY. COMMUNITIES WHICH ONCE BALKED AT FINANCING BOND ISSUES FOR IMPROVED AIR AND WATER QUALITY

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ARE WILLING TO BITE THE BULLET AND MAKE A SOUND INVESTMENT IN THE FUTURE.

IN STATES WHERE THE CLEAN WATER PROGRAM IS MOVING FORWARD EFFICIENTLY AND ON SCHEDULE WITH FIRM COMMUNITY SUPPORT, ANY REDUCTION IN SECTION 201 FUNDING WILL BE SEEN AS YET ANOTHER FAILURE OF THE FEDERAL GOVERNMENT TO HOLD TO ITS COMMITMENTS, FORCING UNREASONABLE PROJECT DELAYS AND CONSTRUCTION COST INCREASES, PLACING LOCAL GOVERNMENTS IN THE UNCOMFORTABLE POSITION OF HAVING TO DEFER WORK THAT COULD BE MOVING TOWARDS COMPLETION, STALL CONTRACTORS, AND RETURN ULTIMATELY TO THE VOTERS FOR FURTHER BONDING APPROVAL TO COVER COST ESCALATIONS THAT NEED NOT HAVE BEEN INCURRED.

MR. CHAIRMAN, THE TAXPAYERS ARE ALREADY MAD ENOUGH. I STRONGLY URGE THE SUBCOMMITTEE TO ADOPT A SOLUTION TO ITS SECTION 201 ALLOTMENT DILEMMA THAT WILL REDUCE THE BACKLOG OF UNSPENT ALLOTMENTS WITHOUT PENALIZING THOSE STATES THAT HAVE PERFORMED EFFICIENTLY IN RELIANCE ON THE FULL FUNDING LEVELS AUTHORIZED BY THE CLEAN WATER AMENDMENTS OF 1977.

MY COLLEAGUE FROM NEW HAMPSHIRE HAS PROPOSED A SOLUTION THAT SEEMS FAIR AND WORKABLE.

I WOULD LIKE TO DRAW THE SUBCOMMITTEE'S FURTHER ATTENTION TO THE NEED FOR CONTINUITY IN THE WATER TREATMENT CONSTRUCTION PROGRAM AS PERCEIVED DURING THE THREE PROJECT PHASES AT THE COMMUNITY LEVEL.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, MAY I PRESENT MY GOOD FRIEND, MR. RICHARD CARLSON, THE MAYOR OF THE CITY OF BEND, OREGON.

Mr. BOLAND. Is the mayor elected?

Mr. CARLSON. The council elects the mayor. I am the mayor this year.

Mr. BOLAND. Does it change each year?

Mr. CARLSON. Yes.

Mr. BOLAND. We are delighted to have you with us. Why don't you proceed as you wish?

Mr. CARLSON. Thank you, Mr. Chairman. Bend is located on the East Range. We have virtually no soil under which to dig. The city was historically a logging town during the first 50 years of its existence. Because outdoor recreation is the thing, we are growing, to the extent our population is about 30,000 people.

Because of the rock we use drill holes for waste disposal. We are in the process of building a collection system and waste-water treatment plant. A couple of years ago we started on the project. This was with good faith. We have been trying to complete that project on time since.

We have had obstacles that I could go into in detail, and Ned Dempsey, the project engineer, is here if you want to ask him questions. Our concern is with the obstacles in the future in trying to complete this by 1980. We are about 40 percent along the way and proceeding nicely now. We have jumped over a lot of hurdles. The problem started with an underfunded preliminary plan; the EPA approved this. We did not have enough funds to give a proper plan in the beginning. We spent $60,000 on it then we ended up spending another $200,000 to do it right. It is estimated the total cost of our project will be about $43 million.

Mr. BOLAND. That seems to be a high cost for such a small community.

Mr. CARLSON. It is planned for 60,000 people, so they call it a regional plan.

Mr. BOLAND. Do I read the figure correctly here, that the estimated cost runs from about $63 to $64 million?

Mr. CARLSON. It is only a guess, Mr. Chairman, because we have not gotten it all identified.

Mr. BOLAND. For fiscal years 1979 and 1980, your chart indicates the need for Federal funds would be approximately $6 million. Is that correct?

Mr. CARLSON. That is correct.

Mr. BOLAND. Is there some indication you are not going to get it?

Mr. CARLSON. There seems to be. That is what we are worried about.

Mr. BOLAND. Where did you get that indication? We understand Oregon is one of the States that has been moving along in this huge water works.

You are Ned Dempsey?

Mr. DEMPSEY. Yes, consulting engineer.

Mr. BOLAND. What was the indication you would not have the money?

Mr. DEMPSEY. Most came from regional level and EPA. Recently this month, we got all the dollars resolved for the funding year we are operating out of now, which started last October.

Mr. BOLAND. Do you know if that concern from the State or from people who are in the waste-water treatment facility construction

program is that this program will not be funded in fiscal 1980? Is that the basis for concern over whether or not there would be money available for Bend?

Mr. CARLSON. That is correct.

Mr. BOLAND. As you know, the Appropriations Committee has had a Survey and Investigations Staff study on the whole program. There are some problems with it. It is the largest public works program in the history of the world, and it is going to continue being funded at billions of dollars over the next several years. It is a program that has to be looked at closely. The indication is there are some problems with it, although not so many in States where funds have been allocated and States have moved ahead with their projects, as Oregon has, I understand.

In any event, how far have you progressed with respect to this project?

Mr. DEMPSEY. Approximately 40 percent of the collection system is in the ground now. The treatment plant design will be finished soon, and we will be receiving bids on it by the end of next month. We will start construction by June. It is a secondary facility.

Mr. BOLAND. We have your summary sheet and information sheet, Mayor Carlson, and we will put that in the record as you have given it to us.

[The information follows:]

Information Relating to the

BEND WASTEWATER MANAGEMENT PROGRAM

BEND, OREGON

April, 1979

Chronological Chain of Events
Bend Wastewater Management Program
Bend, Oregon

September, 1976 — Facilities Plan Completed

- Approved budget for the facilities plan was approximately $60,000.
- The actual cost was over $200,000 for additional studies necessary to complete the planning effort.
- The initial plan was unable to cover in detail all aspects of the project.
- Project initial cost estimate was $43 million.
- Design criteria was not identified in original plan, i.e. spray irrigation, no soils test.
- EPA adopted and issued a negative declaration on the environmental impacts of the project based on the original facilities plan. The facilities plan was incomplete and only partially usable.

February, 1977 — Design Definition Phase of Work Started

- City borrowed funds, engineering firm and City gambled that funds would be available, and everyone proceeded on the project before the bond issue was passed.

May, 1977 — City of Bend passed a $9 million bond issue with a 16 to 1 margin in favor of the project. The bond election would have been postponed until after the design definition phase if the cost estimate problems had been understood.

- The amount of the bond issue was based on cost estimates developed in the facilities plan and prior to the completion of the design definition studies.

Funding Levels

- Federal-75 percent of eligible portions
- State of Oregon-$7.5 million
- Local Share-$9 million
  - State of Oregon purchased local bonds.

June, 1977

Design definition work was complete and presented to EPA for approval.

- The conclusions of this design definition report were based on design criteria developed for Bend and on State and Federal Laws existing in June, 1977.
- EPA review of the design definition phase took until October, 1977 before it was completed to the point of making any decisions by EPA.
- Collection system design and non-site specific Sewage Treatment Plant design proceeded during design definition review. City of Bend borrowed funds again in the interest of starting the project (approximately $100,000).
- Site specific Sewage Treatment Plant and effluent disposal design could not proceed until a negative declaration could be received from EPA.
- EPA advised the City to proceed with design and construction even without a decision on Sewage Treatment Plant site or effluent disposal.
- EPA guidelines with respect to eligible sewer changed and reduced the number of homes to be served in Bend by approximately 8 percent.

October, 1977

From October, 1977, through March, 1978, a series of meetings were held with the DEQ and EPA to get a decision on Sewage Treatment Plant location and an approved method of effluent disposal.

March, 1978

Negative declaration on the environmental impacts of the project was issued by the EPA.

- Negative declaration was for collection system, waste transportation system and treatment system.
- Negative declaration was issued approximately one and one-half years after facilities plan was completed.
- An Environmental Impact Statement was required by EPA in March, 1978 to be written on the ultimate method of effluent disposal. This impact statement will not be complete until May or June, 1979.

- Since the Environmental Impact Statement has not been issued as of April, 1979, we still do not know what the final system of wastewater treatment and disposal will be. We have not contracted to have the final effluent disposal system designed as of yet. This could potentially create additional delays and costs depending on the results of the Environmental Impact Statement.

April, May, 1978

The first pipeline contracts were advertised and construction started in July, 1978. A three-week delay in starting construction was realized due to EPA person authorized to sign construction contracts was absent (Mother died).

- April, May and June, 1978 represented the worst bidding climate experienced in several months. The delays created not only additional inflation, but reduced competition among contractors, which increased the cost.

June, 1978

The refined design criteria resulting from the design definition studies indicated that:

- The spray irrigation concepts for effluent disposal were not correct in the Facilities Plan.
- The proposed location of the Sewage Treatment Plant in the Facilities Plan was not correct.
- Original cost estimates were low; the new cost estimate was $53 million versus $43 million.

January, 1979

EPA cutbacks in funding created

- Three contracts had to be readvertised and rebid in January and February, 1979, due to the inability of EPA to commit to funding. The City had awarded contracts contingent on EPA funding and approval. This created a three to four month delay in start of construction of some contracts which created additional cost due to inflation.

April, 1979

Portions of the Sewage Treatment Plant construction started in April, 1979. All portions will be under construction by June, 1979, except for effluent disposal.

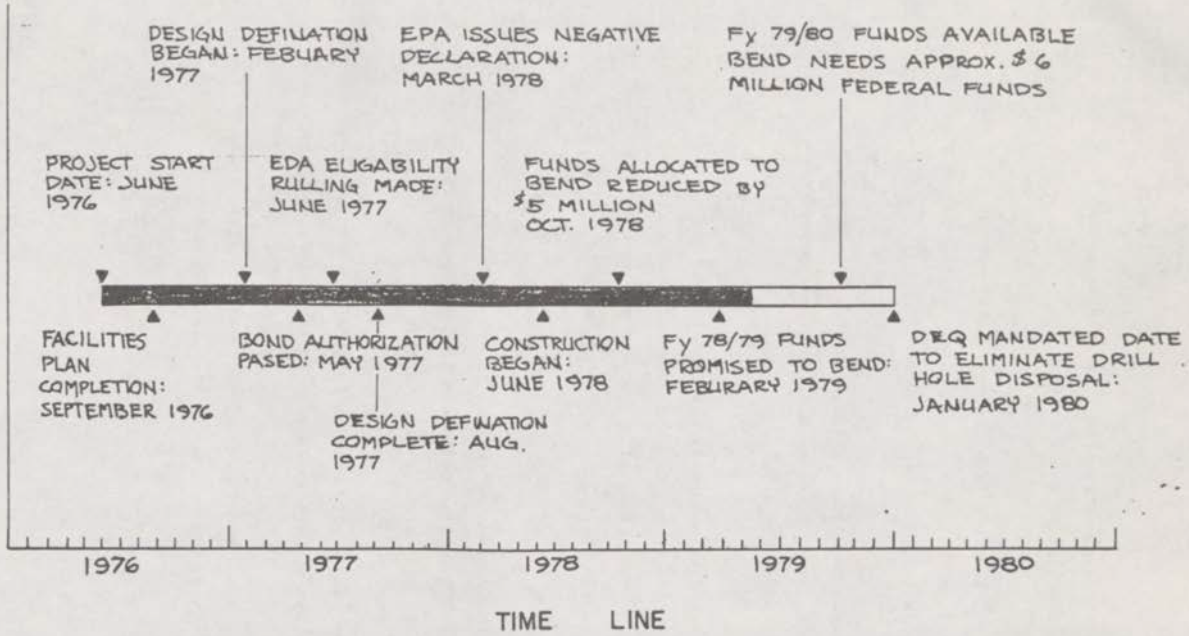
Collection system construction has proceeded since July, 1978 to the present.

- Approximately two thirds of the collection system is under contract.
- Approximately one half of the collection system is complete.
- Only EPA eligible portions of the collection system are being constructed.

Effluent disposal design and construction will start after the Environmental Impact Statement is completed and may create project completion delays if Environmental Impact Statement is not completed by June, 1979.

Hazards if additional cutbacks on Federal funding are realized:

- Two-thirds of the collection system would be constructed with no effluent disposal facilities.
- Additional cost both on the Federal level and the local level. Inflation rates of 10 to 12 percent per year on $53 million is significant to the City of Bend. Bend only has $16.5 million local share identified.
- City of Bend will be in violation of State and Federal pollution laws if additional delays are experienced. Bend was mandated by DEQ/EPA to get off of drillholes by 1980.
- Any additional delays experienced will lengthen the time that untreated sewage waste is discharged to the ground water resources of Central Oregon.
- Approximately $1.1 million of HUD funds may be lost if additional delays are created by EPA. These funds are for house branch connections and have a two year time limitation.
- Voting public of Bend and Central Oregon will be short changed if we cannot complete the project on time.
- Region X EPA has implied that EPA funding levels may be cut back to between $1 and $3 billion annual levels in future years.
- The City is constructing a regional system and is contracting to operate and maintain interim wastewater treatment and disposal facilities outside the Phase I area.
- The City is not asking for additional funds for any additional projects. We are asking for the funds originally promised on the original time schedule so we can complete the project. We are also asking that the goal post remain stationary.



TIME LINE

CITY OF BEND, OREGON
WASTEWATER MANAGMENT PROGRAM

Richard Carlson
Mayor
Bend, Oregon

SUMMARY SHEET

The Bend Wastewater Management Program is a very large and significant project for a city the size of Bend, Oregon

We have proceeded at all speed from the very first with good faith and the thought that we would have full EPA and State of Oregon support to complete the project on time and on budget.

We have had many obstacles in our path and have some concerns about the future. We would like to review a few of these points and express our concern about the future.

- Our problems started with our initial facilities plan. A $60,000 budget was developed and approved to prepare the initial planning. The actual effort needed was over $200,000 and the result of the initial planning was insufficient planning for our project.

- The Facilities Plan estimated the total cost of our project to be approximately $43 million and would be completed in five to six years from the date the project started.

- The City of Bend passed a $9 million bond issue based on the assumption that the project would cost approximately $43 million.

- The EPA approved the concepts developed in the Facilities Plan and issued a negative declaration on the plan's assumptions.

- The first effort after the Facilities Plan was complete was the phase of work called the Design Definition Phase. This phase of work developed the actual design criteria to be used in designing and constructing the system.

During the design definition phase, it became evident that several things had changed:

1. Some of the concepts developed and approved in the Facilities Plan were not correct. The treatment plant site and effluent disposal concepts were the most notable.
2. The original cost estimates were not correct. The project as described in the Facilities Plan was estimated at $66 million versus the estimated $43 million. Unfortunately, the bond issue had already been passed on the lower figure.
3. Replanning and re-estimating had to be carried out at once to get a buildable project.

EPA regulations had changed between the time of the original Facilities Plan and the completion of the Design Definition. The specific changes were:

1. A new interpretation of which sewers were eligible for EPA funds and which were not eligible. This reduced the number of people to be served by approximately 8 percent. The bond issue had been passed by all of the people inside the City limits.

2. The second area where EPA regulations had significantly affected the project came in the area of effluent disposal. The method of spray irrigation and the depth of soil required to spray irrigate had changed due to new regulations relating to ground water and drinking water. This increased the cost of the project by $12 to $14 million.

- Due to the controversy developed over the method of effluent disposal to be used, the EPA determined that an Environmental Impact Statement needed to be written for the method of effluent disposal. The Environmental Impact Statement is still not complete and will create additional delays in designing the effluent disposal system.

- The cost of Bend's project is unusually high due to large amounts of rock present. We have little or no soil to dig. Every foot of the trench has been drilled and blasted. All of the services to the houses will need to be blasted which creates a higher cost for each home owner.

The Citizens of Bend have approved a $9 million bond issue to construct the system. The margin of approval was 16 to 1 in favor.

The State of Oregon has given the city a $7.5 million grant due to the unusually hard and high priced project.

The City of Bend is still approximately $4 million short of being able to meet their local share.

- Delays in time due to the original planning, regulation changes and not receiving funds on schedule has created a problem for Bend. Every delay in time creates additional cost for the City since inflation makes our short fall worse.

Reduction or stopping funds in 1980 would be disaster for the City. We would not be able to complete our project and could not weather the additional cost of inflation created by delay.

Mr. BOLAND. It highlights your problems with respect to this particular project. We are cognizant of the fact there are a number of these projects that have been moving ahead, and have to be continually funded. There is no desire in this Committee to cut off those projects that are moving rapidly. Our concern is in the States where the funds have not been used rapidly in ongoing projects. If you look at the monies spent in this program so far and the unobligated balances because of the non-use of the funds, it is piling up. It is approximately $8 billion. But as I have indicated, this Committee shares the concern of those communities that do have the construction moving ahead nicely.

Lindy?

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. Mayor, it seems your real problem is that the environmental impact statement has not been issued as of this month. If you have a June deadline for this, it is going to be awfully difficult for you to complete your project if you do not have the environmental impact statement ready.

Mr. CARLSON. We have an approval for the interim facility by the EPA that we can just drill holes for the effluent until such time as this plant is finished. When this plant is finished, we will be able to dispose of our effluent. We do not know what the ultimate treatment facility will be or what it will cost.

Mrs. BOGGS. The longer this construction is delayed, the more inflation becomes a factor in your overall cost.

Mr. CARLSON. The impact statement is only on the effluent disposal. Everything else is on track and defined.

Mr. BOLAND. Mr. Stewart?

Mr. STEWART. No questions.

Mr. BOLAND. Thank you very much, Mr. Mayor, Mr. Ullman.

FEDERAL ENERGY MANAGEMENT ADMINISTRATION

WITNESS

HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. BOLAND. We welcome Congressman Ike Skelton. You appear on behalf of the Federal Emergency Management Agency.

Mr. SKELTON. Thank you, Mr. Chairman and Members of the Committee.

Let me tell you why I am here today. My district, Missouri's 4th Congressional District, contains almost 150 intercontinental ballistic missiles. Consequently, it is considered a high-risk area by the Defense Civil Preparedness Agency, one of 38 such areas in our Nation. This same area is the frequent victim of floods and tornadoes. So, you can see, I have a definite interest in seeing a strong national civil defense program.

Also, I am the author of the Skelton Amendment, which is part of the 1979 military authorization bill. This amendment requested a study of the special defense needs of areas of the United States which contain significant elements of the United States strategic nuclear retaliatory forces or significant defense-related research laboratories or facilities. The study is complete. In the words of the

study, "Current civil defense would be relatively ineffective under any type of nuclear attack and for any amount of warning." The House and Senate Armed Services Committees have copies of the study. I will be happy to make copies available to any Member of this Subcommittee who may desire one.

Another reason for me being here today is to refer the Subcommittee to H.R. 2704, a bill I introduced, which offers civil defense its needed direction and funding.

My final reason for being here is to voice support for an agency in which I have the utmost belief; Civil Defense. This agency needs a much stronger Congressional foundation before the people can benefit from civil defense. I am doing all I can to bring attention to the issue of strengthening civil defense. These are the reasons I am speaking before you today.

I took office in January, 1977. At that time, I knew very little about civil defense. While traveling throughout the 4th District I began noticing the Minuteman missile silos. I began to wonder where the half million people would go if there were ever an attack against the United States and most likely against the 150 missile silos. The answer is there is no place to go. The same is true for almost every American. They have no place to go. All Americans, that means my family and your families, are unprotected. I have similar feelings for civil defense protection during times of natural or other disasters.

The almost $109 million the Administration is recommending for civil Defense can only suffice if it is the first installment for a civil defense plan calling for a gradual buildup over the next 5 to 7 years. I feel that whatever increased funding there may be for civil defense must include—I feel very strongly about this—plans for spending the money.

My bill, H.R. 2704, provides the funding plan and at the same time it gives civil defense direction, goals and a purpose.

The two main objectives of the bill are to define an enhanced civil defense program for the 1980s and to authorize appropriations for the new civil defense program. I seek to include the national civil defense program within the overall strategic defense policy of the United States. This legislation is also adaptable to peacetime emergencies. I am eager to find the means for protecting our people against national attack and peacetime disasters, and I believe this legislation is an important step in this direction.

I am not using today's opportunity as a platform for my bill. I am simply speaking for stronger civil defense. Increased funding is a must in order to accomplish this.

Other proposals for increasing civil defense funding have strong merit. However, there must be a plan for moving civil defense ahead, giving it direction and purpose with any increased funding.

In the 4th District of Missouri, $124 million is being spent to harden the 150 missile silos and to make them less vulnerable to an enemy nuclear attack. Yet, even though we appropriate and spend money to harden silos to withstand nuclear blasts so the American missiles can stand ready to be launched, we spend less than this sum to protect American citizens from the very same eventuality of nuclear blasts. I think it is high time we put the

protection of our people at the head of our priority list and take civil defense seriously as a Congress and as a Nation.

Thank you.

Mr. BOLAND. Thank you very much, Congressman Skelton, we share your concern about the priorities in civil defense and particularly the priority of protecting the public in areas such as your own.

We want to compliment you for your concern for the people in your area, where you have 150 silo sites. I appreciate your appearance before this Committee today.

Larry?

Mr. COUGHLIN. I have no questions. I sympathize with the gentleman very much. I know this is of particular importance.

Mr. SKELTON. There are 37 other areas in the country just like mine. Last year $98 million was appropriated. This year, the Administration has recommended $109 million. Quite frankly, it should be in the neighborhood of $145 million to get us going.

Mr. BOLAND. Thank you.

Lindy?

Mrs. BOGGS. Thank you, Mr. Chairman.

I really am pleased to see you taking this leadership position, because I think with the organization of FEMA we have an opportunity to bring together all the elements of our society that have been involved in disaster evacuations and in helping to rebuild after the disasters. I think the Three Mile Island experience with nuclear problems points up an area in which we are deficient.

I read with real interest the comment of an older citizen who said, "I wish this had been a flood. They know how to take care of us when there is a flood." I do think we should concentrate on what to do about nuclear disaster evacuations.

Mr. SKELTON. May I add a comment to that? If we had a civil defense program in effect in the Three Mile Island area—crisis relocation is a fancy word for it—if that were a necessity, the 650,000 people could have been evacuated safely and with some order.

As it was, there was no plan to evacuate even 2 of them, much less 650,000. So, I think that civil defense is not only important for the specifics I have mentioned here which we hope will never come to pass but for the nuclear problems, flooding, tornadoes. I might add since I have been in office we have had a devastating flood in the Independence district and three tornadoes, so I can speak with some authority as to problems associated with disaster.

Mr. BOLAND. Marty?

Mr. SABO. No questions.

Mr. BOLAND. Ben?

Mr. STEWART. No questions.

Mr. BOLAND. Thank you very much. It was a pleasure having you with us. We will insert your complete statement in the record.

[The statement follows:]

TESTIMONY OF
U.S. REPRESENTATIVE IKE SHELTON

DELIVERED BEFORE

HUD--INDEPENDENT AGENCIES SUBCOMMITTEE
OF THE
APPROPRIATIONS COMMITTEE

THE HONORABLE EDWARD P. BOLAND CHAIRMAN

APRIL 24, 1979
H-143

46-106 O - 79 - 3

LET ME TELL YOU WHY I'M HERE TODAY. MY DISTRICT, MISSOURI'S FOURTH CONGRESSIONAL DISTRICT, CONTAINS ALMOST 150 INTERCONTINENTAL BALLISTIC MISSILES. CONSEQUENTLY, IS IS CONSIDERED A HIGH RISK AREA BY THE DEFENSE CIVIL PREPAREDNESS AGENCY, ONE OF 38 SUCH AREAS IN OUR NATION. THIS SAME AREA IS THE FREQUENT VICTIM OF FLOODS AND TORNADOES. SO, YOU CAN SEE. I HAVE A DEFINITE INTEREST IN SEEING A STRONG NATIONAL CIVIL DEFENSE PROGRAM.

ALSO, I AM THE AUTHOR OF THE SKELTON AMENDMENT, WHICH IS PART OF THE 1979 MILITARY AUTHORIZATION BILL. THIS AMENDMENT REQUESTED A STUDY OF THE SPECIAL DEFENSE NEEDS OF AREAS OF THE UNITED STATES WHICH CONTAIN SIGNIFICANT ELEMENTS OF THE UNITED STATES STRATEGIC NUCLEAR RETALIATORY FORCES OR SIGNIFICANT DEFENSE-RELATED RESEARCH LABOTORIES OR FACILITIES. THE STUDY IS COMPLETE. In THE WORDS OF THE STUDY, "CURRENT CIVIL DEFENSE WOULD BE RELATIVELY INEFFECTIVE UNDER ANY TYPE OF NUCLEAR ATTACK AND FOR ANY AMOUNT OF WARNING". THE HOUSE AND SENATE ARMED SERVICES COMMITTEES HAVE COPIES OF THE STUDY. I WILL BE HAPPY TO MAKE COPIES AVAILABLE TO ANY MEMBER OF THIS SUBCOMMITTEE WHO MAY DESIRE ONE.

ANOTHER REASON FOR ME BEING HERE TODAY IS TO REFER THE SUBCOMMITTEE TO H.R. 2704, A BILL I INTRODUCED, WHICH OFFERS CIVIL DEFENSE ITS NEEDED DIRECTION AND FUNDING.

MY FINAL REASON FOR BEING HERE IS TO VOICE SUPPORT FOR AN AGENCY IN WHICH I HAVE THE UTMOST BELIEF. THAT IS CIVIL DEFENSE. THIS AGENCY NEEDS A MUCH STRONGER CONGRESSIONAL FOUNDATION BEFORE THE PEOPLE CAN BENEFIT FROM CIVIL DEFENSE. I AM DOING ALL I CAN TO BRING ATTENTION TO THE ISSUE OF STRENGTHENING CIVIL DEFENSE. THESE ARE THE REASONS I AM SPEAKING BEFORE YOU TODAY.

I TOOK OFFICE IN JANUARY 1977. AT THAT TIME, I KNEW VERY LITTLE ABOUT CIVIL DEFENSE. BUT WHILE TRAVELLING THROUGHOUT THE FOURTH DISTRICT I BEGAN NOTICING THE MINUTEMAN MISSILE SILOS. I BEGAN TO WONDER WHERE THE HALF MILLION PEOPLE WOULD GO IF THERE WERE EVER AN ATTACK AGAINST THE UNITED STATES AND MOST LIKELY...AGAINST THE 150 MISSILES? THE ANSWER IS...THERE IS NO PLACE TO GO. THE SAME IS TRUE FOR ALMOST EVERY AMERICAN! THEY HAVE NO PLACE TO GO. ALL AMERICANS...THAT MEANS MY FAMILY AND YOUR FAMILIES...ARE UNPROTECTED! I HAVE SIMILAR FEELINGS FOR CIVIL DEFENSE PROTECTION DURING TIMES OF NATURAL OR OTHER DISASTERS.

THE ALMOST 109 MILLION DOLLARS THE ADMINISTRATION IS RECOMMENDING FOR CIVIL DEFENSE CAN ONLY SUFFICE IF ITS THE FIRST INSTALLMENT OF A CIVIL DEFENSE PLAN CALLING FOR A GRADUAL BUILDUP OF OUR CIVIL DEFENSE OVER THE NEXT FIVE TO SEVEN YEARS. I FEEL THAT WHATEVER INCREASED FUNDING THERE MAY BE FOR CIVIL DEFENSE MUST INCLUDE PLANS FOR SPENDING THE MONEY.

MY BILL, H.R. 2704, PROVIDES THE FUNDING PLAN AND AT THE SAME TIME IT GIVES CIVIL DEFENSE DIRECTION, GOALS AND A PURPOSE.

THE TWO MAIN OBJECTIVES OF THE BILL ARE TO DEFINE AN ENHANCED CIVIL DEFENSE PROGRAM FOR THE NINETEEN EIGHTIES AND TO AUTHORIZE APPROPRIATIONS FOR THE NEW CIVIL DEFENSE PROGRAM. I SEEK TO INCLUDE THE NATIONAL CIVIL DEFENSE PROGRAM WITHIN THE OVERALL STRATEGIC DEFENSE POLICY OF THE UNITED STATES. THIS LEGISLATION IS ALSO ADAPTABLE TO PEACETIME EMERGENCIES. I AM EAGER TO FIND THE MEANS FOR PROTECTING OUR PEOPLE AGAINST NATIONAL ATTACK AND PEACETIME DISASTERS AND I BELIEVE THIS LEGISLATION IS AN IMPORTANT STEP IN THIS DIRECTION.

I'M NOT USING TODAY'S OPPORTUNITY AS A PLATFORM FOR MY BILL. I'M SIMPLY SPEAKING FOR A STRONGER CIVIL DEFENSE. INCREASED FUNDING IS A MUST IN ORDER TO ACCOMPLISH THIS.

OTHER PROPOSALS FOR INCREASING CIVIL DEFENSE FUNDING HAVE STRONG MERIT. HOWEVER, THERE MUST BE A PLAN FOR MOVING CIVIL DEFENSE AHEAD...GIVING IT DIRECTION AND PURPOSE WITH ANY INCREASED FUNDING .

IN THE FOURTH DISTRICT OF MISSOURI, $124 MILLION IS BEING SPENT TO HARDEN THE 150 MISSILES SILOS...TO MAKE THEM LESS VULNERABLE TO AN ENEMY NUCLEAR ATTACK. AND, YET, EVEN THOUGH WE APPROPRIATE AND SPEND THIS SUM OF MONEY TO HARDEN SILOS TO WITHSTAND NUCLEAR BLASTS SO THE AMERICAN MISSLES CAN STAND READY TO BE LAUNCHED...WE SPEND LESS THAN THIS SUM TO PROTECT AMERICAN CITIZENS FROM THE VERY SAME EVENTUALITY...NUCLEAR BLASTS. I THINK IT IS HIGH TIME WE PUT THE PROTECTION OF OUR PEOPLE AT THE HEAD OF OUR PRIORITY LIST AND TAKE CIVIL DEFENSE SERIOUSLY AS A CONGRESS AND AS A NATION.

THANK YOU!

FEDERAL ENERGY MANAGEMENT ADMINISTRATION

WITNESS

HON. DONALD J. MITCHELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BOLAND. Now we will hear from our colleague, Don Mitchell.

Mr. MITCHELL. I am grateful for the privilege of testifying at this hearing in support of an appropriation to implement legislation I recently introduced to provide an adequate civil defense system for our nation, H.R. 571.

It is my belief that one of the most pressing and unmet needs facing our nation is for an adequate civil defense program—one which is responsive to existing threats and prepares us for future challenges.

To respond to this need, I proposed a comprehensive, 7-year civil defense program. Its cost, $1.9 billion, represents but a fraction of our estimated total defense expenditures for the period covered; the increase in funding over our present program amounts to approximately one-tenth of 1 percent of our Department of Defense annual budget.

The program I am advancing is one that will give us, for the first time in this nuclear era, the protection we must be assured of as we face our ideological adversaries who lack our commitment for the pursuit of peace. Simply put, my goal is to help guarantee the survival of our nation in the event of nuclear war. We have no such guarantee today. It is time we did.

The 7-year plan would concentrate the use of the funds requested for: crisis evacuation; research and development; emergency operating centers; training and education; and management and coordination.

In each one of these critical areas our present civil defense program fails the test of adequacy.

My budget proposal, for the full 7-year plan and with a specific assignment of funds, is appended to these remarks.

[The information follows:]

REP. MITCHELL
Civil Defense
March 7, 1979

FY 80-86 CIVIL DEFENSE PROGRAM
(In Millions of Dollars)

	1980	1981	1982	1983	1984	1985	1986
Warning and Detection	20.0	22.0	23.0	23.0	25.0	29.0	29.0
Warning and Communications Systems	10.0	10.0	10.0	10.0	10.0	12.0	12.0
Radiological Defense	10.0	12.0	13.0	13.0	15.0	17.0	17.0
Emergency Operations	16.2	22.0	40.0	40.0	48.0	66.0	74.0
Training and Education	5.0	5.5	9.0	9.0	11.0	16.0	20.0
Emergency Information	2.3	3.0	7.0	7.0	8.0	13.0	14.0
Systems Development	2.5	2.3	2.8	2.3	2.3	2.3	2.3
Broadcast Station Protection Program	3.2	4.5	8.2	8.0	9.0	14.0	17.0
Red Cross	.2	.2	1.0	.2	.2	1.2	1.2
Citizen Training Instructions	.5	.5	1.0	.5	.5	1.5	1.5
Shelter Management Training	.5	2.0	5.0	7.0	10.0	8.0	8.0
Test and Exercises - EOS	2.0	4.0	6.0	6.0	7.0	10.0	10.0
Financial Assistance	36.8	36.9	38.1	39.3	39.7	40.5	40.9
Management (P&S)	35.0	35.0	35.6	36.2	36.4	36.8	37.0
Maintenance and Services	1.8	1.9	2.5	3.1	3.3	3.7	3.9
Management	24.1	24.1	25.9	27.7	28.3	29.5	30.1
Personnel Services	17.9	17.9	18.5	19.1	19.3	19.7	19.9
Travel	1.0	1.0	1.6	2.2	2.4	2.8	3.0
Administrative and Housekeeping	5.2	5.2	5.8	6.4	6.6	7.0	7.2
Shelters	23.9	44.0	71.0	96.0	95.0	148.0	118.0
Survey	6.0	12.0	17.0	15.0	10.0	10.0	10.0
NCP Planning	16.0	26.0	41.0	56.0	56.0	56.0	56.0
In Place Protection	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)
Crisis Evacuation	(10.0)	(20.0)	(35.0)	(50.0)	(50.0)	(50.0)	(50.0)
Shelter Marketing	1.0	1.0	1.5	1.0	.5	.5	.5
Shelter Stocking	.1	4.0	6.0	15.0	20.0	50.0	35.0
DIDS	.1	.2	.3	.4	.5	.5	.5
Expedient Shelter Planning	0.0	.1	.5	.9	.3	.3	.3
FRC Improvement	.6	.6	.6	.6	.6	.6	.6
Vent Kits	.1	.1	4.1	7.1	7.1	30.1	15.1
Emergency Operating Centers	3.0	15.0	28.0	39.0	40.0	60.0	62.0
EOCs	2.0	8.0	20.0	30.0	30.0	50.0	50.0
Supporting Materials	1.0	7.0	8.0	9.0	10.0	10.0	12.0
Research and Development	14.0	16.0	17.0	18.0	17.0	20.0	21.0
TOTAL	138.0	180.0	243.0	283.0	293.0	393.0	375.0

This program was not developed by me. Rather, it emerged over an extended period of time after protracted study by civil defense experts who have earned respect and a national reputation for their work in this area. It is a product of serious, well-intentioned people who share a concern about our present, have learned from lessons of the past, and are determined to prepare us to live in peace. It is the Program D recommendation of the Civil Defense Workshops which were held in Rosslyn, Virginia, in the fall of 1977 by the Systems Planning Corporation for the Defense Civil Preparedness Agency.

As a nation, we are in trouble. The Soviets have an excellent civil defense system. We do not. Neither nation had an adequate program in the mid-1960s. But for more than a decade the Soviets have been spending over $1 billion a year on civil defense. We have averaged less than $100 million. They have a three-track program: Individual protection, community shelters, and population evacuation. We have only one, community shelters, and it is in disarray in spite of the dedicated and dogged efforts of many professional and amateur civil defense leaders.

Why is this a problem? Because in my estimation, it destroys the strategic balance. The best hope for peace, we are told, is the maintenance of the strategic balance. There are varying estimates on the effect of an all-out nuclear war. If the Soviets have time to put their civil defense program into operation—3 or 4 days prior to the holocaust—the results would be far more destructive to the United States, which does not have a plan (over 100 million dead) than the Soviet Union (5-20 million killed). Should we adopt the D-Prime Plan of the Interagency Study on Civil Defense, which in effect is my bill, developed under the aegis of the National Security Council, they estimate we can save up to 85 percent of our population. Should the Soviets target population, they estimate up to two-thirds of our population will be preserved.

I have also given you a chart here with other recommendations.

[The chart follows:]

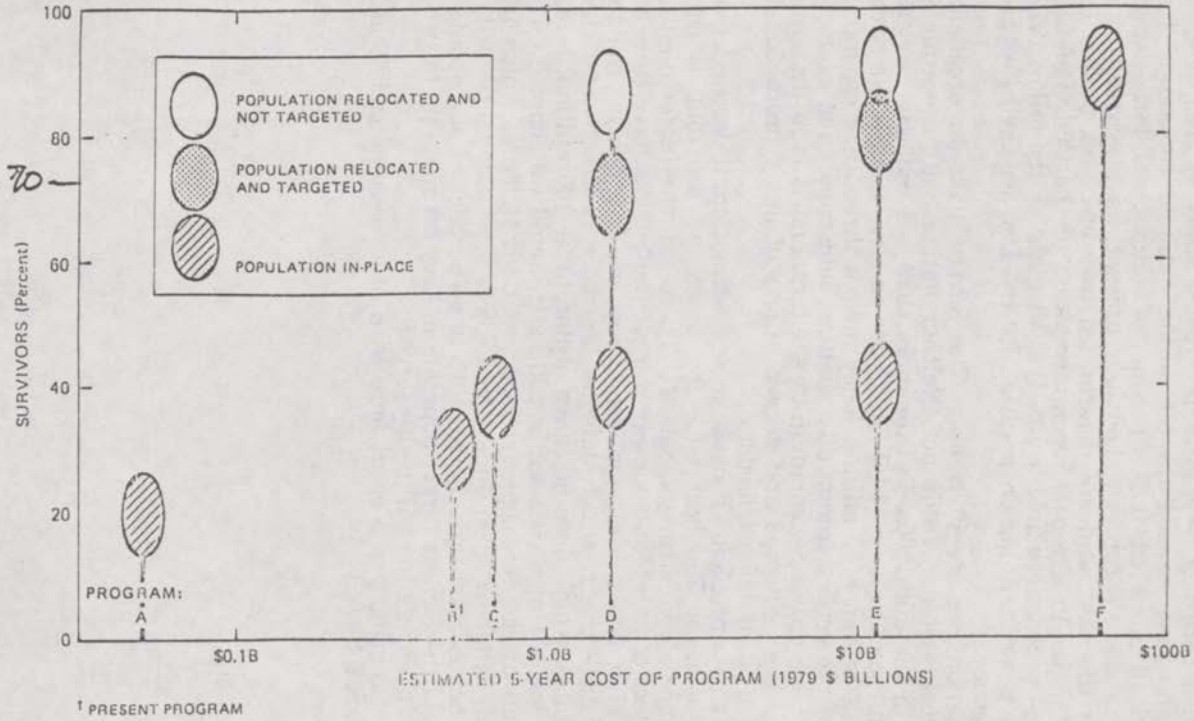


FIGURE 1. COMPARISON OF EFFECTIVENESS AND COST OF CD PROGRAMS
(Large-Scale Mid-1980s Soviet Attack Versus U.S. Military and Industrial Facilities, and Population)

The first solution is to do nothing. If we just leave our people in the cities, 20 percent of Americans will live in an all nuclear war if we do not do something.

Most experts agree we enjoy rough equivalence with the Soviets in weaponry. From our perspective it appears to get rougher each year. But if Soviet weapons have a far greater destructive effect on us than our weapons on them, it is as though they had far more weapons. This makes a mockery of the strategic balance. It does not exist.

Once the balance of terror is gone the Soviets have an awesome edge in any confrontation, whether it be at the bargaining table, an act of adventurism in Europe, Africa, the Mideast, or in an all-out nuclear war.

That is the bad news. The good news is it is not too late to do something about it. A relatively inexpensive remedy is to develop a civil defense system of our own. Some of our defense leaders suggest the way to compensate for Soviet superiority (they no longer claim it does not exist) is to retarget our weapons. Retargeting would supposedly rebalance the equation by killing more Soviet citizens. Also we could rebalance by building bigger bombs. It makes more sense to me to achieve the balance through civil defense—the potential saving of American lives rather than the potential destruction of Soviet citizens.

We must begin today to rebalance the strategic equation. How do you deter an attack unless you can convince an enemy that you will win the war that he is starting? I find it doubtful that anyone aware of the strategic imbalance believes we would fire any nuclear weapon if it meant the destruction of our society. Without a civil defense system that is precisely what it means.

Basically this $1.9 billion program requires the appropriation of DCPA (FEMA) to increase from $138 million in 1980 to $375 million in 1985. This year the House Military Installations Subcommittee and the House Armed Services Committee voted to increase the Administration's budget request for civil defense from $108.6 million to $138 million. Incidentally, we did the same thing last year, increased it to $138 million. This is the precise amount required for the first year of the 7-year program. In testimony before our Armed Services Committee, DCPA Director Tirana was supportive of this program. We are already several years and billions of dollars behind the Soviets.

I hope the Subcommittee Members will join me in implementing this program by approving an appropriation that is identical with the budget target established by the House Armed Services Committee.

Mr. BOLAND. Thank you very much, Congressman Mitchell, we are delighted to have you with us.

Congressman Coughlin?

Mr. COUGHLIN. Thank you very much, Mr. Chairman.

I want to welcome our colleague before us. I go one step further, having experienced an incident in an unknown place called Three Mile Island. Plans for handling a situation like that are certainly very important. It was reasonably obvious in the events that surrounded the circumstances that there were inadequate provisions for

emergency situations, which indeed goes to the heart of the civil defense program.

Mr. MITCHELL. If I could comment on that? There obviously was no plan for evacuation, and there was confusion and conflicting advice. The public has very little knowledge of radiation. Civil defense is part of an education program. Yes, Three Mile Island did bring things into focus.

Mr. COUGHLIN. I thought our Governor handled the situation in a courageous and mature fashion, and I think all our officials need to have guidance as to the steps that should be taken. I think we are sadly lacking in that.

Mr. MITCHELL. Yes, we have almost given up on civil defense. When you talk to people about it, they say we examined it in the 1960's, but two things have happened: We no longer have awesome weaponry, and the other, the Soviets have made excellent civil defense provisions and we have nothing.

Mr. BOLAND. Lindy?

Mrs. BOGGS. Thank you, Mr. Chairman.

Don, we are very pleased to know that you and Ike are strong voices for civil defense. Ever since Jack Kennedy tried extremely hard to get the country interested in civil defense, I have been interested in it and tried to work in it in a civic way before I came to Congress.

Anybody who has walked through the miles and miles of tunnels in Peking and other Chinese cities, knowing of the civilian involvement, has tremendous respect for protection against Soviet nuclear attack.

Mr. BOLAND. Marty?

Mr. SABO. No questions.

Mr. BOLAND. Ben?

Mr. STEWART. I want to commend you for the effort you have put forth dealing with the 7-year program. I think we have slipped up on training and educating the public. We have a national desire to spend money or go all the way when an emergency arises, but we are reluctant to set aside money in preparation for an emergency because we do not know when it is coming. We get the argument that we are wasting money, but I strongly urge you to stick to your guns.

Mr. MITCHELL. The point I made earlier is that to have a good system would cost only one-tenth of 1 percent of what we spend to destroy people. Most of our people do not think you can survive a nuclear attack—if the blast does not destroy you, the radiation would. Recent studies show if the Soviet Union hit us with everything they could, 95 percent of our land area people would not have to die if they knew how to protect themselves. Information is what we need more than anything else, and this program would help to provide that.

Mr. BOLAND. Thank you, Congressman Mitchell. We will insert the additional information you have provided for the record at this point.

[The additional information follows:]

INTRA-OFFICE
MEMO

REP. DONALD J. MITCHELL

TO: DATE:

FROM:

SUBJECT: FILE:

WARNING AND DETECTION

Warning and Communications Systems

The present civil defense system is a combination of federal, state and local systems which are designed to convey warning of enemy attack to governments at all levels and to the civilian population. The communications network involves teletype, voice and radio (for backup purposes) systems to convey warning messages.

Radiological Defense

Because of the dangers of fallout radiation, it is essential that the civil defense system including a radiological defense capability consisting of instrumentation to measure the intensity of harmful gamma radiation and the cumulative exposure of the population to this radiation, a system and plan for deployment of these instruments, trained personnel for operating the instruments, and a means of communicating radiological information to key government officials and to the public.

EMERGENCY OPERATIONS

Training and Education

The training and education program provides instruction to a wide spectrum of persons involved in civil defense. The objectives are to: (1) Train state and local civil defense staff who work continuously on emergency planning and operations; (2) Provide emergency operations orientation for state and local elected officials having a responsibility for protecting their citizens; and (3) Provide orientation to leaders in the private sector on disaster consequences and the contributions they can make to emergency rediness.

Emergency Information

A public information mission has been assigned to DCPA to: (1) Designate information about the purpose and status of the national civil defense program; and (2) Develop and distribute instructions and information to government, private institutions, and individuals. This information must provide for an awareness which will result in the appropriate response prior to, during, and after a nuclear attack or peacetime emergency.

Systems Development

This program produces and field tests guides for state and local governments on developing and using an effective capability for saving lives and protecting property in the event of a crisis or nuclear attack.

Broadcast Station Protection

DCPA in conjunction with the Federal Communications Commission established the broadcast station protection program to insure nationwide Emergency Broadcast System Presidential programming coverage under fallout conditions. The federal government pays for the cost of protecting selected EBS radio stations to provide fallout-protected studios, emergency generators, radio links to local government emergency operating centers, electromagnetic pulse protection, and emergency programming equipment.

Red Cross

Under the Red Cross Advisory Services program an experienced Red Cross disaster planner is assigned to each DCPA Regional Office to serve as a resident advisor to the regional staff in community disaster planning and to provide assistance and guidance to state and local government emergency preparedness planners.

Citizen Training Instructions

Develops a capability which in a crisis could provide survival information to citizens locally if and as demanded by them.

Shelter Management Training

Development of a system to train a nationwide cadre of shelter managers to function as "leaders" for occupants of a facility in a shelter environment.

Test and Exercises

Provides for conducting on-site training exercises for key local and state officals, in directing operations for a simulated disaster environment.

FINANCIAL ASSISTANCE AND MANAGEMENT

Funds provide for the management of the civil defense system at the national level. Includes personnel compensation and benefits, travel, rent, communications, utilities, printing and grants and contributions to state and local governments for civil defense purposes.

SHELTERS

Survey

Inspection of facilities to ascertain their abilities to function as a fallout shelter or to provide some degree of blast protection. Also, surveys are conducted to determine those buildings suitable for housing population who might be evacuated from areas of high risk during an intense crisis.

NUCLEAR CIVIL PROTECTION (NCP PLANNING)

The development of plans to provide protection for the public "in-place," that is in existing buildings which provide best available protection against nuclear weapons effects near where the people live. A second option in NCP planning involves crisis evacuation, or the ability to relocate the population from larger cities in areas close to high value military targets, over a period of several days during a civil crisis, to areas considered to be a lower risk.

Shelter Marking

Providing shelter marking signs for those buildings that are to be utilized as shelters in the NCP plans developed by a community.

Shelter Stocking

Provision of stocks for shelters [i.e., containers for water and for use in sanitation].

DIDS

The Disaster Information Distribution System (DIDS) provides a low frequency radio communication network to warn and inform public officials of a nuclear attack or disaster. The prototype facility at Edgewood, Maryland is to be "mothballed" and kept in caretaker status.

Expedient Shelter Planning

Detailed planning for actions to develop additional shelter during a crisis (e.g., to upgrade the fallout protection of existing buildings as by adding earth beside and atop the structure, and/or to construct expedient shelters during a crisis).

FRC Improvements

Six DCPA Federal Regional Centers have been constructed and funds are required to maintain the facilities and to replace equipment and other items that have worn out.

Vent Kits

Packaged ventilation kits provide for increasing the ventilation flow in shelter environment, thus increasing capacity of below grade shelter area. The vent kits are "fans" which can be operated manually or by electric power if available.

EMERGENCY OPERATING CENTERS

EOCs

The facilities constructed by state and local governments that provide a centralized location for officials to receive essential information, consider alternatives, make crisis decisions and communicate these decisions to operating forces.

Supporting Materials

Matching funds are provided for state and local governments to obtain supporting materials for use in EOCs. These materials include equipment for warning, communications, radiological defense, and emergency public information.

RESEARCH AND DEVELOPMENT

Research projects are initiated to evaluate hazards associated with advancing technology in nuclear weapons effects; develop and evaluate means or techniques for (a) reducing vulnerability to these effects; (b) upgrade the technical basis for emergency operations and (c) permit analyses at various levels of civil preparedness and its interfacing strategic systems.

WITNESS

HON. JOHN J. LAFALCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BOLAND. We welcome now Congressman John LaFalce, who appears before us regarding EPA, and particularly with regard to hazardous waste. John, we welcome you.

Mr. LAFALCE. I would like to ask that my entire statement be included in the transcript, and I will summarize my remarks.

Mr. BOLAND. It will be inserted.

[The information follows:]

STATEMENT OF

THE HONORABLE JOHN J. LaFALCE

Before

The Appropriations

Subcommittee on HUD - Independent Agencies

April 24, 1979

Mr. Chairman. Thank you for the opportunity to address your Subcommittee on a subject that concerns me deeply--the ability of the federal government to respond quickly, efficiently, and effectively to environmental and health emergencies caused by discharges of toxic materials.

INTRODUCTION

My remarks today focus upon one important source of such discharges, abandoned hazardous waste dumpsites. I am very familiar with abandoned waste dumpsites because one of the first to be identified, the Love Canal, is in my Congressional District. From my experience with the Love Canal, I came to appreciate the potential for human and environmental damage that these sites possess. Further, in my attempts to remedy the Love Canal problems, I became well acquainted with the very limited capacity of the federal government to address this particularly egregious group of environmental problems.

Mr. Chairman, I believe it inevitable that Congress will be asked--with increasing frequency--to address the most serious and difficult problems that stem from abandoned hazardous waste sites. While the Love Canal may have been the first of these "ticking time bombs" to explode, it will not be the last. In fact, EPA has recently estimated that approximately 1,000 similar sites with major potential for human and environmental harm may exist across the country.

Few would argue with the proposition that the cleanup of abandoned hazardous waste sites represents one of the most difficult and costly environmental challenges that our society has had to face.

Mr. Chairman, you and your subcommittee will play a major role in determining the fate of these 1,000 potentially most serious abandoned waste sites and, in

particular, controlling the pace at which the cleanup measures can be undertaken. This presents, too, the opportunity for you and your subcommittee to remedy one of the key difficulties now existing in the federal government's response to the abandoned waste problem -- insufficient funding of existing and potentially relevant environmental legislation. And I would also hope to enlist your support in eliminating another problem -- inflexible interpretation by the Administration of these same laws.

Drawing from my own experience with the Love Canal problem, I would like to discuss with you existing laws which offer potential mechanisms for addressing these type of environmental difficulties. I will try to document the many reasons why these remain potential and not applied mechanisms. Finally, my statement today will conclude with recommendations for new legislation needed to address some of the gaps in existing law.

EXISTING LEGISLATION

There are programs in at least five existing federal laws which, if properly funded and creatively implemented, could greatly expand our abilities to deal with Love Canal-style emergencies in both the long and short terms. These include:

1. The Clean Water Act
2. The Resource Conservation and Recovery Act
3. The Clean Air Act
4. The Safe Drinking Water Act
5. The Toxic Substances Control Act

Clean Water Act

The Clean Water Act probably offers the most potential for constructive responses to these environmental emergencies. Particularly relevant are Sections 504, 208, 201 and 311.

Section 504 authorizes a source of funds to abate just such an environmental emergency as presented by an abandoned waste site. It authorizes EPA to provide emergency assistance when pollutants or other contaminants are released into the environment. Although authorized at a level of $10 million in 1977, the Office of Management and Budget has refused to recommend funding for this purpose and nothing has yet been appropriated. Mr. Chairman and members of this Subcommittee, I believe that this matter is important enough that Congress should take the initiative and appropriate funds regardless of OMB's position.

Sections 208 and 201 provide other potential avenues with great promise for funding the longer term clean-up of abandoned hazardous waste sites. As you know, Section 208 provides money for planning integrated state and area-wide water pollution control programs; and Section 201 is EPA's basic construction grant program for building sewage systems and wastewater treatment plants.

I am very hopeful that both of these programs will be funded next year at the levels requested in the President's budget. Used imaginatively, each of them could have been very useful in our effort to plan for and carry out remedial actions in the Love Canal emergency. And there will no doubt be other situations, similar to what happened at the Love Canal, where they could also be used.

Initially, no one knew exactly how to attack the problems of cleaning up the toxic wastes leaching from the Love Canal landfill. It seemed to me that funds for planning the management of wastewater would have been appropriate to help develop the best way to proceed in eliminating this most serious problem.

The final plan for dealing with the emergency, it turned out, involved the creation of a drainage system which channeled the wastes from the landfill to a central point where a small pretreatment process would be provided. Then the

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wastes would be sent on for final treatment in the City of Niagara Falls' main sewage treatment plant. I considered this to be part of the city's overall waste-water treatment system, and therefore, to be eligible for assistance under Section 201. Regrettably, the EPA found itself unable -- or unwilling -- to agree with this position, saying it was not a "conventional" sewer system. We weren't dealing with a conventional problem, of course, I would, therefore, appreciate any help you can provide me in helping convence EPA and the Administration that flexible and imaginative interpretation of federal programs would enable the federal government to play a larger and more productive role in dealing with problems of this kind.

Section 311 of the Clean Water Act also has potential for addressing the abandoned hazardous waste site problem.

Section 311 provides for a National Contingency Plan to limit the discharges of oil and other hazardous substances into navigable waters. It also requires EPA to designate hazardous substances which, if released, would endanger public health.

Although it took EPA some five years to issue regulations for hazardous substances under 311, the limited authorization for this program threatens to render it relatively ineffective as a mechanism to counter the effects of abandoned hazardous waste sites. Although originally authorized at $35 million, less than half of this remains in the fund. Mr. Chairman, I am hopeful that your Subcommittee will appropriate the sums necessary to bring this emergency response fund up to its full authorized strength.

As I see it, the key function of Section 311 in the hazardous waste problem is to provide a federal mechanism for immediate responses when emergency situations

occur. Section 311 is essential to provide stop-gap interim funding for immediate abatement of health emergencies and for early planning which precedes longer term action applied through existing programs.

Resource Conservation and Recovery Act

The Resource Conservation and Recovery Act could be the cornerstone of a federal response capability for hazardous waste emergencies. In fact, Section 8001(a) of RCRA provided a means for federal participation in the present rehabilitative activity underway at the Love Canal in Niagara Falls. We tapped 8001(a) because it provides for, among other things, demonstration programs to limit the adverse health effects of the release of hazardous waste materials from sources such as existing waste sites.

Mr. Chairman, it was your Subcommittee, last August, which agreed to appropriate the $4 million under Section 8001(a) for a demonstration project at the Love Canal--the first time this program received any funds at all. I want to again express my deep and sincere appreciation to you for that support. That $4 million constitutes approximately two-thirds of the entire federal contribution to the Love Canal to date.

Nevertheless, given the wide-ranging scope of the abandoned waste site problem across the country, Section 8001(a) offers only a very limited potential for federal response because of its low funding authorization of $8 million. I believe that the Committee reauthorizing RCRA this year may recommend a substantial increase in funding for this section. If that occurs, Mr. Chairman, I would again ask your strong support for a larger appropriation as well.

Three other laws offer potentially smaller contributions to solving this particular environmental dilemma: the Clean Air Act, The Toxic Substances Control

Act, and the Safe Drinking Water Act. But if they are creatively implemented and adequately funded, they could significantly improve the Federal government's ability to detect and respond to environmental emergencies caused by abandoned waste sites.

Clean Air Act

Section 112 of the Clean Air Act, if flexibly interpreted, offers a structure for a national demonstration program to study the health and environmental effects of hazardous pollutants in specific areas of the country. Armed with this data, health authorities would be in a far better position to correlate disease and illness rates with the environment's load of toxic chemicals. Such information would also greatly facilitate identification of potential environmental trouble spots caused by, for example, abandoned waste dumps, before they develop into major crises. Indeed, I have proposed such a demonstration project to EPA and now await their response to my request.

Safe Drinking Water Act

The Safe Drinking Water Act sets standards for contaminants, including toxic chemicals, in drinking water. To do this, it gives EPA a strong mandate to study health effects of such environmental contaminants.

In its 1980 budget, EPA has requested a $5 million and an increase of nine professionals to beef up agency research into health criteria and their relationship to drinking water quality. Again Mr. Chairman, I would request your strong support of these most important proposals.

Toxic Substances Control Act

EPA's proposed research efforts are directly complementary to a recent initiative on my part aimed at accelerating our government's research into

problems surrounding human exposure to toxic substances, especially how to compensate victims of such exposure.

Just last month I proposed an amendment to the Toxic Substances Control Act during its reauthorization hearings before the Consumer Protection and Finance Subcommittee of the House Commerce Committee. This amendment directs the Council on Environmental Quality to conduct a comprehensive study of the scope of the toxic substance exposure problem in our country and of the mechanisms available to compensate such victims. The Consumer Protection Subcommittee authorized this study at a funding level of $2 million.

Congress will face a number of questions regarding compensation of injured victims of toxic exposure this year and in the near future. This study is designed to provide basic and solid data regarding the compensation problem and possible solutions to it. Results of the study should be invaluable to decision-making in the Congress and elsewhere if it is adequately funded. Your support will carry us a long way toward that goal.

I realize that my amendment is not yet law. And yet, because I believe that this problem is so serious and that action on it so crucial, I would urge you to give serious consideration to providing the $2 million it will authorize in CEQ's appropriation for FY '80. Then, if it does become law, there will be no delay in implementing it. And in any event, I wanted to mention this as something which may be brought to you in future requests for supplemental appropriations once it is enacted.

If funding this study through a major increase in the CEQ budget proves, for some reason, unworkable, another possibility might be to use Environmental Protection Agency funding under the direction of CEQ supervision.

This could be accomplished through appropriate language in your Committee report. Furthermore, it may make especially good sense this year since EPA has requested a major increase of some 19 million dollars for its FY 1980 toxic substances research and development program. Given the difficulties which EPA has experienced in utilizing its present $14.8 million appropriation effectively, we must ask whether the agency is capable of doing a better job with over two times as much. My guess is that $2 million of this increase might be used far more effectively by CEQ, and I commend this approach to you.

Mr. Chairman, up to now my testimony has focused entirely upon existing legislation that offers potential for substantially improving the federal government's response to a severe national problem -- the cleanup of abandoned hazardous waste sites.

With additional funding and more creative and flexible interpretation by executive agencies, existing legislation could have much greater impact upon solving this tragic environmental problem. The Clean Water Act may have the most potential for such an improved response. However, each of the other laws mentioned could also contribute to a more rapid and effective solution to eliminating the human health and environmental hazards posed by abandoned hazardous waste sites.

EPA STRIKE FORCE

There is one more item in EPA's budget which I would like to mention before I discuss the need for additional legislation to cope with the problems created by hazardous wastes. That is EPA's enforcement budget.

As a result of my experiences with the Love Canal and other pollution problems in Western New York, it has become apparent that EPA has no strike force capabilities to vigorously pursue complaints that are filed with the Agency

that charge that a company is not in compliance with the laws and thus polluting the environment.

I propose that this Subcommittee provide approximately 5 to 6 million additional dollars in EPA's appropriation for FY '80 to fund an EPA Strike Force unit. The authority for such a unit stems from Sections 311 and 504 of the Clean Water Act and Section 7003 of the Resource Conservation and Recovery Act.

This unit would be charged with the following duties:

1. discovering hazardous waste landfills;
2. determining the parameters of pollution leaching from such sites;
3. assisting program personnel in determining the best ways of cleaning up the sites; and most importantly;
4. collecting and collating the evidentiary materials which would be used by the Justice Department to bring negligent polluters into court.

The Strike Force could be a team composed of lawyers and technicians who would be trained in information-gathering for purposes such as I have described. I believe that the annual cost incurred by the federal government would be minimal in comparison to the costs incurred by the public when polluters are allowed to go undetected and without fear of penalty.

PROPOSED LEGISLATIVE INITIATIVES

The Hazardous Waste Control Act

There are, however, two glaring omissions in the present legislative framework that must be filled before we can begin to offer a comprehensive federal response to the abandoned hazardous waste site problem. First, no

existing legislation directly focuses upon the design of a national program to manage abandoned hazardous waste sites. To resolve this problem, I have introduced H.R. 1048, the Hazardous Waste Control Act, which would amend the Resource Conservation and Recovery Act. H.R. 1048 would establish a program to identify, reclaim (where feasible), and monitor abandoned hazardous waste sites. It would also provide an emergency source of funds that would be available to pay for immediate measures required to remove a potential or actual public health hazard.

One of the more unique features of this bill is its three-way funding mechanism. It draws upon the federal and state governments, as well as the hazardous waste disposal industry, to provide revenues needed to run the program.

The approach fixes responsibility on all three for solving the hazardous waste site problem, and it provides essential incentives for the industry to minimize the amounts of such wastes in the future, clearly something we all would want to accomplish.

My bill also would give the Federal government the authority to sue those responsible for each abandoned waste site problem for recovery of clean-up costs.

Finally, this bill establishes a procedure for selecting sites for new and environmentally safe hazardous waste disposal facilities. It is becoming increasingly difficult for responsible state and local authorities to locate such new facilities. In part, this is due to the widespread and often justified public opposition to such sites that has grown across the nation.

Indeed, there is little question that hazardous wastes have been mishandled in our country.

Unfortunately, however, new and environmentally sound sites must be found for hazardous waste facilities in order to ensure adequate treatment of newly generated waste materials as well as proper disposal of the contents of the many abandoned sites across the country that must be cleaned up.

H.R. 1048 provides for a rigorous governmental, public, and scientific review procedure during the site selection process in order to assure that all information, issues, and points of view are incorporated into siting decisions. Further, it fixes authority for final site selection decisions with the Administrator of EPA.

The Toxic Tort Act

My second legislative initiative, the Toxic Tort Act is designed to fill another existing and very great gap in the present framework of laws dealing with the abandoned waste site problem. This bill, H.R. 1049, would provide a mechanism for compensating victims of exposure to toxic substances. Specifically, it would:

1. Create a federal cause of action for victims of toxic exposure, permitting them to seek redress against negligent manufacturers;

2. Establish an independent agency within the Environmental Protection Agency to compensate victims of pollution-related injuries regardless of fault. This agency would function, in principle, like a workers' compensation system.

3. Require the Environmental Protection Agency to study the relationships between exposure to toxic substances and human disease and authorize EPA to make a "requisite nexus" finding. This would overcome the problem of proving causation with traditional proof requirements.

4. Modify the proof and limitations requirements which claimants must meet in state workers' compensation proceedings and in court actions, permitting the use of the presumption based on EPA's "requisite nexus" findings.

5. Subrogate EPA to the rights of the injured party, thus enabling the Agency to seek reimbursement from negligent parties.

At the present time, the lack of scientific and medical knowledge relating exposure to toxic substances with human illness combines with the traditional proof requirements of our judicial system to nearly preclude compensation for persons injured by exposure to toxic substances. My bill seeks to remedy this serious problem by ensuring that those who suffer physical injuries through such exposure have effective means of obtaining compensation for their losses.

THE "SUPERFUND" CONCEPT

The two bills I have just described constituted what I considered to be the most pressing needs for federal action. Since I first introduced them last year, however, I have continued to work with EPA, interested committees and subcommittees in Congress, and with a number of outside groups. And one result of that work has been my conclusion that the ideas in my bills should be merged with another idea that was initially proposed last year. That is the concept known as the "superfund."

Accordingly, I will shortly introduce new legislation combining my ideas with the more effective financing mechanism found in the "superfund" bill that was passed by the Senate last year but which, unfortunately, died in conference at the end of the session.

I believe this approach will combine the best of all the major suggestions about how to deal with hazardous substances. It will maintain the effective

financing mechanism provided from the "superfund" without sacrificing the incentives for minimizing dangers found in my earlier bills.

The "superfund" is a very attractive concept because it provides the capacity to deal with a wide range of environmental calamities in an effective manner. It has the potential for raising substantial sums of money quickly and at relatively low administrative cost. Further, its financing mechanism easily accepts the addition of incentives which could work, for example, to limit the total amount of wastes generated and promote the recycling of such substances.

The Administration supports the "superfund" concept. Indeed, EPA representatives have testified at Congressional hearings in favor of it. The Administration as yet, however, has not proposed concrete legislation that would spell out the details of how it views the operation of the "superfund".

The "superfund" which I envision would derive its funds from a fee on refiners of oil and producers of natural gas. This is an appropriate source, I believe, because oil and natural gas, it addition to being hazardous substances themselves, constitute feedstock substances for the manufacture of many chemicals and other potentially dangerous materials.

But a fee imposed on natural resources alone would not achieve other goals that a funding mechanism can achieve, including:

1. Conservation, and the resultant reduction of wastes;
2. Recycling of hazardous wastes into other manufacturing processes and thus, reducing the total quantity of wastes requiring management;
3. Reducing the toxicity of the wastes that cannot be eliminated.

At the appropriate time, Mr. Chairman, I would hope your Subcommittee will be receptive to initial funding of the "superfund" concept.

CONCLUSION

Mr. Chairman, may I thank you once again for the opportunity to appear before your Subcommittee to comment upon the existing federal response mechanism for cleaning up abandoned hazardous waste disposal sites and to present to you several new legislative initiatives needed to fill gaps in present law.

Few would argue that we should substantially improve the federal government's ability to deal effectively and efficiently with emergencies caused by abandoned hazardous waste sites. The difficult question that remains, however, is how to do this. I have presented to you a variety of approaches to this problem.

First, and most relevant to your Subcommittee's activities today, is the need to adequately fund existing programs which offer potential for dealing with abandoned hazardous waste sites. Along with this funding, however, should go the clear Congressional direction that existing legislation ought to be, when possible, interpreted with creativity and flexibility to allow its application to hazardous waste problems.

Second, I fear that existing legislation may not be up to the measure of all the existing problems surrounding abandoned hazardous waste sites. Legislation such as the Hazardous Waste Control Act and the Toxic Tort Act is absolutely crucial to fill existing gaps in our environmental legislation dealing with abandoned waste sites. When these or other bills do become law,

I hope you will be receptive to the need for funds to carry them out.

In closing, Mr. Chairman, I would like to make just one additional point. This year Congress is wrestling with the pervasive problem of inflation, and one of the most important things we can and must do to help control inflation is to keep down the costs of the federal government. I realize that the burdens of the fight against inflation fall heavily on the members of the Appropriations Committee.

Yet an integral part of whittling down the federal budget is the need to set national priorities. I applaud these efforts and concur with the need to hold down spending as much as possible. However, there can be no higher priorities than the preservation of a clean and healthy environment which will be safe for succeeding generations -- and the health and welfare of our citizens and their just compensation for injuries and damages which they have suffered unwittingly.

I can think of no better way to fight inflation than to appropriate monies now to fight environmental problems we face now so that they do not continue to mushroom and overtake us. In a recent speech EPA Administrator Douglas Costle said:

> "So far, New York State has spent $23 million on cleaning up the Love Canal. That expense includes evacuating 239 families, purchasing their homes, performing medical tests on the former residents, installing drainage pipes, personal costs for State Task Force employees. Claims against the chemical company are reported to exceed $2 billion. Even these dollar sums exclude costs which we have no way of measuring: the lifelong agony, for example, of one girl born with a cleft-palate, an extra row of teeth, and slight mental retardation.
>
> "Perhaps the most appalling fact of all is this: had the proper government regulation been in force at the time, it would have cost

> Hooker Chemical a maximum of $4 million -- that is in current 1979 dollars -- to find, construct and seal a secure hazardous waste facility. Instead the public has spent already $23 million... and the ultimate cost to former Love Canal residents and to the company is beyond comprehension."

Clearly, it is to everyone's advantage to do a job right the first time around. We must all do all we can to ensure the health, safety and welfare of our citizenry and the preservation of our environment. I stand ready to work with you to achieve these goals.

Thank you for allowing me to testify this morning. If you have any questions, I would be happy to answer them as best I can.

79-68 4/23/79

NEWS FROM

Congressman John J. LaFalce

36th District, New York

CONTACT: Mark A. Norman FOR RELEASE: 4/24/79

LaFALCE CALLS FOR EPA STRIKE FORCE

& INCREASED FUNDING FOR TOXICS

Charging that the Environmental Protection Agency has "no strike force capabilities to vigorously pursue complaints that are filed with the Agency," Congressman John J. LaFalce (D-36, NY) today proposed an EPA Strike Force Unit in testimony before a key House Appropriations Subcommittee.

LaFalce pointed out that the EPA "has little in the way of resources, personnel or commitment to identify and deal with the impact of the 1000 hazardous waste landfills which the Agency numbers nationwide."

His EPA Strike Force Unit would discover hazardous waste landfills, determine the extent of the pollution, assist in clean-up operations and provide information for Justice Department action against polluters. LaFalce asked the Subcommittee to provide between $5 and $6 million in EPA's Appropriations for Fiscal Year 1980 to fund such a program.

"The Strike Force would be a 100 person team, composed of lawyers and technicians, who would be trained to carry out these important duties. I believe that the annual cost which would be incurred by the federal government would be minimal in comparison to the costs incurred by the public when polluters go undetected and continue to harm the environment and endanger public health, " LaFalce noted.

Addressing the question of existing legislation, LaFalce also outlined current programs which are underfunded and ineffective. He told the HUD &

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Independent Agencies Subcommittee, which holds the purse strings to EPA programs, that it has "a great opportunity to remedy one of the key weaknesses in the federal response to the abandoned waste problem -- inadequate funding of existing environmental legislation."

The five existing laws cited by LaFalce for improved funding are: The Clean Water Act; The Resource Conservation and Recovery Act; The Clean Air Act; The Safe Drinking Water Act; and The Toxic Substances Control Act.

"The Clean Water Act probably offers the most potential for constructive responses to these environmental emergencies," LaFalce said. He criticized the absence of funding for Section 504 of this law, which would allow EPA to provide assistance for Love Canal-type environmental emergencies. It would be particularly useful in dealing with abandoned site problems, for it authorizes the EPA to step in when pollutants or other contaminants are released into the environment."Unfortunately, the Office of Management and Budget has refused to recommend funding for this purpose and nothing has yet been appropriated," LaFalce said.

He also called for greater funding for, and more flexibility in the implementation of, Sections 201 and 208 of this law. LaFalce attempted to use these two sections for aid to clean up the Love Canal, but met resistance from the EPA because of rigid implementation standards. LaFalce also asked for increased funding of Section 311, which would provide interim funding for immediate abatement of health emergencies stemming from hazardous substances, and for early planning which precedes longer-term action applied through existing programs. "The limited authorization and limited funding of this section threatens to render it useless as a mechanism to counter the effects of abandoned hazardous waste sites," LaFalce noted.

The Resource Conservation and Recovery Act, which LaFalce used to bring $4 million in federal funds to the Love Canal, was also cited for its very low funding level.

LaFalce noted that with increased funding and better implementation, The Clean Air Act, The Toxic Substances Control Act and the Safe Drinking Water Act "could significantly improve the Federal ability to detect and respond to environmental emergencies caused by abandoned waste sites."

The Subcommittee was also asked to approve funding of a $2 million study of toxic substance exposure problems and the mechanisms available to compensate such victims. This study, proposed by LaFalce and unanimously supported by the House Consumer Protection and Finance Subcommittee, would charge the Council on Environmental Quality with the task of conducting this major, comprehensive study.

Mr. LaFalce. I wish to thank you and the Subcommittee for the great assistance you gave me in funding last year Section 8001 of RCRA, which provides for a demonstration program. You saw fit to appropriate $4 million for a demonstration program to help cope with problems the people in my district were experiencing, and for that my constituents and I remain extremely grateful.

Of course, one of the reasons I am here this morning is to ask for more, but not just for the people of my Congressional District, Mr. Chairman, but for the residents of the entire United States of America, and particularly the residents of this Subcommittee, because every single member of this Subcommittee represents a State where the Environmental Protection Agency has stated that you have a ticking time bomb similar to the ticking time bomb that exploded in my Congressional District. Let me make a number of points, Mr. Chairman, first of all about existing legislation. There is a lot on the books right now which could be very helpful in dealing with the ticking time bombs that exist. I make particular reference to Sections 504, 208, 201, and 311 of the Clean Water Act. They have not been funded or interpreted adequately, depending on the case.

I go into all those sections in my testimony. I will not bother you with what I know you will read and study, but take Section 504, for example. It offers a very excellent vehicle for the Government to come in as soon as it sees a problem and cope with that problem immediately, rather than having to spend a year wondering who is going to respond, how are we going to respond, who is going to pay for it, who will be ultimately responsible, et cetera. It provides a vehicle. Although we have an authorization and have had an authorization since the Clean Water Act there has never been one penny appropriated for Section 504.

What is the reason for that? Basically, because OMB in whatever administration we are talking about has said, we had better not get into that because we are opening up Pandora's box. Time bombs have exploded and more will explode and the Government has not come up with an effective method of dealing with the bombs. We have not put our money where our mouth has been. Senator Muskie has been a real champion of this. On the Senate floor last year in August he said we have got to fund Section 504. Senator Proxmire, after consultation with Jim McIntyre, said we cannot open that box now. The problem was there. The question is, what are we going to do to cope with it?

We have to come up with some money for that. We have also got to do something about the other sections that I talked about. I will not belabor the point that Section 504 is the big one insofar as existing law is concerned.

The second major point I want to make, is the internal capacity of EPA to respond to a problem such as this is judicially nonexistent. They have not defined adequately what their role should be in dealing with a situation where abandoned hazardous wastes are now causing problems to the human environment, causing disease and illness. They do not have the internal capacity. What is needed is a strike force capacity to deal with this situation.

Mr. Chairman, I am recommending to this Subcommittee that you fund a 100-person team within EPA to create a strike force

unit. This strike force unit could discover hazardous waste piles, discover the extent of the pollution, assist in the cleanup operations, and could provide information for the Justice Department to act against polluters. It would only cost about $5 to $6 million in EPA's appropriations for fiscal 1980 to fund such a program. It is my understanding that EPA believes that such a strike force unit is desperately needed and it is extremely desirous to have such an internal capacity.

Strike force units would be composed of lawyers, scientists, technicians, doctors, et cetera.

This problem, as many commentators have pointed out, is going to be the most important problem that the 96th Congress is going to have to face up to, yet we have done almost nothing thus far to cope with it legislatively.

Something else, Mr. Chairman, and that is the state of our knowledge right now about the exposure of humans to toxic substances and the serious health problems caused thereby. The state of our knowledge is abysmally low. Within EPA there is hardly anybody who has expertise concerning this.

They don't know what methodology to use to measure the extent of the problem. Within the National Center for Disease Control in Atlanta, again there is very little knowledge. They don't know what to do to even measure the extent of the problem.

We do need an exhaustive, comprehensive study of the relationship between exposure to toxic substances and human health.

When I testified before the Consumer Protection and Finance Subcommittee of the House Interstate and Foreign Commerce Committee, I recommended an amendment to create such a study. The Subcommittee bought that amendment; it is going before the full Committee, and I believe it is going to pass.

It will authorize a certain sum of money, I believe $2 million. I would hope that this Subcommittee, in anticipation of that, would appropriate monies for a study that is desperately needed, a study of the causal connection, the relationship, the nexus between exposure to toxic substances and human illness and disease, about which right now we know so very little.

Mr. Chairman, while I do not want to focus on it today because perhaps this is too futuristic, we need new legislation on the books. I have talked about existing legislation, but the existing legislation in RCRA only deals with the problem of present and future disposal of toxic substances. It does not really deal with abandoned hazardous waste landfills. We are going to have to do something. We are going to have to amend RCRA to cope with that.

There are many approaches. I have offered what I call the Hazardous Waste Control Act. I have also offered a bill called the Toxic Tort Act which deals with the compensation of innocent victims of exposure to toxic substances. In all candor it is too early for me to ask you to appropriate monies for bills I have introduced that have not been passed.

I would point out, however, that I do expect the concepts in my two bills to be embodied in one piece of legislation that I am contemplating introducing, myself, and so, too, is the Administration and EPA; we would create a Super Fund which would operate basically under the auspices of Section 311 which would deal not

only with oil spills but also with toxic substances. But perhaps this Appropriations Subcommittee should cross that bridge when we come to it.

There is a bridge that we should cross now, in addition to what I have mentioned, and that is greater money under Section 8001(a) for demonstration grants. We have almost no money to respond to situations that are unusual in nature. We didn't have Section 504 money for Love Canal, so we either appropriate money for that, or by not opening the Pandora's Box, according to Mr. McIntyre, go to the demonstration grants program under Section 8001(a). But we have virtually no money in 8001(a) now and we need money there so that we have the capacity to respond to situations that wouldn't be covered by Section 504, if we fund 504.

There is something else I think we should address right now, too. Even though it is not legislation that exists on the books, it is so contemplated that the President has seen fit to include it in his budget request, and that is money for the Integrated Environmental Assistance Act of 1979. That should be submitted by the Administration in a matter of days. They have included approximately $25 million in their budget. This would establish an integrated multidisciplinary approach to the problem. It is different from the EPA strike force unit that I am contemplating, but it is something that is needed. It calls for an integrated environmental approach to the problems involving not only EPA but also other agencies as well. I would hope you would fund this at the level requested by the Administration, assuming that there is a subsequent authorization contemplated.

Mr. BOLAND. Congressman LaFalce, thank you very much. You have been very close to this problem because it struck you before it struck others. You have paid a great deal of attention to it, and you have focused the intent of Congress on this matter very effectively. You speak passionately about it because you are so aware of it, and this Committee is grateful for your presence here and also your knowledge of this matter.

Thank you.

Mrs. Boggs?

Mrs. BOGGS. I want to add my thanks to you, Mr. LaFalce, for your excellent testimony. We do have time bombs in each of our States.

Mr. LAFALCE. In addition to each of the States, I believe there are approximately three Members of this Subcommittee that have a ticking time bomb in their own Congressional District. I have a sheet of papers with their names.

Mrs. BOGGS. We have Taft, Lousiana which, of course, was evident in the Love Canal investigation.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. No questions.

Mr. BOLAND. Mr. Stewart?

Mr. STEWART. Since you pointed out the lack of knowledge in dealing with the problem, and the effect it has on people, I am wondering now if you had this human strike force that you talk about, would you have the available personnel to do that job in any reasonable length of time without extensive training?

Mr. LAFALCE. Oh, yes, because it is going to require, for example, engineers that could help tell you how to cope with the leaching of the toxic chemicals that is taking place. They would render advice on how to remedy the immediate problems through the creation of a micro-sewer system, for example, the laying of drain tile. That is one thing.

You would have a force. The Justice Department has little or no expertise in this area. So you would have some attorneys who would do nothing but go through the records of the people who have been dumping chemicals the past 25 years in a particular place, to see if they were dumping negligently, to prepare the case for the Justice Department, to go against the polluters for reimbursement of any Federal monies that were expended.

There are physicians throughout the United States that do have some knowledge, but they haven't been brought together in any coordinated way. Some work for the Federal Government. Some work for different State governments. Some work for foreign governments which have had some problems along these lines. Some work for private foundations. But they haven't been brought together. So, yes, clearly we would be able to create a most effective strike force team right now.

You see there are certain things we do know. We do know that in a certain geographic area where human beings have been exposed to toxic substances that the rate of miscarriages, for example, is 10 times higher, 25 times higher, than in an area where there hasn't been exposure.

Now maybe we don't know much about why, but we do know it has happened, and we can assume that there is a causal connection when you might have a 25 higher times incidence of miscarriages.

We can say, I think with a certain degree of credibility, that if there is a 10 times higher rate of deformity at birth in a geographic area where humans have been exposed to toxic substances, that we have got a problem.

Now why we have a problem—what the cause is, what the exact relationships are, what the cures would be, what the remedies would be, we know very, very little about that, but the fact that we have a problem jumps out at us.

Mr. BOLAND. Thank you again very much, John. We are pleased to have you with us.

Mr. LAFALCE. Thank you, Mr. Chairman.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

HON. NORMAN DICKS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. BOLAND. Mr. Dicks, welcome.

We are pleased to have with us our colleague, Norman Dicks from the State of Washington, who is a Member of the full Committee on Appropriations.

We are delighted to have you. You are looking fine, and I presume that you have a fine statement.

Mr. DICKS. Mr. Chairman I have just a very brief statement that I would like to read and then answer any questions that the Committee would like to ask. It is very brief.

Mr. BOLAND. We understand you are here with respect to the budget of the EPA.

Mr. DICKS. Right.

Mr. Chairman, it is a great honor for me to be here before this distinguished Committee, this Subcommittee of the Appropriations Committee. It is a pleasure to appear before you today to discuss the status, problems, and needs of the municipal wastewater construction grants program in the State of Washington. I will ask that my complete statement be placed in the record and I will summarize it now.

[The statement follows:]

TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE,
SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES
APRIL 24, 1979 11:15 AM

MR. CHAIRMAN, COMMITTEE MEMBERS, IT IS A PLEASURE TO APPEAR BEFORE YOU TODAY TO DISCUSS THE STATUS, PROBLEMS, AND NEEDS OF THE MUNICIPAL WASTEWATER CONSTRUCTION GRANTS PROGRAM IN THE STATE OF WASHINGTON. I AM HERE TO SUPPORT THE $3.8 BILLION BUDGET REQUEST AND ADDITIONAL ALLOCATIONS FOR STATES LIKE WASHINGTON WHICH ARE IMPLEMENTING THE FEDERAL WATER POLLUTION CONTROL ACT AS INTENDED BY CONGRESS AND HAVE ALSO OBLIGATED THEIR 1979 ALLOCATIONS FOR QUALITY PROJECTS. I DO SO IN RECOGNITION OF THE NEW AND POSITIVE DIRECTION EPA HAS GIVEN THE CONSTRUCTION GRANTS PROGRAM THROUGH ENACTMENT AND IMPLEMENTATION OF THE 1977 AMENDMENTS TO THE FEDERAL WATER POLLUTION CONTROL ACT.

STATUS OF PROGRAM

SINCE 1972, WASHINGTON STATE HAS RECEIVED $393.4 MILLION IN FEDERAL MUNICIPAL CONSTRUCTION GRANT FUNDS. OF THIS AMOUNT, $39 MILLION (10%) IS NOT OBLIGATED, $354.4 MILLION (91%) IS OBLIGATED BY CONTRACT, AND $207.2 MILLION (53%) HAS BEEN SPENT AS OF APRIL 1979. THERE ARE ONLY 12 PROJECTS WHICH HAVE NOT PROCEEDED SINCE AWARD OF GRANT CONTRACT REPRESENTING ONLY 5% OF OUR FEDERAL PROGRAM GRANTS.

IN WASHINGTON STATE THE STRATEGY IS TO "FRONT END" STEP 1 PROJECTS. WE ESTIMATE THAT 75% OF THE FACILITY PLANNING IS COMPLETED. STEP 2 DESIGN ACTIVITIES OF MOST MAJOR PROJECTS ARE NOW COMPLETED AND THE RESULTS OF THESE EFFORTS -- CLEANER WATER -- IS NOW DEPENDENT UPON STEP 3 CONSTRUCTION FUNDING.

THIS YEAR SIX HUNDRED PROJECTS COMPETED FOR RANKING ON OUR FY 1979 PROJECT LIST, REPRESENTING AN ESTIMATED ELIGIBLE COST OF ALMOST $800,000,000.

TWELVE PROJECTS READY TO PROCEED THIS FISCAL YEAR DID NOT MAKE THE FUNDABLE LIST.

EIGHTY TWO OTHER PROJECTS HAVING A TOTAL ELIGIBLE COST OF $290 MILLION WERE PLACED ON THE EXTENDED FIVE-YEAR LIST FOR FUTURE FUNDING.

OUR FUNDING NEEDS ARE ACCENTUATED BY THE RAPID RATE OF INFLATION. CONSTRUCTION COSTS IN THE PUGET SOUND AREA ARE INCREASING AT A RATE OF 2.75% A MONTH, AS COMPARED TO 1.30% NATIONALLY. ACTUAL CONSTRUCTION COSTS OF PROJECTS ARE FAR EXCEEDING THE COSTS USED TO DETERMINE OUR STATE'S ALLOTMENT OF GRANT FUNDS.

CONSEQUENCES OF REDUCED BUDGET REQUEST

THE WASHINGTON STATE PROJECT LIST ADOPTED THIS YEAR IDENTIFIES 35 PROJECTS PROPOSED FOR FUNDING THROUGH FY 1983. THIS LIST WAS DEVELOPED

ON THE FORECAST OF A $4.2 BILLION APPROPRIATION BY CONGRESS. ON THE BASIS OF THE PRESIDENT'S 1980 BUDGET REQUEST OF $3.8 BILLION, FIVE PROJECTS HAVE BEEN DROPPED FROM THE LIST. IF THE BUDGET REQUEST IS REDUCED TO $3.0 BILLION, OVER HALF OF THE PROJECTS WILL NOT BE FUNDED.

AMONG THOSE PROJECTS LOW ON THE STATE PRIORITY LIST WHICH WOULD BE DELETED IF THE APPROPRIATION WAS REDUCED BELOW $3.8 BILLION IS THE SINCLAIR INLET SEWAGE TREATMENT PLANT IN MY DISTRICT IN WASHINGTON STATE. THE PLANT IS NOW AT CAPACITY AND WHEN IT RAINS, WHICH IS OFTEN IN THAT PART OF THE COUNTRY, RAW SEWAGE OVERFLOWS INTO THE INLET, WHERE PEOPLE BOAT, SWIM, AND GATHER SHELLFISH. GROWTH CANNOT BE SLOWED BECAUSE IT IS RESULTING FROM THE CONSTRUCTION AND OPERATION OF THE TRIDENT SUBMARINE BASE FIVE MILES NORTH OF THE INLET. A MORATORIUM ON CONNECTIONS TO THE SEWAGE TREATMENT PLANT WAS CONSIDERED, BUT COUNTY COMMISSIONERS DETERMINED THAT THIS ACTION WOULD ENCOURAGE DEVELOPMENT IN RURAL AREAS WHICH WOULD BE MORE EXPENSIVE TO SERVE IN THE LONG TERM.

THE NEED FOR THE OTHER THIRTY PROJECTS ON THE LIST IS EVEN GREATER. IF THE BUDGET IS REDUCED NOT ONLY WILL WE FAIL TO ACHIEVE OUR WATER QUALITY GOALS, BUT WE WILL ALSO LOSE THE FUNDS ALREADY INVESTED IN PROJECT PLANNING AND DESIGN.

RECOMMENDATIONS

I FEEL STRONGLY THAT WE HAVE A QUALITY CONSTRUCTION GRANTS PROGRAM IN WASHINGTON STATE. IT HAS COMPLEMENTED AN AGGRESSIVE INDUSTRIAL

POLLUTION ABATEMENT PROGRAM. TOGETHER THESE POINT SOURCE PROGRAMS ARE IMPROVING WATER QUALITY. BUT WITHOUT CONTINUED SUPPORT FROM THE FEDERAL GRANT PROGRAM TO MAINTAIN THE MOMENTUM OF THE PROGRAM, OUR MUNICIPAL DISCHARGERS WILL LAG FAR BEHIND THEIR INDUSTRIAL COUNTERPARTS.

WASHINGTON STATE NEEDS THE FY '80 ALLOCATION AND COULD USE ADDITIONAL FUNDS EITHER FROM ITS SUBSEQUENT YEAR ALLOCATIONS OR FROM ADDITIONAL APPROPRIATIONS MADE AVAILABLE TO STATES WHICH HAVE USED THEIR FUNDS WISELY FOR QUALITY PROJECTS. I URGE YOU NOT ONLY TO SUPPORT THE $3.8 BILLION BUDGET REQUEST, BUT ALSO TO CONSIDER A TWO-TIER ALLOCATION FORMULA TO REWARD STATES WHICH HAVE CARRIED OUT THE INTENT OF CONGRESS.

THANK YOU FOR THE OPPORTUNITY TO TESTIFY IN SUPPORT OF THE WASTEWATER CONSTRUCTION GRANT PROGRAM.

I am here to support the $3.8 billion budget request and additional allocations for States like Washington which are implementing the Federal Water Pollution Control Act as intended by Congress and which have also obligated their 1979 allocations for quality projects.

I do so in recognition of the new and positive direction EPA has given the construction grants program through enactment and implementation of the 1977 Amendments to the Federal Water Pollution Control Act.

Since 1972, Washington State has received $393.4 million in Federal municipal construction grants funds. Of this amount, $39 million (10 percent) is not obligated, $354.4 million (91 percent) is obligated by contract, and $207.2 million (53 percent) has been spent as of April, 1979. There are only 12 projects which have not proceeded since award of grant contract representing only 5 percent of our Federal program grants.

I am advised that is because of litigation, and we hope that litigation will be solved.

In Washington State the strategy is to front-end Step 1 projects. We estimate that 75 percent of the facility planning is completed. Step 2 design activities of most major projects are now completed and the results of these efforts—cleaner water—is now dependent upon Step 3 construction funding.

This year 600 projects competed for ranking on our fiscal year 1979 project list, representing an estimated eligible cost of almost $800 million.

Twelve projects ready to proceed this fiscal year did not make the fundable list.

Eighty-two other projects, having a total eligible cost of $290 million, were placed on the extended 5-year list for future funding.

Our funding needs are accentuated by the rapid rate of inflation. Construction costs in the Puget Sound area are increasing at a rate of 2.75 percent a month, as compared to 1.30 percent nationally. Actual construction costs of projects are far exceeding the costs used to determine our State's allotment of grant funds.

The Washington State project list adopted this year identified 35 projects proposed for funding through fiscal year 1983. This list was developed on the forecast of a $4.2 billion appropriation by Congress. On the basis of the President's 1980 budget request of $3.8 billion, five projects have been dropped from the list. If the budget request is reduced to $3 billion, over half of the projects will not be funded.

Among those projects low on the State priority list which would be deleted if the appropriation was reduced below $3.8 billion is the Sinclair Inlet Sewage Treatment Plant in my district in Washington State. The plant is now at capacity, and when it rains—which is often in that part of the country—raw sewage overflows into the inlet, where people boat, swim, and gather shellfish. Growth cannot be slowed because it is resulting from the construction and operation of the Trident submarine base 5 miles north of the inlet. A moratorium on connections to the sewage treatment plant was considered, but county commissioners determined that this action would encourage development in rural areas which would be more expensive to serve in the long term.

The need for the other 30 projects on the list is even greater. If the budget is reduced, not only will we fail to achieve our water quality goals, but we will also lose the funds already invested in project planning and design.

I feel strongly that we have a quality construction grants program in Washington State. It has complemented an aggressive industrial pollution abatement program. Together these point source programs are improving water quality. But without continued support from the Federal grant program to maintain the momentum of the program, our municipal dischargers will lag far behind their industrial counterparts.

Washington State needs the fiscal year 1980 allocation and could use additional funds either from its subsequent year allocations or from additional appropriations made available to States which have used their funds wisely for quality projects. I urge you not only to support the $3.8 billion budget request, but also to consider a two-tier allocation formula to reward States which have carried out the intent of Congress.

Thank you for the opportunity to testify in support of the wastewater construction grant program.

I would just like to finish on this one note. I find it very distressing when I sit down with our local people and find that they are prepared, they are ready to go, they want to do the job, and they want to comply with the Federal law which is on the books, and yet they continue to pollute simply because we aren't able to get the money to them to go ahead and do the job that we are telling them that they are mandated to do under the law.

I think it puts these people in a very difficult position because what we are saying is that we are just not going to enforce the law, so don't worry about it. Nevertheless, under the law there are sanctions and penalties for not getting this work done.

The problem in our State, at least on these projects that are essential, is that we just don't have enough money coming into the system.

I understand that there are problems in other parts of the country where they have the money, but they are not obligating it because of litigation or other problems. So some people are saying, we don't need money. Somehow we have got to get the money to the people who can get the job done. What we are finding in our State is we are being penalized, in a sense, because of this problem.

Mr. BOLAND. This Subcommittee shares your concern. Our problem is with the tremendous amount of unobligated balances that are in this program that total about $8 billion. We are concerned about those States, like your own State and your own area, that are moving ahead with wastewater treatment facilities and doing a good job of it.

I am sure the Subcommittee will have your concerns in mind when we mark up this bill. You, of course, will have it in mind when we report it to the full Appropriations Committee.

Mr. DICKS. This Committee has done a great job over the years. There is no question about your being very generous with this program, when we talk about the total amount that has been funded. It is very substantial.

It is just awfully difficult to tell people that it is going to be 4 or 5 years when they have already done their planning. They are ready to go. They are violating the law as we have laid it down, and they want to correct the situation, yet we don't have enough money for them to go ahead and build the plan we are mandated to do by Federal law. It is a tough situation.

Mr. BOLAND. Our concern as you know, and of course it is your concern too, based on your knowledge of the appropriation process, and also the knowledge that you have gleaned over the years on Capitol Hill, is with this program that is so huge and so expensive where billions and billions will be spent. No one knows what the outside figure will be, but there are various estimates that it will reach $100 billion.

Mr. DICKS. Right.

Mr. BOLAND. Our concern is that the program ought to be monitored properly. There ought to be close oversight on it, and that is what this Committee and of course the legislative committees have attempted to do. We are concerned with the number of projects that filter in.

You say there are 600 projects in the State of Washington alone. That is a lot of projects.

Mr. DICKS. We have Puget Sound there.

Mr. BOLAND. Some may be good, some may be bad——

Mr. DICKS. Right.

Mr. BOLAND [continuing]. And some perhaps ought to be regionalized. Perhaps some ought not to be funded, but that is not our problem. Our problem is to be sure that those projects that are good ones, that are moving ahead, that are spending the money in an effort to control costs and to be sure that inflation doesn't eat away the monies that have been allocated for specific projects such as yours are funded.

Mr. DICKS. Exactly.

Mr. BOLAND. This is our concern, and you can be sure that this Committee will keep that concern in mind.

Mr. DICKS. Having dealt with this area for some time, I am concerned about some of the standards that we have required, particularly when you get into issues like secondary treatment versus best available treatment, especially in municipal areas where there is a saltwater situation like we have on Puget Sound. Frankly, some of the requirements in the legislation have been on an across-the-board basis without a case-by-case determination. This has required us to spend a lot more money, in my judgment, than was necessary to really take care of environmental problems that were serious. So, by having kind of an arbitrary way of doing business, and having a law that does not allow some flexibility in the determination of dumping into some saltwater areas where you really don't need secondary treatment, we have been forced to spend a lot of money on projects that weren't really necessary. That is what I am sure must trouble this Committee as it does this Member.

Mr. BOLAND. It does trouble us. As a matter of fact, last year we reduced the appropriation by about $300 million, from $4.5- to about $4.2 billion, because of our concern with some of the projects, particularly the advanced wastewater treatment projects which

are much more expensive in their operation and maintenance than the regular wastewater treatment projects. We decided we ought to get a close look at them, and we did. And as a result of that, we have asked EPA to slow down on some of the improvements on AWT, and they are doing it with some restrictions from this Committee.

Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman.

Let me say that no one, no one is more committed to this program than the Chairman.

Mr. DICKS. Absolutely.

Mr. COUGHLIN. We are totally committed to the program.

By the same token, we are also committed to a program that is cost effective and is not inefficient.

Mr. DICKS. And we don't want to contribute to inflation either if we can possibly avoid it.

Mr. COUGHLIN. For example, in my own State of Pennsylvania, according to one of the investigative studies, we have a multimillion dollar sewage treatment plant and no sewers connected to it. It is just sitting there.

Mr. DICKS. That is outrageous.

Mr. COUGHLIN. It is outrageous, and it is a waste of the taxpayers' money, and that is what this Committee is trying to avoid. In addition, we have, as the Chairman pointed out, large unobligated balances that are carried forward from year to year. We have no intention of stopping worthwhile projects that are underway under any circumstances.

Mr. DICKS. Isn't part of that because each of these States is treated as a separate entity? They are given their funds. It isn't like the highway trust fund where you can move the money according to necessity and who can move ahead and who can get the job done.

I understand this Committee is considering the concept of the two-tier approach which would allow flexibility so that money can be pushed into States where they are ready to go and ready to operate. That, it seems to me, would be one way to cure the balances.

Mr. BOLAND. There is a reallocation connected with this program but it hasn't really worked.

Mr. DICKS. That is because everybody obligates the money on the last day of the year. I understand the States are clever in the way they work this problem.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Thank you for your fine testimony, Norman.

I think you have sort of a double difficulty in your district if the Trident submarine base is causing some of your difficulties.

Mr. DICKS. Major growth.

Mrs. BOGGS. It seems to me that we should have some type of funding that would take care of such an eventuality.

Mr. DICKS. We do have some assistance, special assistance, the Trident impact program, but it doesn't quite reach this particular project yet. Maybe we can get it.

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. What would your reaction be to the proposal that would allow States to trade allocations? A State that is ready to go could, in effect, get allocations from a State that doesn't need it.

Mr. DICKS. I think that is absolutely the way we should go. If a State is way behind because of litigation—I guess that is the principal reason they are behind—at the end of the year the money could be recycled in.

Mr. SABO. This would not be recycled. The State that might not be quite ready to go could trade some of this year's allocation to a State that is ready to go and get some of that State's allocation in the future.

Mr. DICKS. I think that is fine. I think something along that line would be flexible and allow us to move ahead in meeting these goals that the Congress has established. That is what I think we should do. It gets to the question of large amounts of unobligated balances because of litigation. I think your suggestion is very practical and very reasonable.

Mr. BOLAND. You have mentioned the two-tier approach and some of the other suggestions that have been offered. They, of course, are legislative problems rather than our problems. We would get into problems with the legislative committee if we struck out on our own in this area.

Mr. DICKS. I know the Chairman has a great deal of influence with these other committees. As I learned from a Member of the other body, a lot of times things can be written into bills in the appropriations process——

Mr. BOLAND. You learned from the greatest of them all.

Mr. DICKS [continuing]. That can sometimes affect these matters and provide new directions of leadership through the appropriation process.

Thank you very much, Mr. Chairman.

Mr. BOLAND. Thank you very much. We appreciate your presence.

NATIONAL SCIENCE FOUNDATION

WITNESS

DR. N. BRUCE HANES, ASSOCIATION OF ENVIRONMENTAL ENGINEERING PROFESSORS

Mr. BOLAND. Is Dr. Bruce Hanes, Association of Environmental Engineering Professors, here?

Why don't you go ahead, Dr. Hanes?

Who are the Environmental Engineering Professors? Where do they come from? How are they funded?

Dr. HANES. It is a professional group of college professors that fund their own program through dues, and they number about 500. They represent every State, and they try to take an active, responsible role with respect to environmental problems that we have in our country.

Mr. BOLAND. Your specific interest would be more in line with Congressman LaFalce's testimony.

I notice that your interests cover air pollution control, water pollution control, safe drinking and environmental radiation control.

Do you attach about the same priority to all of those areas?

Dr. HANES. I certainly do.

Mr. BOLAND. Why don't you proceed?

Dr. HANES. You have a copy of my presentation, and I think that Congressman LaFalce really hit the nail on the head, in that human health is going to be the preeminent justification for environmental protection as we enter into this decade of the 1980's.

The professional community, the National Academy of Sciences, and Congress have expressed concern about EPA's decision to terminate academic training programs to no avail. They see training as an overhead cost in the maintenance of work force performance capacity, and they see lack of attention to work force development in EPA as a weakening process which will lead ultimately to ineffectiveness of our nation's system of dealing with environmental problems.

I think this viewpoint really has particular relevance when we look at the legislation that deals with the environment. I draw support from a comprehensive 1977 report by the National Academy of Sciences entitled, "Manpower for Environmental Pollution Control."

The Academy prescribed a major role for EPA in manpower needs and assessment and has called for reevaluation of EPA policy.

I would like to deviate from my prepared statement and just extract a few statements out of that NAS report, because we seem to be having a great deal of difficulty in getting EPA and OMB to really study the report in detail.

We look at page 87, and it is noted that 15,000 scientists and engineers work on pollution control for local government. However, only about 8,000 scientists and engineers meet the minimal degree requirements and other criteria. Thus, it is possible that substantial numbers of local government agency personnel may not have entirely appropriate educational backgrounds and require additional training.

If we look at page 110, it notes that publicly-supported research should explicitly include provisions for training of new workers. EPA has not done so and should soon.

On page 150, EPA, by any measure, has paid little attention to the personnel requirements associated with the large regulatory programs it tries to implement. No short or long-term studies have been made publicly available. Personnel development is a critical feature of the agency's implementation of statutory authority. Reforms must be initiated or responses to society's problems will continue to be inadequate.

On page 231, of 15,000 self-identified environmental engineers, no more than 3,500 have either a graduate or an undergraduate degree in environmental engineering. Many professionals in environmental agencies are upgrading their skills through part-time advance level study.

On page 241, significant needs for training over the next decade will be in continuing education for people working in the environmental areas.

On page 242, EPA's effort in manpower assessment, planning and forecasting are far less than needed. The agency should establish a manpower and evaluation planning program and collaborate with others, and use advisory groups. Top level leadership has been lacking.

On page 230, educational programs can't be turned off and on. It takes time to develop a quality educational program.

On page 325, there is grave concern with educational programs supported by EPA in the past and for which EPA support is declining, that they are not being replaced by support from any other entities.

On page 326, it is not realistic to assume that training of needed environmental manpower will occur without financial support from the Federal Government.

On page 328, manpower activities in EPA are relegated to a low priority program. Managers responsible for manpower in EPA should be at a high level in EPA or a chief administrator should be appointed for manpower.

On page 374, OMB has said grants to States and market forces make Federal training grants unnecessary. The National Academy of Sciences panel does not agree and believes that provisions of Federal funds for specialized training are wise and cost effective.

On page 382, success in implementing recent Federal environmental legislation will depend on availability of specialized, highly trained, and competitive manpower.

Finally, on page 383, the Federal Government should encourage and financially support substantially increased academic and other training without delay.

The purpose in trying to get a sampling of some of the things that are in that report, and in communication in the professional community, and in communication with the administrator of EPA, was to receive assurances that the report was being studied thoroughly, and that a manpower task force was to be established to ensure that academic training issues get full and reasonable consideration.

I have asked the Office of Federal Activities Education and Manpower staff to convene a task group to recommend a 5-year policy in this area by November 1, 1979. We are still waiting.

Last year, it appeared that the Committee recommend the addition of $1.5 million for academic training, and directed the agency to report no later than January 1, 1979 on its evaluation of the supply of professional environmental manpower over the next decade, and on available graduate training resources.

The report should contain conclusions and recommendations concerning the proper role of the agency in resolving these problems. There is still no reply that I am aware of, unless something has happened in the last few weeks.

I guess my major reason for trying to bring the content of this National Academy of Sciences report to your attention is a very real concern that we have in being able to respond to the environmental needs of the next decade.

I think in earlier testimony that we have made and also from what we have heard here today about problems and the need for well trained people, that it is clear that the problems are not going to go away. I think a direct action should be taken. I think Congress is the only group that can do it.

Our recommendation is the development of a comprehensive budget for training. The budget that I present to you today is the same budget that we have presented for 3 years now. You notice that it involves environmental radiation control as a very important feature that is going to be a problem in the future, and as it now is, and we are not prepared for it.

With this in mind, that would complete my remarks. I would be very happy to respond to any questions that you might have.

[The complete statement follows:]

45-106 O - 79 - 6



ASSOCIATION OF ENVIRONMENTAL ENGINEERING PROFESSORS

April 24, 1979

Testimony

of

N. Bruce Hanes

for

ASSOCIATION OF ENVIRONMENTAL ENGINEERING
PROFESSORS

Subject

ENVIRONMENTAL WORKFORCE
DEVELOPMENT

THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY'S

ACADEMIC PROGRAM

for

Air Pollution Control
Water Pollution Control
Safe Drinking Water Act
Environmental Radiation Control

Human health is the preeminent justification for Environmental Protection as we enter the 1980's. This redeveloping attitude was illustrated this year by the responses of society to the Three Mile Island nuclear power accident and the apparent illness created by land disposal of chemical wastes in Niagara Falls, New York. It is indeed ironic that in both cases the lack of an adequate workforce with specialized education has been suggested as a contributing factor while the Environmental Protection Agency continues to ignore its responsibility in this area.

The Professional Community, the National Academy of Sciences and Congress have expressed concern with respect to EPA's decision to terminate academic training programs to no avail. Informed observers see training as an investment in the building and an overhead cost in the maintenance of workforce performance capacity, and they see lack of attention to workforce development in EPA as a weakening process leading ultimately to ineffectiveness of the nations' system of dealing with environmental problems. This view has particular relevance when tasks assigned to the nation's environmental workers by recent legislation are considered. This view draws authoritative support from a comprehensive 1977 report, Manpower for Environmental Pollution Control prepared under contract with EPA by the National Academy of Sciences. The Academy has prescribed a major role for EPA in manpower needs assessment and has called for a re-evaluation of EPA policy on environmental workforce development.

The OMB budget examiner's decision to terminate EPA's academic training programs, an oral communication was made in the FY-74 budget cycle. The termination was not to be abrupt. The Agency was told to develop a plan for phase-out of programs by June 30, 1976 or to have a phase-out schedule issued by OMB as an allowance. EPA chose the first alternative. Their response, prepared in early 1973 provided a lowering of support under a schedule of grant terminations with final appropriation to be made in 1975 (FY-76 budget).

Implementation of the phase-out proceeded essentially in accord with plan until 1975. In that year Congress changed it with a $2.0 million add-on for the FY-76 budget. Later in the same year EPA's Administrator Russell Train attempted to reinstate academic training with a recommendation to OMB for inclusion of $4.2 million in EPA's FY-77 budget request. OMB disapproved. The fact of the request and the disapproval came out in the FY-77 hearings and Congress provided the $4.0 million earlier referred to.

EPA made no request to OMB for FY-78 academic training money. Reasons for no requests provided by EPA in the appropriations hearings were past lack of success in gaining OMB approval and the fact of other items equally pressing which required advocacy. At the time of the FY-78 Hearings, the NAS study on environmental manpower had not been issued. The Congress provided $3.0 million above a zero request.

EPA made no request to OMB for FY-79 academic training funds, and in testimony before the House sub-committee Zero Base Budgeting provided a rationale for "no request" with no mention of OMB attitude. The NAS study had now been available to EPA for approximately 10 months. EPA Administrator Costle mentioned its helpfulness but then immediately noted as an EPA impression of weakness that the report did not explicitly address the resources issue instead calling for "more, more, more, more". Later in response to a question from Congresswoman Boggs mentioning toxic substances and air quality Mr. Costle discussed at length the demand for toxicologists and apparently on the basis of the toxicology discussion questioned the need for training grants "in the face of such an overwhelming market demand and supply". Ms. Boggs did not ask if the same rationale applied to air and water programs.

No oral testimony on academic training appears in the Senate Appropriations Sub-Committee Hearings for Fy-79, but written questions were offered by Senator Brooks and Senator Mathias. In response EPA emphasized the fact of current study proceeding on the NAS report and stated that before establishment of Agency policy it will conduct a coordinated and thorough review of the full NAS report addressing the key policy question on "the appropriate role of EPA in academic and graduate training".

In the FY-79 appropriation cycle, for the first time the House mark-up for the appropriations bill did not include money for academic training. Impetus for the $1.5 million finally provided came from the Senate and with the following language:

> The Committee recommends the addition of $1,5000,000 for academic training and directs the agency to report no later than January 1, 1979 on its evaluation of the supply of professional environmental manpower over the next decade and on available graduate training resources. The report should contain conclusions and recommendations as to the proper role of the agency in resolving these problems.

At this writing EPA has not responded to the Senate directive. EPA administrator Costle's first appearance before Congress came in March 1977 before Senator Proxmire's Appropriations sub-committee. As earlier mentioned this was the year that EPA witnesses justified "no request" for academic training money by citing difficulty with OMB. "We have a new Administration", Senator Proxmire reminded Mr. Costle. "Perhaps you should try again". But EPA has not; the last "try" is represented by Mr. Train's 1975 attempt.

In another related training issue the 1977 amendments to clean air and safe drinking water legislation eliminated charges for state and local agency attendance at EPA conducted short courses that were imposed by OMB directive in 1972. The charges still apply to water pollution control agency workers. In view of the legislation and an existing no charge policy in other federal agencies EPA's Administrator requested authority for adoption of a uniform "no charge" for employees of state and

local environmental control agencies. The request of April 24, 1978 and a later follow-up November 1, 1978 have received no written response.

The purpose of outlining the history of EPA's attempt to withdraw from the Environmental Workforce Development Program is to provide a clear view of responsibility for the policy. It is indeed unfortunate that such policy can be set by bureaucrats in spite of enabling legislation, the recommendations of the professional community, the desire of Congress and a report from the National Academy of Sciences.

In earlier testimony the need for a comprehensive Workforce Development Program has been clearly established and it is now just as clear that only Congress can implement the program. The first step is the adoption of the proposed minimum comprehensive budget which is enclosed. This is the identical budget presented in our testimony both in 1977 and 1978 which was prepared and supported by the professional community. The justification and rationale for each budget item is also available in the 1977 testimony. If the fiscal year 1980 budget for EPA is not amended and funds not added then EPA and OMB will have successfully ignored both the professional community and Congress on this issue. The second step is the initiation of specific legislation that would require adequate environmental workforce development. We of the professional community would be pleased to assist in the development of such legislation.

Proposed Comprehensive Budget

EPA Academic Training

Fiscal Year 1980

PL 91-604

Air Pollution Control

Section	Purpose	Amount
103(a)(1)	Professional (graduate) Training	1,500,000
103(a)(1)	Graduate Fellowship	675,000
103(a)(1)	Consortia Support	450,000
103	Special Programs	500,000
103(a)(2)	Short Term Technical Training	1,500,000
	Workforce Forecasting	500,000
	Sub Total	$ 5,125,000

PL 92-500

Water Pollution Control

Section	Purpose	Amount
104(g)(3)(A)	Professional (graduate) Training	2,500,000
104(g)(3)(B)	Research Fellowships	1,000,000
104(g)(3)(C)	Direct Training	700,000
109-112	Undergraduate Training	500,000
109-112	Curriculum Development	300,000
104(g)(1)	Operator and Instructor Training	2,000,000
104(g)(2)	Workforce Forecasting	500,000
	Sub Total	$ 7,500,000

PL 93-523

Safe Drinking Water Act

1442(9)(3)(A)	Professional (graduate) Training	2,000,000
1442(9)(9b)(A)	Technical Training	1,000,000
	Sub Total	$ 3,000,000

Title 42, U.S. Code, Section 2021 (h);
Title 42, U.S. Code, Section 20231*;

Environmental Radiation Control

Professional (graduate) Training	1,300,000
Special Programs	200,000
Short Term Technical Training	450,000
Environmental Radiation Manpower Development, Planning and Assessment	50,000
Sub Total	$ 2,000,000

Total EPA Training Needs $17,625,000

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

Are you connected with some particular university?

Dr. HANES. Tufts University in Medford, Massachusetts.

Mr. BOLAND. You have been in touch with this Committee by letter, too, haven't you?

Dr. HANES. That is correct. I wrote each of you a letter trying to cover the things that were happening.

Mr. BOLAND. How do you arrive at these figures for the particular sections of the laws that you quote? For example, for professional graduate training you target $1.5 million.

How did you arrive at that figure?

Dr. HANES. In the air pollution program, this was developed by Professor Moeller, who also appeared before this Committee, and by an advisory group that was in existence 3 years ago. They targeted an estimate of the needs with respect to individuals in the air pollution area, and then considered the minimum size of program that would respond to these needs.

Mr. BOLAND. How long are these training programs going to last? You have $2 million targeted for operation and instructor training under the water pollution control program. My understanding is the EPA is doing some of this. The monies have been appropriated over the years under the wastewater treatment program for this kind of training.

Dr. HANES. There are several breakdowns in the budget. Professional training is for the new person who is coming up——

Mr. BOLAND. I am talking about operator and instructor training here, $2 million.

What are you talking about when you are talking about this particular area?

Dr. HANES. This is the operator in water pollution under Public Law 92-500. That is referring specifically to the wastewater treatment plant operators.

Mr. BOLAND. How long is the operator trained? I think it is a very important program. A lot of the problems that have been developed in the wastewater treatment program have been developed as a result of some of the poor operation of brand new equipment.

Dr. HANES. That is right.

Mr. BOLAND. This has been common throughout the entire program. I think it is a terribly important part of the success of the program—operator and instructor training. What sort of training do you give them?

Dr. HANES. This varies across the country. In our area, it is a 2-year program. It is carried on by the Interstate Water Pollution Control Commission with help from EPA, and it is carried on specifically at the Southern Institute of Technology.

Mr. BOLAND. Do you take operators from the various municipal plants and bring them into the school and train them?

Dr. HANES. This is particularly in bringing new operators into treatment plant work, and some operators who currently are working do come back to the school and then return to the field. A couple of years ago this particular number was developed in working with the people who are involved in that particular area, primarily in the New England area.

Mr. BOLAND. This Subcommittee has been stressing training for some years.

Has there been a substantial increase in manpower and training under this program?

Dr. HANES. In operator training. It has been separate. That is absolutely correct.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. No questions, Mr. Chairman.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. I have no questions.

I would simply like to congratulate Dr. Hanes in bringing this testimony to us. This is an area in which this Committee has been very, very interested, and I would suggest that it even extends down to the high school level.

Dr. HANES. If it weren't for the actions of this Committee, to be very honest, the number of people that we have available would be even less today. We also have studies, which are not part of my testimony. Some indicate that there is a very definite decrease in the number of trained professionals that are coming out. People responsible for the environmental near-disaster in Pennsylvania, your head person—is getting on in years. He suffered a very severe heart attack not long ago. These types of people are going to have to be replaced, and we just hate to see these things happen. These are real concerns, because if we don't come and bring this to your attention, then we really don't have any complaint when the work doesn't get done.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. I guess I just have a tough time understanding what this is all about. I keep wondering what is wrong with our academic institutions. I happen to be a great supporter of basic scholarship grant-in-aid programs and loan programs for kids. I have been lobbied more by university groups since I have been in Congress than any other group, all with special little categories. They want a special training program here, a special training program there. I just don't know where they all come from.

If we have a basic program in place to deal with all kids, what is the problem? Is it counseling in the colleges and universities to encourage kids into programs where there are jobs? Is it a problem at the high school level?

Obviously, we are going to have fewer people going into education because the number of people in elementary and secondary education is decreasing. I just have a tough time justifying all the categorical scholarship grant programs.

Mr. COUGHLIN. Will the gentleman yield?

I counted those recently, and there are 192 separate Federal categorical grant programs in education.

Mr. SABO. Yes, and I just have difficulty in dealing with that. I am all for the basic educational opportunity grant and the extensive State scholarship grant-in-aid program in our State. These are based on the needs of the student who can't afford to go to college, so that he can go on. But we just keep adding all these special programs.

I don't know how to sort them out.

Dr. HANES. I can't speak for the other programs. I did not realize there are over 100 represented here. But what we are really faced with is that the employers of most of the people that we are looking at are State, local governments and the Federal Government.

Mr. SABO. The pay scale is not bad.

Dr. HANES. If you are going to work for Massachusetts this year as an environmental engineer, you receive $12,000. If you go with IBM, it is $19,100.

Now that is quite a difference, and it is the State pay scales. This is why I brought up this particular part.

Mr. SABO. So we train them here so they can work for IBM?

Dr. HANES. No. Hopefully, you will encourage people to go into the environmental area so that they will be available to work for the States. That is the objective. In other words, there is no incentive for the best student graduating with a 4-year engineering degree to go to graduate school at this time, if they look at the economic side of it.

Now how do you bring that person into the environmental field? That is the task that we are looking at. The other task is to turn around and upgrade the salaries to put them on a competitive basis. The financially unattractive places now are State agencies and universities.

Mr. SABO. That is difficult to accept.

Dr. HANES. I would be very happy to pursue it at another time. I realize that you are very busy.

Mr. BOLAND. Thank you very much, Dr. Hanes. We are delighted to have you with us this morning. I am not sure that we can satisfy all the needs for the monies you are requesting. This Committee does have some concern about encouraging personnel to go into this field. It is expanding all the time, and the problems are expanding, too.

Dr. HANES. I would look very much forward to having a program that is operating next year.

Thank you very much for your time.

NATIONAL SCIENCE FOUNDATION

WITNESS

DR. WALTER WAETJEN, PRESIDENT, CLEVELAND STATE UNIVERSITY, REPRESENTING AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Mr. STOKES. Mr. Chairman, I appreciate the opportunity to welcome to our Committee one of the distinguished educators in this Nation, Dr. Walter Waetjen, the president of Cleveland State University, who not only is a good friend, but also is an educator who has done an outstanding job as president of Cleveland State University; one who has made the university relevant to the City of Cleveland itself.

I appreciate the honor at this time of welcoming him to our Committee to receive his testimony.

Mr. BOLAND. I want to join with you in welcoming Dr. Waetjen. He was here last year. As the Doctor knows, Congressman Stokes

had been busily engaged in many other activities in the Congress and could not attend the hearing at that particular time, but I did express his regrets in not welcoming you. We do welcome you now.

How many times have you been before this Committee, Doctor?

Dr. WAETJEN. I believe this is the third time.

Mr. BOLAND. You are getting better looking all the time and more and more persuasive all the time, too. [Laughter.]

Dr. WAETJEN. I hope the latter is the case.

Mr. BOLAND. We are pleased to have you, Doctor. Thank you very much for coming.

Dr. WAETJEN. Thank you, sir.

I appreciate your consideration and also that of the Members of the Subcommittee.

I realize that time is short.

I should like to request that the written aspect of my testimony be entered into the record, and then I'll abbreviate it in order to make time serve to our advantage.

Mr. BOLAND. Fine, we will include the statement as you have presented it to us.

[The information follows:]

TESTIMONY

of

Dr. Walter B. Waetjen, President
Cleveland State University, Cleveland, Ohio

Before the

HUD-Independent Agencies Appropriations Subcommittee

of the

House Committee on Appropriations

on the

Proposed Budget for Fiscal 80 - NSF Appropriations

Tuesday, April 24, 1979, 10:00 a.m.

Mr. Chairman and Members of the Subcommittee:

It is indeed an honor for me to appear before you today on behalf of the American Association of State Colleges and Universities with regard to the proposed budget for FY 1980 for the National Science Foundation. The President, in his March 27th Message on Science and Technology, stated that the "Federal Government supports basic research to meet broad economic and social needs. Basic research is a quest for new knowledge... But basic research also is the forerunner of new inventions, advances in health care, nutrition and agricultural production, many new products of commerce, and new technologies for defense, space, energy and environmental protection. Prudent planning for the future demands a deliberate and continued commitment to basic research.

The National Science Foundation is critical to balanced support... My budget request this year for the Foundation exceeds $1 billion. In presenting this request, I urge that Congress consider the critical role played by the Foundation.

While we would commend President Carter and his Administration for efforts to improve the budgetary condition of basic research programs and, especially, of the National Science Foundation, we must state that they are not sufficient to make up for the lost momentum of the 60's and 70's.

Mr. Chairman, AASCU represents over 340 public institutions of higher education in the United States. We estimate that we educate more than 2½ million students per year. Because of the size of our collective enrollments, AASCU member institutions believe that we have important goals to fulfill with regard to our country—goals to provide the intellectual stimulus which will encourage more and more young people to seek careers in scientific and technological fields.

Because we are public institutions, dedicated to giving opportunity to many first-generation college students to obtain a higher education—particularly those from low-income families—we support the policy of low tuition. Therefore, in order to provide intellectual stimulus to our students and faculty, we must look beyond tuition to our State governments and to the Federal government for the bulk of support for research and special projects which can enrich our curriculum and give our students the chance to exercise their scientific curiosity and capacity for inventiveness. We hope they will thereby become caught up in the excitement of generating the technological advances which have so greatly improved the human condition in the twentieth century.

On the federal government level, we depend greatly on the National Science Foundation, the nation's chief domestic agency focused on programs of support for all scientific and engineering disciplines, for procurement of the means by which we may improve our undergraduate programs of science education and research. Of primary importance to AASCU institutions are the programs of the Science Education Directorate of the NSF. That is why we are concerned about the fact that funds for this directorate have been decreasing steadily as a percentage of the total NSF budget since 1959. In 1959 President Eisenhower requested a supplemental appropriation for science education as a direct result of the alarm in this country caused by the success of the Soviet Union and its Sputnik. Science education comprised about 46 percent of the total NSF budget after that supplemental was approved. Thereafter, by fiscal 1975 science education proportion of the budget had dropped to 11 percent. Today, even though total dollars for science education has increased, in constant dollars and as a proportion of the total NSF budget, science education continues to lose. We believe that this nation is asking for another Sputnik-like embarrassment in the sciences if we do not increase the support for the education of our youngsters in the sciences sufficiently.

The CAUSE program of this directorate which provides Comprehensive Assistance to Undergraduate Science Education is a significant one for our institutions. However, the Administration has seen fit to reduce the FY 80 proposed level of funding for that program by $300,000 below the FY 79 level of $13.8 million. In terms of constant dollars then, we will be unable to continue our projects at the FY 79 level due to inflation. I would encourage you, therefore, to increase the level of funding for that program to at least $15 million to provide for increased costs due to inflation and some new funding for expanded projects.

The URP program of support for Undergraduate Research Participation is another program, vital to our schools, which the proposed FY 80 budget holds down to the FY 79 level of $2 million. We would urge that you increase the funds for this program at least to $2.3 million, once again allowing for inflation and for a modest expansion of the program. Thus, our two requests for increases for science education programs would total about $1.5 million, the amount added to the authorization level proposed by the House authorization committee.

The ISEP program has been slated for an increase of $.5 million in FY 80 over the FY 79 budget level of $3 million. We urge that you grant this increase for the improvement of Instructional Scientific Equipment. In addition to these amounts, we would like to see an increase in the funding for faculty improvement at the college and the high school levels. Currently, all of the $2.8 million increase slated for FY 80 would be spent by the Administration on improvement of faculty at the junior high school level. We would like to see a shifting of funds to provide for faculty improvement at the upper levels of education as well. We would also support the recommendations contained in the House Committee Report on the NSF authorization that

academic year released time salaries to faculty be continued rather than replaced by short-term conferences and workshops as proposed by the Administration.

In addition to the increases for the Science Education Directorate, I would like to recommend that this Committee work for a restoration of funds to the authorization levels proposed by the President for the Mathematical and Physical Sciences and Engineering Directorate and the Biological, Behavioral and Social Sciences Directorate. This would add only about $3.6 million to the budget but would insure that the approach to research funding by NSF would be a balanced one. For the same reason, we would also support the restoration of funds for the Applied Science and Research Applications Directorate at the level proposed by the President's budget.

As AASCU declared in a Joint Statement to the Congress, released on April 17th of this year and signed by 40 organizations and leaders of the nation's universities, colleges, research scientists and engineers, "the nation experienced a long period of decline in real dollars in the level of investment for long-term basic science. In the search for quick solutions to pressing problems, funding policies sought immediate answers at the expense of stable, predictable support for the pursuit of knowledge. Now it is time to renew the nation's commitment to excellence in basic research."

While the President's budget requests for basic research performed at universities and colleges this year will reach a total in current dollars of about $1.95 billion, in constant dollars the level is still below the high water mark reached by the expenditure of $1.235 billion in 1968. Therefore, the addition by the House of Representatives of about $11 million to the NSF budget would not be an inordinate increase.

We would like to add, however, that just the expenditure of more funds

will not by itself help restore momentum to the nation's scientific and technological endeavors. We ask that this Committee urge the NSF to further accelerate its efforts to increase both geographical and institutional representation in its policy-making bodies and in its grants awards. Currently, only 1 out of 34 members of the National Science Board is a representative of an AASCU institution, even though NSF has solicited nominations from our schools each year. The National Science Board "establishes policies for the National Science Foundation." Perhaps that is why the Experimental Program to Stimulate Competitive Research, which is designed to increase "the ability of scientists in states with a relatively low level of scientific activity (Arkansas, Maine, Montana, North Dakota, South Dakota, South Carolina, and West Virginia) to compete successfully for Federal research funds," has not, thus far, involved AASCU schools or the Association in the implementation of the program. In these states, AASCU schools account for only 12 out of 184 NSF grants made to universities and colleges. Were all science education programs to be transferred to a new Department of Education, a move proposed by the President that AASCU flatly opposes, our schools would be participating in NSF programs in only 2 of the 7 states involved in the program.

It would, therefore, seem only reasonable that NSF would reach out to the Association and our schools in its effort to aid scientists, heretofore hampered in their efforts to obtain research support. Furthermore, since our schools have developed, for the most part, their capacity for the conduct of basic research during the past 10-15 years, they could benefit greatly from participation in the NSF programs to involve both young (Phd's granted in the past 7 years) and new (relative novices in the conduct of basic and applied research) scientific investigators. When one considers that AASCU educates about 25 percent of the young people that graduate each year from undergraduate

and graduate programs, the inequity of the lack of opportunity provided to faculty at our schools to upgrade their skills and participate in NSF research programs outside the Science Education Directorate is appalling.

Finally, we would urge that NSF's program for contributing funds to replace obsolete instruments and to purchase new instrumentation at colleges and universities be expanded so that our schools may be provided the opportunity to obtain the more sophisticated technology required for use in today's quality research program. The current proposed limitation of $25,000 for 2 and 4-year schools would seriously limit many of our schools in terms of obtaining the instrumentation that is needed.

Mr. Chairman, we cannot afford to ignore 25 percent of the post-secondary education students in this country and their need for improved instruction and quality faculty and curriculum. The first generation college student, the low-income student: these young people hold the promise of contributing greatly to the future of our nation, especially in the scientific and technological areas. The NSF budget for basic research, especially if increased in those areas that I have mentioned, holds the promise of opportunity for many students who have great promise for producing from their ranks, some of the best scientific minds of the future.

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AASCU Testimony - President Walter B. Waetjen, Cleveland State University

NSF Directorates:	AASCU Request for NSF for FY 80	Amount above House Authorization for FY 80
Mathematical and Physical Sciences and Engineering	$295.65 mil.	+ 2.28
Biological, Behavioral and Social Sciences	$173.5 mil.	+15.34
Science Education	$ 86.2 mil.	0.00
Applied Science and Research	$ 62.4 mil.	- 8.50
Scientific, Technological & International Affairs	$ 28.8 mil.	0
Astronomical, Atmospheric, Earth & Ocean Sciences	$243.35 mil.	+ 1.88
TOTAL:	$889.90 mil.	$ 11.00
U. S. Antarctic Program	$ 55.0 mil.	
Program Development and Management	$ 59.6 mil.	
Special Foreign Currency Appropriation	$ 6.0 mil.	
TOTAL:	$120.6 mil.	
NSF GRAND TOTAL:	$1.010.50 Bil.	

Dr. WAETJEN. Thank you, sir.

As you are well aware, the President in his message on science and technology given on March 28 made a very strong statement in behalf of the role that basic research plays in meeting economic and social needs. He went on at that time to support the National Science Foundation, saying that it was critical and required balanced support. He also indicated that his budget request this year for the Foundation exceeded $1 billion.

The association that I am representing, which is the American Association of State Colleges and Universities, commends President Carter and his Administration for efforts to improve the budgetary condition of basic research programs and especially of the National Science Foundation. But we must state that these funds are not sufficient to make up for the momentum that has been lost in the 1960's and the 1970's, and I will address myself to that in just a moment.

I should tell all of you first that the American Association of State Colleges and Universities represents approximately 340 colleges and universities which are all State assisted. I choose that term advisedly, I might add. We estimate that we will educate more than 2.5 million students this year. Because of our size and our collective enrollments, our member institutions believe that we have important goals to fulfill with regard to our country; goals that provide intellectual stimulus which will encourage more and more young people to seek careers in scientific and technological fields.

Because we are public institutions, we are dedicated to giving the opportunity to many first generation college students to obtain a higher education, particularly to those from low-income families. We support the policy of low tuition.

If I may digress, I would point out that in my institution in the City of Cleveland, we estimate that about 87 percent of our students who graduate are first-time college attendees in their entire family history, which I think is a real breakthrough for the young people of this country. Therefore, in order for us to provide intellectual stimulus to our students and faculty, we have to look beyond tuition. We have to look then to our State governments and to the Federal Government for the bulk of support for research and special projects which can enrich our curriculum and give our students the chance to exercise their scientific curiosity and capacity for inventiveness. We hope that in so doing they become caught up in the commitment of generating the technological advances which have so greatly improved the human condition in the 20th century, and which are the basis for our domestic economy, not the national defense economy necessarily, although that is important, but principally for the domestic economy.

Our institutions depend very greatly on the National Science Foundation. It is the Nation's chief domestic agency that focuses on programs of support for all scientific and engineering disciplines. It provides for procurement of the means by which we may improve our undergraduate programs for science education and for research. But of primary importance to us in AASCU are the programs of the Science Education Directorate of NSF. That is why we are concerned about the fact that funds for this directorate have

been decreasing steadily as a percentage of the total NSF budget since 1959. It was in that year that President Eisenhower requested a supplemental appropriation for science education as a direct result of the alarm this country experienced by the success of the Soviet Union and its Sputnik program.

Science education at that time comprised about 46 percent of the total NSF budget after that supplemental appropriation, but by fiscal 1975 science education, as a proportion of the total NSF budget, had dropped to 11 percent. Today, even though the total dollars for science education has increased, in terms of constant dollars and as a proportion of the total NSF budget, science education continues to lose.

May I digress for a moment again and say that in the budget proposal for fiscal 1980, science education would be about 8.4 percent of the total NSF budget. It continues to lose ground. I think that this Nation is asking for another Sputnik-like embarrassment in the sciences if we do not increase the support for the education of our youngsters in the sciences to a sufficient level.

Mr. Chairman and Members of the Committee, I would like to summarize my request in this fashion without going through this document in its entirety.

First, we request that $11 million be increased in this budget of NSF. That would be for a number of things including the CAUSE program, as it is called—this is an acronym that stands for "Comprehensive Assistance to Undergraduate Science Education," for undergraduate research programs, and also for monies to be restored—monies that have been cut in two directorates of NSF. One of them is in the area of math, physical science and engineering, and the other is biology, the behavioral sciences and the social sciences.

I might add that even with the addition of those dollars, we would still be below the fiscal 1968 budget in terms of purchasing power.

Secondly, I request that you give consideration to shifting some monies in the NSF budget, particularly those that are in there for faculty improvement. The monies there now, according to the Administration's proposal, would improve faculties only at the junior high school level. And while I submit that that is important, I think to neglect faculty improvement at the high school and at the university level is not appropriate.

Third, I request that you give consideration to having some better representation on the National Science Board by AASCU institutions. This is delineated on page 5 of my testimony. The National Science Board has 34 people; one of them represents an AASCU institution. This is the policy-making board for the National Science Foundation.

I also request that this Federal entity better reflect geographical and institutional representation. I think until that is done, we will not have made the impact in science—particularly science education—in certain States. These are delineated on page 5, and those States are Arkansas, Maine, Montana, North Dakota, South Dakota, South Carolina, and West Virginia.

This is a truncated statement, Mr. Chairman and Members of the Subcommittee. I do this in the interests of time. I appreciate your consideration, and stand ready to answer any questions that you may have.

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

Although your statement has been truncated, your written statement is very well put together. This Committee has expressed its concern about the amount of money expended in this area.

What are you requesting above the 1980 request of over $1 billion for the National Science Foundation?

Dr. WAETJEN. What we are requesting is the $11 million. That is not all above.

Mr. BOLAND. $11 million in this area?

Dr. WAETJEN. Right. Some of that is restoration. I think I cannot answer your question directly. It would probably be more like $5 million of new money beyond what had originally been in the bill.

Mr. STOKES. I would just like to commend President Waetjen for what I think has been an excellent statement and one that I am sure will be very helpful to this Committee when it gets ready to mark up this bill.

I have just one question, Dr. Waetjen. You mentioned a very interesting fact as an aside, when you mentioned the fact that 87 percent of our graduates at Cleveland State are first-generation college attendees.

Would you attribute a great deal of that to the fact that the university is located right in the inner city of Cleveland? Is that one of the factors?

Dr. WAETJEN. I think that is a very strong reason for it, Mr. Stokes. Thirty percent of our total student population comes from the City of Cleveland.

I will put it differently, 98.5 percent of our total enrollment comes from the county in which the university is located, and the four surrounding counties. We have a miniscule out-of-state enrollment and very few outside of the immediate metropolitan area.

Mr. STOKES. I suppose, too, that we have a relatively high minority enrollment there?

Dr. WAETJEN. The minority enrollment was 6.2 percent when I went to Cleveland State University in 1973. It is now 14.5 percent.

Mr. STOKES. I have no further questions.

I just reiterate the fact that we are very proud to have Dr. Waetjen in our city. He has done an outstanding job at the university, and it is just an honor to have him here today, Mr. Chairman.

Mr. BOLAND. Thank you very much.

Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Dr. Waetjen, it is a real pleasure to have you back again. I certainly agree with you that faculties need help at the college and university level, and I would also like to commend the National Science Foundation. I am very glad to know that we have some people here in the audience right now who have just come in to hear me say this, because as you know, this year they are inaugurating, in conjunction with National Public Broadcasting, a television series to make science interesting to young people ages 8 to 14 years. It is a step in the right direction for this generation.

And I would assume that the reason that they want faculty improvement at the junior high school level is because of the children who are already interested, and the many millions of children that perhaps will be attracted by this national television program. So I think NSF is preparing for the results of this program by upgrading the faculty improvement program at the junior high school level.

Dr. WAETJEN. If I may respond to that briefly, I certainly commend and support the NSF endeavors and budget.

With respect to faculty improvement at the junior high level, I recently wrote an article which subsequently appeared in the Congressional Record and which appeared in the *Plain Dealer,* our local paper. One of the things we do in our country with respect to education is to deal with it in discrete elements. Elementary education is considered to be different and apart from secondary and also higher education. I think we really need to focus on education as a total system, and that was my plea with respect to the shift of the funds.

Mrs. BOGGS. Thank you, Doctor.

Mr. SABO. No questions.

Mr. STEWART. No questions.

Mr. BOLAND. Thank you very much, it is always a pleasure to have you with us. I want to join with Congressman Stokes in complimenting you on a very great university which endeavors to meet the needs and services of the local community, which we think is important.

We are sure you serve a great number of students that would otherwise never attend any institution of higher education. We welcome you here and appreciate your opinions on the National Science Foundation budget.

Thank you very much.

Dr. WAETJEN. Thank you. I appreciate your courtesy and kind words, and those of Mr. Stokes.

NATIONAL SCIENCE FOUNDATION

WITNESSES

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

HON. HAROLD HOLLENBECK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. BOLAND. We are delighted to have with us our colleague, Mr. George E. Brown, Jr., who is Chairman of the Science, Research, and Technology Subcommittee of the House Science and Technology Committee.

I would think what you would say is in agreement with Mr. Waetjen.

Mr. BROWN. I have Mr. Hollenbeck with me, also.

Mr. BOLAND. We are delighted to have Mr. Hollenbeck with us, too.

Mr. BROWN. I have a prepared statement I would like to submit for the record, and I will try to hit the high points.

[The information follows:]

STATEMENT OF HON. GEORGE E. BROWN, JR.
CHAIRMAN, SUBCOMMITTEE ON SCIENCE, RESEARCH AND TECHNOLOGY
BEFORE THE
SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES APPROPRIATIONS
APRIL 24, 1979

MR. CHAIRMAN, THANK YOU FOR THIS OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES APPROPRIATIONS. THE JURISDICTION OF THE SUBCOMMITTEE ON SCIENCE, RESEARCH AND TECHNOLOGY, WHICH I CHAIR, INCLUDES THE NATIONAL SCIENCE FOUNDATION, AND I AM APPEARING TODAY TO SPEAK ABOUT THE NSF BUDGET REQUEST FOR FISCAL YEAR 1980.

ALTHOUGH I HAVE BEEN CHAIRMAN OF THE SUBCOMMITTEE ON SCIENCE, RESEARCH AND TECHNOLOGY FOR ONLY A SHORT TIME, I HAVE BEEN A MEMBER FOR MANY YEARS AND HAVE HAD A LONG ASSOCIATION WITH THE NSF. MY SUBCOMMITTEE TOOK A VERY CLOSE LOOK AT THE NSF BUDGET AND PROGRAMS THIS YEAR BEFORE MARKING UP THE NSF AUTHORIZATION BILL. WE HELD SIX SESSIONS OF HEARINGS, AND DEVOTED CONSIDERABLE MEMBER AND STAFF EFFORT TO NSF OVERSIGHT OUTSIDE THE HEARINGS. THIS EXAMINATION IS REFLECTED IN THE COMMITTEE REPORT ON THE BILL, WHERE 35 VIEWS ON NSF PROGRAMS AND POLICIES HAVE BEEN INCLUDED, IN ADDITION TO ABOUT 10 VIEWS ON THE NSF BUDGET. I AM SUBMITTING A COPY OF THE REPORT TO YOU WITH MY PREPARED TESTIMONY, AND I WILL BE HAPPY TO PROVIDE MEMBERS WITH FURTHER COPIES,

It is our plan for the Subcommittee on Science, Research and Technology to spend much time during the 96th Congress on oversight of the NSF. In fact, our first set of NSF oversight hearings begins just one week from today; we will be looking into the Antarctic Program. Two weeks later, beginning on May 15, the Subcommittee begins an oversight review of the NSF act of 1950, the Foundation's organic act. This review may result in recommendations for a revision of the Act, but we are proceeding deliberately with that project, and plan to take no hasty legislative action.

The Subcommittee is concerned that too many unnecessary barriers hinder the effectivenesss of American science - barriers between disciplines, between applied and basic research, and between industry, academia, and federal agencies. In connection with our review of the NSF organic act we intend to examine the basic mechanisms of research support which make more effective use of Federal dollars and which lower unnecessary barriers.

I mention these oversight plans to you and the Members of your committee, Mr. Chairman, because I am well aware of your own long association with the National Science Foundation and of your distinguished record of consideration of NSF appropriations. I would like to invite you to participate in oversight activities of my Subcommittee regarding the National Science Foundation to whatever extent you may wish. I would be pleased, in particular, to have your suggestions for aspects of the Foundation which need to be looked at. I believe it would be a significant improvement in Congressional action on the Foundation, if the efforts of our respective subcommittees could be more closely

COORDINATED.

THE NATIONAL SCIENCE FOUNDATION MUST BE VIEWED AS PART OF THE OVERALL PICTURE OF U.S. SUPPORT FOR SCIENCE. EACH OF NSF'S MISSIONS RELATES TO SIMILAR MISSIONS OF OTHER FEDERAL AGENCIES AS WELL AS TO ACTIVITIES OF INDUSTRY AND ACADEMIA. THE EFFECT OF CONGRESSIONAL ACTION ON NSF MUST BE CONSIDERED IN THE CONTEXT OF CONGRESSIONAL ACTIONS ON OTHER FEDERAL AGENCIES AND OTHER RELATED ORGANIZATIONS.

ALL OF NSF'S MISSIONS ARE CLOSELY RELATED, AND I HESITATE TO BREAK THEM APART, BUT FOR PURPOSES OF APPROPRIATING FUNDS, THE NATIONAL SCIENCE FOUNDATION MAY BE VIEWED AS HAVING THREE MAIN FUNCTIONS: FIRST, THE SUPPORT OF BASIC SCIENTIFIC RESEARCH, BY WHICH I MEAN RESEARCH UNDERTAKEN FOR ITS POTENTIAL TO INCREASE KNOWLEDGE, WITHOUT A SPECIFIC PLAN FOR USING THE KNOWLEDGE; SECOND, THE SUPPORT OF APPLIED RESEARCH, BY WHICH I MEAN RESEARCH AIMED AT SOLVING SPECIFIC PROBLEMS; AND THIRD, THE SUPPORT OF SCIENCE EDUCATION. THE NSF CERTAINLY SERVES OTHER FUNCTIONS, AS WELL, BUT THOSE ARE THE THREE MAIN ONES.

I AM DISTINGUISHING BASIC FROM APPLIED RESEARCH IN MY TESTIMONY BECAUSE THE DISTINCTION IS MADE AT NSF WHERE THERE IS A SEPARATE DIRECTORATE, ASRA, FOR APPLIED RESEARCH. I BELIEVE, HOWEVER, THAT THIS MAY BE A DISTINCTION WITHOUT A REAL DIFFERENCE. THE DISTINCTION IS GENERALLY MADE ON THE BASIS OF MOTIVATION, AS I JUST DID. THE SAME ACTIVITY, THEREFORE, MAY BE CALLED BASIC RESEARCH IN ONE SITUATION AND APPLIED RESEARCH IN ANOTHER. MOREOVER, NSF TENDS TO BE SO "BASIC-ORIENTED" THAT RESEARCH WHICH IS CALLED "APPLIED" BY NSF IS APT TO BE CALLED "BASIC" BY OTHER FEDERAL AGENCIES. BECAUSE THE DISTINCTION IS QUESTIONABLE, THE SUBCOMMITTEE INTENDS TO QUESTION ORGANIZATIONAL ARRANGEMENTS AT NSF WHICH EMBODY THE DISTINCTION, AS WE REVIEW THE ORGANIC ACT.

I WILL TURN NOW TO THE ISSUE IMMEDIATELY AT HAND, THE NSF BUDGET FOR ITS MAIN MISSIONS.

ALL FOUR AUTHORIZING AND APPROPRIATING SUBCOMMITTEES OF CONGRESS HAVE BEEN IN AGREEMENT IN RECENT YEARS ABOUT THE IMPORTANCE OF SCIENCE EDUCATION. LAST YEAR, FOR EXAMPLE, THE FINAL AUTHORIZATION AND APPROPRIATION FOR SCIENCE EDUCATION AT THE NSF WERE ABOVE THE LEVEL OF THE PRESIDENT'S REQUEST. THIS YEAR MY SUBCOMMITTEE REPORTED A BILL RAISING SCIENCE EDUCATION FROM THE PRESIDENT'S REQUEST AGAIN. THE INCREASE WAS A MODEST $1.5 MILLION, FROM $84.7 MILLION IN THE REQUEST TO $86.2 MILLION PASSED BY THE HOUSE. I HOPE AND EXPECT THAT THE HUD-INDEPENDENT AGENCIES SUBCOMMITTEE WILL BE IN AGREEMENT ON THE NEED FOR A SLIGHT INCREASE AGAIN THIS YEAR.

A VIEW THE COMMITTEE ON SCIENCE AND TECHNOLOGY EXPRESSED IN THE NSF AUTHORIZATION REPORT WHICH I WANT TO EMPHASIZE, IS THAT NO NSF SCIENCE EDUCATION PROGRAMS SHOULD BE TRANSFERRED TO A DEPARTMENT OF EDUCATION IF ONE IS CREATED. I AM SURE YOU NOTED THAT IN FLOOR ACTION ON THE NSF AUTHORIZATION I OPPOSED MR. ASHBROOK'S AMENDMENT THAT WOULD HAVE MADE THIS RECOMMENDATION PART OF THE LAW. MY OPPOSITION WAS NOT BASED ON ANY DISAGREEMENT WITH THE IDEA; RATHER, I FELT IT WOULD MAKE BAD LAW TO INCORPORATE THE IDEA IN AN AUTHORIZATION BILL, ESPECIALLY WHEN THE EDUCATION DEPARTMENT LEGISLATION WAS IN THE JURISDICTION OF THE GOVERNMENT OPERATIONS COMMITTEE AND WAS UNDER ACTIVE CONSIDERATION BY THAT COMMITTEE.

WITH REGARD TO THE FOUNDATION'S PRINCIPAL MISSION, WHICH IS THE SUPPORT OF BASIC RESEARCH, THE VARIOUS COMMITTEES

OF CONGRESS IN THE PAST HAVE BEEN LESS IN AGREEMENT THAN WE HAVE ON SCIENCE EDUCATION. THE PRESIDENT'S REQUEST AND THE AUTHORIZATION FOR BASIC RESEARCH HAVE BEEN SEVERAL MILLIONS OF DOLLARS ABOVE THE NSF BASIC RESEARCH APPROPRIATION EVERY YEAR RECENTLY. I APPRECIATE THE FACT THAT YOUR SUBCOMMITTEE HAS ALLOWED A MODEST PERCENTAGE INCREASE FOR NSF PROGRAMS EVERY YEAR, BUT I BELIEVE THAT THE MORE SUBSTANTIAL AMOUNTS REQUESTED BY THE PRESIDENT AND AUTHORIZED BY CONGRESS SHOULD HAVE BEEN APPROPRIATED IN THE PAST AND SHOULD BE APPROPRIATED FOR FISCAL YEAR 1980. MY REASON FOR THIS BELIEF IS SIMPLE. BASIC RESEARCH IS AN INVESTMENT IN THE FUTURE. WE NEED BASIC RESEARCH TODAY TO MAKE IMPROVEMENTS IN THE QUALITY OF NATIONAL LIFE POSSIBLE TOMORROW AND TO SOLVE THE PROBLEMS WE ALREADY FACE. ALTHOUGH WE CANNOT PREDICT BEFOREHAND WHICH SPECIFIC BASIC RESEARCH PROJECTS WILL BE MOST USEFUL IN THE LONG RUN, WE CAN BE SURE THAT DEEPER AND BROADER UNDERSTANDING OF MAN AND NATURE ARE NECESSARY. THE NSF BASIC RESEARCH PROGRAMS PROVIDE THAT UNDERSTANDING ACROSS A WIDE SWEEP OF DISCIPLINES, AND THOSE PROGRAMS MUST RECEIVE ADEQUATE SUPPORT. AN AMOUNT SUFFICIENT TO PAY FOR THE SAME LEVEL OF EFFORT AS LAST YEAR, AT INCREASED PRICES, IS NOT ADEQUATE; MODEST REAL GROWTH IN THE LEVEL OF BASIC RESEARCH SUPPORT IS NEEDED.

My views on the subject of basic research are shared by the Committee on Science and Technology and written in the Committee's report on the NSF authorization. My feelings are also shared by the nation's universities and professional scientific societies. I believe you have already received a copy of a Joint Statement to the Congress called "Basic Research - 1980 Investments in the Future" signed by 40 organizations and scientific leaders. The joint statement urges "the Congress to support the principles of stable, balanced, and controlled investment in federal basic research programs as they are represented in the FY 1980 budget proposals for these programs in the National Science Foundation..."

Within basic research there is one area which I believe the Congress has not understood and has consistently mistreated: the social sciences. If there is any area in which this nation needs improved understanding it is the social sciences. Almost daily, we in Congress make billion-dollar decisions based on our own intuition about how people or organizations act. I am sure we could do a better job if we had better knowledge.

In the dark ages the earth was flat because the authorities said so. We are still in the dark ages in the social sciences. For example, we are in great confusion about the world's economy. There are intuitive assertions, but we don't know what will stop inflation. We also don't

KNOW HOW TO INCREASE EMPLOYMENT, OR PRODUCTIVITY, OR INNOVATION. YET WHAT DO WE DO? WE SLASH THE VERY PROGRAMS THAT ARE DESIGNED TO GET US THE KNOWLEDGE WE MOST NEED. LAST MONTH THE HOUSE CUT $14 MILLION FROM THE NSF AUTHORIZATION BASED ON ALLEGATIONS ABOUT THE USELESSNESS OF THE SOCIAL SCIENCES. I NOTE WITH REGRET THAT LAST YEAR YOUR SUBCOMMITTEE CUT $5.4 MILLION FROM THE SOCIAL SCIENCES AT NSF. YOUR REPORT LAST YEAR CITED DUPLICATION OF RESEARCH ACTIVITIES IN ECONOMICS AMONG FEDERAL AGENCIES AS A REASON FOR THE CUT. THE SUBCOMMITTEE ON SCIENCE, RESEARCH AND TECHNOLOGY LOOKED INTO THE MATTER AND FOUND NO DUPLICATION. ALSO, WE WERE ADVISED BY A MEMBER OF THE COUNCIL OF ECONOMIC ADVISORS THAT HE SAW NO DUPLICATION AND THAT NSF RESEARCH IN ECONOMICS WAS ESSENTIAL IF SUFFICIENT UNDERSTANDING OF ECONOMICS WAS TO BE GAINED TO LEARN HOW THE ECONOMY MIGHT BE CONTROLLED BETTER.

MR. CHAIRMAN, THE THIRD MAJOR AREA OF NSF ACTIVITY, APPLIED RESEARCH, HAS BEEN AN AREA OF EXTREME DISAGREEMENT IN CONGRESS. THE AUTHORIZING COMMITTEES HAVE BEEN CONVINCED OF THE NEED FOR RESEARCH TO SOLVE NATIONAL PROBLEMS IN RECENT YEARS AND HAVE STRONGLY SUPPORTED SUCH RESEARCH. THE APPROPRIATIONS FOR THE DIRECTORATE FOR APPLIED SCIENCE AND RESEARCH APPLICATIONS, HOWEVER, HAVE BEEN GREATLY REDUCED FROM THE PRESIDENT'S REQUEST. THE EARTHQUAKE PROGRAM PROVIDES AN EXAMPLE OF THIS. THE SUBCOMMITTEE ON SCIENCE, RESEARCH AND TECHNOLOGY HAS HELD THREE SETS OF HEARINGS ON EARTHQUAKE HAZARDS MITIGATION SINCE 1976.

THE MOST RECENT SESSION WAS HELD THIS FEBRUARY AS PART OF NSF AUTHORIZATION HEARINGS. I CHAIRED ALMOST ALL THOSE HEARINGS AND MANAGED THE EARTHQUAKE HAZARDS REDUCTION ACT UNTIL IT WAS PASSED IN 1977. SINCE 1977 THE SUBCOMMITTEE STAFF HAS MONITORED IMPLEMENTATION OF THE ACT.

THE ACT ESTABLISHES A BALANCED PROGRAM OF RESEARCH AND ACTION FOR EARTHQUAKE HAZARDS REDUCTION. NSF PLAYS A KEY ROLE IN PROVIDING RESEARCH ON EARTHQUAKE-RELATED SITING, DESIGN, AND POLICY. THE NEED FOR EARTHQUAKE RESEARCH IS MORE URGENT THAN EVER, AND MUST PROCEED WITH THE VARIOUS KINDS OF RESEARCH IN BALANCE. ONE OF THE AREAS OF EARTHQUAKE RESEARCH THAT IS NEEDED IS RESEARCH INTO STRUCTURAL RESPONSE TO EARTHQUAKES AND INTO EARTHQUAKE-RESISTANT DESIGN. THIS KIND OF RESEARCH IS SUPPORTED BY THE DESIGN PORTION OF THE NSF EARTHQUAKE PROGRAM. RESEARCH INTO EARTHQUAKE HAZARD MITIGATION POLICIES IS ALSO URGENTLY NEEDED. AT MY SUGGESTION THIS YEAR THE COMMITTEE ON SCIENCE AND TECHNOLOGY RESTORED HALF THE CUT THAT WAS MADE LAST YEAR IN THE DESIGN AND POLICY PORTIONS OF THE NSF EARTHQUAKE PROGRAM BY APPROPRIATIONS ACTION. THE INCREASE IS $4.5 MILLION IN THE ASRA BUDGET. I URGE MOST STRONGLY THAT YOU PROVIDE THE FULL AMOUNT AUTHORIZED FOR THE EARTHQUAKE PROGRAM THIS YEAR.

MR. CHAIRMAN, THE COMMITTEE ON SCIENCE AND TECHNOLOGY AND I SUPPORT THE REST OF THE ASRA PROGRAM, AS WELL. THE COMMITTEE, IN FACT, RECOMMENDED A TOTAL INCREASE OF

$8.5 MILLION IN ASRA ABOVE THE PRESIDENT'S REQUEST. THIS RECOMMENDATION WAS INCORPORATED IN THE AUTHORIZATION BILL AND WAS PASSED BY THE HOUSE. I HAVE ALREADY EXPLAINED $4.5 MILLION OF THAT INCREASE. THE BALANCE, $4 MILLION, CONSISTS OF $3 MILLION FOR APPROPRIATE TECHNOLOGY AND $1 MILLION FOR HANDICAPPED RESEARCH. THESE ACTIONS, I BELIEVE, ARE INDICATIVE OF THE COMMITTEE'S SUPPORT FOR THE ASRA PROGRAM. I SINCERELY HOPE YOU WILL RECOMMEND APPROPRIATIONS SUFFICIENT TO ALLOW ASRA TO GET ON WITH ITS WORK IN ALL AREAS PROPOSED BY THE PRESIDENT OR RECOMMENDED BY THE COMMITTEE ON SCIENCE AND TECHNOLOGY.

OUTSIDE OF ASRA THE COMMITTEE ON SCIENCE AND TECHNOLOGY RECOMMENDED ONLY TWO INCREASES IN NSF PROGRAMS. THE FIRST WAS $1.5 MILLION FOR SCIENCE EDUCATION EFFORTS IN APPROPRIATE TECHNOLOGY INTENDED TO COMPLEMENT THE ASRA RESEARCH EFFORTS, AND THE SECOND WAS $3 MILLION FOR THE STIA DIRECTORATE TO BE USED TO IMPLEMENT THE STATE SCIENCE, ENGINEERING, AND TECHNOLOGY PROGRAM PLANS THAT WERE MADE BY STATES IN THE PLANNING PHASE OF THE PROGRAM, WHICH IS NOW NEARLY COMPLETE.

MR. CHAIRMAN, THAT CONCLUDES MY TESTIMONY ON THE NSF APPROPRIATION. IN SUMMARY, I URGE THAT YOU APPROPRIATE THE FULL AMOUNT AUTHORIZED. MY REASON FOR DOING SO, I REITERATE, IS THAT OUR FINANCIAL INVESTMENT IN RESEARCH IS A WISE INVESTMENT, WITH MANY UNPLANNED AND UNEXPECTED PAYOFFS. AS WE GROPE FOR THE ANSWERS TO THE MULTITUDE OF COMPLEX QUESTIONS BEFORE US, WE SHOULD CONSIDER CAREFULLY THE VALUE OF THE WORK OF THOSE WHO ASK NEW QUESTIONS. NSF RESEARCH DOES THIS.

I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE. THANK YOU AGAIN FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR DISTINGUISHED SUBCOMMITTEE.

Mr. BOLAND. How much more do you want in the budget?

Mr. BROWN. We would be happy if we could just keep the budget at the authorized level, which is below the President's budget.

Mr. BOLAND. What is the total?

Mr. BROWN. It is slightly below the $1 billion mark.

Mr. BOLAND. That is occasioned by the passage of the Ashbrook Amendment.

As I told Dr. Atkinson, for whom I have profound respect and I am sure anyone who has listened to him and worked with him has the same feeling for him, I have been sitting in this Subcommittee for a while and I always thought NSF should receive over a billion dollars. After 26 years, we almost put a huge sign up here: "$1 billion; we finally made it." (Laughter.)

It is a huge budget, but NSF, as you and I know, serves a very significant and a very transcendent position in the field of science. They establish or help establish the science policies for the Nation, and I think they have done it very well for the years they have been in existence. So, tell us about your feelings on the budget and the areas you are concerned about.

Mr. BROWN. Mr. Chairman, the Science and Technology Committee, which has oversight and authorization jurisdiction over this area, has spent a great deal of effort on the National Science Foundation budget. The product which came out of the Committee was a unanimous bipartisan result of the Committee. There is no basic disagreement on it.

As it came out of the Committee, it was very slightly below the President's request, and as you indicated the Ashbrook Amendment resulted in a figure below the President's level. In part, we have to accept on faith the value of science to the future of this country. The President has accepted the importance of it and, as you know, basic research together with defense are the only two items which he had proposed real growth in the major budget categories. We are afraid this priority which our Committee and the President accord to basic science research may be whittled away because of inflation and the cuts that have already been made, so that we actually have no real growth during this year. The whole thrust of what we have been trying to do will be short-circuited. I hope this will not be the case. That is the reason for the bottom-line request that we make, that you try to come as close to the authorizing level as you can.

May I just very briefly comment on the areas within that budget and what has happened to them?

First, science education. As you know, our Committee, the Appropriations Committee, and the Congress, have consistently given this a very high priority, in contrast to the Executive Branch, which has over the years whittled away at science education as a percent of the total budget to the point where it is now at its lowest level in history. We do not feel it should be reduced any further. In our Committee, we made a modest $1½ million increase in the authorizing level for science education. This is in accordance with what we have done historically. We think it is the sort of thing other witnesses before you support and that this Committee would support, and we commend it to your attention.

The larger part of the budget is in basic research and so-called applied research. In the basic research, the Committee did reduce the $5 million, and it was out of this area that the Ashbrook Amendment came.

The debate on the floor was basically critical to the science program, but the parliamentary discussion was that the line item be reduced by $14 million. It is a very large amount. If it were all taken out of the social services for example, it would cut it in half.

I want to comment, and I do so in my prepared statement, that this is not the time to neglect basic research in the social sciences nor the biological and behavioral sciences. The social sciences, admittedly, are behind the physical sciences and there has never been a time when the contribution of that additional knowledge in the social sciences would be of greater value to this country.

For example, we do not begin to understand the way the operations of the international economic system work. The foundations do good research in this area. We need to have a better handle on it, yet this program could be crippled if we continued to reduce the amount spent on basic research in the social sciences. I just feel it would be disastrous, almost, if we cannot retain the full amount that is now authorized.

The applied research program has never been fully defined as to its thrust. It has undergone changes in its emphasis and title. Last year, this Subcommittee took a big chunk out of that program in the area of earthquake research. What we did in the Committee this year was to try to regain about half of what the Committee cut out last year. I understand the criticisms that were made, the lack of definition of the program, but you understand, I am sure, that we have new legislation on the books—the Earthquake Hazards Mitigation Research Act just passed a couple of years ago. We feel there is a great contribution to the welfare of this Nation that can be made, not only from better understanding the mechanism of earthquakes and how to build earthquake-resistant structures, but also to determine the policy actions that should be taken in the event we are able to predict the timing of a major earthquake in this country. That is the area which has been neglected and we would very much like to see at least a portion of the funds for research in this area restored. That was the purpose of the slight addition of $4.5 million that the Committee made in that area.

Those were the basic changes that were made. I think you understand them very well.

I want to tell you that the Subcommittee has a very vigorous program of oversight planned for the entire year on the basic act of the National Science Foundation's programs. We intend to see if we can demonstrate better than in the past the relationship between basic research and the ability to innovate in this society. This is the key national issue that faces this country; our declining ability to innovate and to increase our productivity. This has been going downhill. We think it has been going downhill because of a lack of adequate support in some of the areas of science that could contribute to this. We will be going into this very thoroughly.

In that regard, Mr. Chairman, I know it is presumptuous of me, but my Subcommittee would very much appreciate having any input or cooperation from your Committee as to how we conduct

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our oversight. If you and your staff can share with us your concerns, we can begin to take steps which might alleviate this. We think this would be a constructive course and we offer that cooperation to you.

Thank you very much. Now, Mr. Hollenbeck might have something to say.

Mr. BOLAND. Thank you. We are very pleased to have you with us, Congressman Hollenbeck.

Mr. HOLLENBECK. Chairman Brown has eloquently expressed the feeling of the entire Subcommittee. I would only like to reiterate what he pointed out at the outset of his remarks that this budget, after some extensive hearings and examination, was passed unanimously by the Subcommittee and full Committee with the full support of the minority.

There are many of us who feel very strongly, along with the Chairman, that many of the problems this country faces right now in areas such as balance of payments, energy, textiles, and even in some of the high-technology areas, can be solved or turned around only by improvement in our technological competitiveness, which has suffered in previous decades vis-a-vis other nations.

We need now to provide basic technological understanding in our country in the next century.

It is time to make these investments now, since any scientific technological endeavor will not see results until maybe the next century. That may seem like a long time to wait, but unless we begin now we will not see a return to our competitiveness and our scientific achievement as in former days.

I have a prepared statement which I ask be included in the record.

[The information follows:]

TESTIMONY OF THE HONORABLE HAROLD C. HOLLENBECK
BEFORE THE HUD INDEPENDENT AGENCIES SUBCOMMITTEE
HOUSE APPROPRIATIONS COMMITTEE
REGARDING
THE APPROPRIATIONS OF THE NATIONAL SCIENCE FOUNDATION FOR FY 80

MR. CHAIRMAN, IT IS WITH GREAT PLEASURE THAT I APPEAR BEFORE THIS SUBCOMMITTEE THIS MORNING BECAUSE I TAKE GREAT PRIDE IN JOINING WITH MY DISTINGUISHED COLLEAGUE, GEORGE BROWN, THE CHAIRMAN OF OUR SUBCOMMITTEE, IN SUPPORTING THE RESEARCH PROGRAMS OF THE NATIONAL SCIENCE FOUNDATION. I STRONGLY URGE THAT YOUR SUBCOMMITTEE RECOMMEND THE APPROPRIATION OF THE FULL AMOUNT OF THE PRESIDENT'S REQUEST, PLUS THE ADDITIONAL AMOUNTS FOR APPROPRIATE TECHNOLOGY, SCIENCE EDUCATION, AND FOR STATE SCIENCE AND ENGINEERING TECHNOLOGY THAT WERE AUTHORIZED BY THE SCIENCE AND TECHNOLOGY COMMITTEE.

MR. CHAIRMAN, WE DEVOTED MANY DAYS OF HEARINGS AND GREAT EFFORT IN THE DEVELOPMENT OF AUTHORIZING LEGISLATION FOR THE NATIONAL SCIENCE FOUNDATION. WE CONSIDERED A GREAT VARIETY OF ISSUES WITH UNPRECEDENTED CARE. WHAT EMERGED IS, I KNOW, AN EXCELLENT PROGRAM FOR THE FOUNDATION TO CARRY OUT THIS COMING FISCAL YEAR. OUR AUTHORIZATION STRONGLY SUPPORTS SUCH AREAS AS SCIENCE EDUCATION OR APPROPRIATE TECHNOLOGY AS WELL AS THE UNDERLYING COMMITMENT TO BASIC RESEARCH URGED BY THE PRESIDENT. OUR RECOMMENDATIONS REPRESENT A COMPLETELY NONPARTISAN POSITION. ALL MEMBERS OF BOTH PARTIES IN THE COMMITTEE SUPPORTED OUR BILL.

MR. CHAIRMAN, THIS IS A TIME OF FISCAL AUSTERITY, NO DOUBT. THE NATION IS AWAKENING TO THE LIMITS IN ITS RESOURCES -- I AM THE FIRST TO RECOGNIZE THESE. BUT THE BALANCE OF PAYMENTS

PROBLEMS WE FACE IN ENERGY, TEXTILES, AND INCREASINGLY EVEN IN SOME HIGH TECHNOLOGY AREAS, CAN ONLY BE TURNED AROUND BY AN IMPROVEMENT IN OUR TECHNOLOGICAL AND SCIENTIFIC COMPETITIVENESS VIS A VIS OTHER NATIONS BY PROVIDING NOW THE BASIC UNDERSTANDING WHICH IS NECESSARY TO DEVELOP NEW SECTORS OF THE ECONOMY IN THE 1990's AND BEYOND THE MILLENIUM. UNLESS WE MAKE THESE INVESTMENTS TODAY, THEIR RESULTS WILL NOT BE RETURNED UNTIL AFTER THE TURN OF THE CENTURY. THAT IS TOO LONG TO WAIT!

MR. CHAIRMAN, THE NATIONAL SCIENCE FOUNDATION'S RESEARCH IS UNIQUE -- IT IS NOT DEVOTED TO ONE SPECIFIC MISSION SUCH AS NATIONAL SECURITY OR SPACE. EVIDENCE INDICATES THAT NON-MILITARY, NON-SPACE RESEARCH OF THE TYPE SUPPORTED BY THE NATIONAL SCIENCE FOUNDATION WILL MAKE AN ESPECIALLY SUBSTANTIAL CONTRIBUTION TO INCREASING THE NATIONAL ECONOMY OVER THE LONG RUN. BUT IT IS THE LONG RUN, OVER A PERIOD OF 35-40 YEARS, THAT THE PAYOFFS ARE ENORMOUS. ONE STUDY BY EDWARD MANSFIELD SUGGESTS THAT THE RATE OF RETURN ON INVESTMENT OF BASIC RESEARCH IS AN ASTOUNDING 56%.

MR. CHAIRMAN, WE CAN NEVER KNOW PRECISELY WHAT EXPERIEMENT WILL PAY OFF -- WHICH SUCH EXPERIMENT OR THEORY WILL PROVIDE THAT ESSENTIAL PIECE OF KNOWLEDGE TO BUILD A WHOLE NEW INDUSTRY OR FROM WHICH A NEW FIELD OF SCIENCE AND TECHNOLOGY MAY OPEN. THAT UNCERTAINTY, HOWEVER, ALSO CHARACTERIZES PRODUCTION AND MANUFACTURING AS WELL. WE NEVER KNOW WHICH VENTURE IS SURE TO PROSPER. WE MUST SPONSOR MANY IN ORDER FOR A FEW TO SUCCEED. JUST AS WE PROVIDE VENTURE CAPITAL FOR THE HARDWARE OF ECONOMIC GROWTH, SO WE MUST PROVIDE THIS VENTURE CAPITAL FOR THE IDEAS TO DRIVE FUTURE ECONOMY.

Basic research is not something we can automatically expect industry to fund. At least half of the return on basic research accrues not to the firm or individual funding the research but to society at large; that is, indirectly to his competitors. Thus, laying the conceptual foundations for economic growth through basic research is an activity which must be supported through society. As I indicated earlier, the data suggests that the return from this investment may be very large.

In conclusion, I strongly urge your Committee to support in full the President's requested budget for the National Science Foundation. Furthermore, I urge that it endorse the increases authorized by our Subcommittee so that the vital programs in science education and appropriate technology may be implemented without cutting into the basic research programs proposed by the Foundation. This recommendation, I know, has the full support of the Minority Members of our Subcommittee and Committee.

Mr. Chairman, I thank you for permitting me to appear this morning.

Mr. BOLAND. The ASRA program is one of the programs I have problems with. That is a program that originally was known as "Research Addressed to National Needs." That kind of research is spread throughout the Federal establishment. It is one of the programs that gives me concern. The $8.5 million that the Science and Technology Committee has asked brings it up to a total of $70 million. That is an awful lot of money in that area. However you, in your statement, indicate there is not that much difference between basic and applied research.

Mr. BROWN. I think it is the quality of the research. Basic research is the cause of almost every noteworthy development. If you want to look at the military field, it was Einstein's original theoretical work that resulted in our nuclear power systems and so forth. At the time, nobody would have dreamed this was of practical use. This type of research opens up new areas of knowledge. We will try to examine these definitions which attempt to separate the two fields.

Mr. BOLAND. What about examining some of the grants in the ASRA program?

Mr. BROWN. We devote considerable attention to it, Mr. Chairman.

Mr. BOLAND. Lou?

Mr. STOKES. I would like to commend both of our colleagues for their statements this morning. I have no specific questions.

Mr. BOLAND. Lindy?

Mrs. BOGGS. Gentlemen, thank you for being with us. One of the difficulties we have in some of our programs is coordination among the different groups that examine different aspects of programs and supposedly help set policy and standards and so on.

For instance, I was very surprised that the Nuclear Regulatory Commision had not been in touch with the Federal agencies working in the earthquake hazard areas when they were taking into account the closing of the power plants that had problems with equipment that would be hazardous in an earthquake.

Of course they were very correct in closing the plants, I do not mean they should not have done so. As the events of last week indicated—with tremors in both New York and Maine and the rest of the Northeast—they were certainly very precise in having closed them.

But it seems to me the equipment would have been much better prepared in the first place and the setting of the standards for the equipment would certainly have been more correct if they had consulted with experts in the earthquake hazard areas. I would hope in that particular area we would have more coordination.

Mr. BROWN. The gentlelady is correct. I make passing reference to this problem in my statement that some areas of research are not communicating i.e. university research does not talk to industry research, government research frequently does not adequately communicate with other departments engaged in similar activity.

We look at the totality of the research needs of the country. We feel that part of our mandate, and part of the mandate of the NSF is to be the balance wheel in the scientific community. We are going to see if they are functioning in that role and if we are doing

the job properly of seeing that research efforts are thoroughly coordinated.

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. BOLAND. Marty?

Mr. SABO. I share your concern about social science research. I am curious about what you think the chances are for it being reinstituted.

Mr. BROWN. There is some possibility we can recoup a part of the loss. Normally in conference, there is some room for give and take between the two bodies, and what I think will be a more balanced program can emerge.

Mr. BOLAND. Ben?

Mr. STEWART. I agree with you 100 percent with reference to attempting to coordinate research. If you really check research, regardless of the field, you find there is a lot of overlapping. If there was some type of coordination I think we could save billions of dollars over time. Currently, we duplicate things. We could go 6, 8, or 10 months in one direction, only to have another group come in and do the same thing. But if there is coordination we would justify the money requested.

Mr. BROWN. The gentleman is quite correct on that.

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

The Committee will stand in recess until 2 o'clock this afternoon.

AFTERNOON SESSION

ENVIRONMENTAL PROTECTION AGENCY—CONSTRUCTION GRANTS

WITNESS

HON. JAMES C. CLEVELAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

[The information follows:]

TESTIMONY

HON. JAMES C. CLEVELAND

APPROPRIATIONS COMMITTEE

SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES

APRIL 24, 1979

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I DEEPLY APPRECIATE THIS OPPORTUNITY TO TESTIFY AS A RESPRESENTATIVE OF A SMALL STATE CAUGHT IN A PARTICULAR SQUEEZE BETWEEN ENVIRONMENTAL NEEDS AND LEGITIMATE CONCERNS OVER FISCAL RESTRAINT.

AS YOU KNOW, AUTHORIZING LEGISLATION PROVIDES FOR A FULL $5 BILLION IN FISCAL YEAR 1980 FOR THE WATER POLLUTION CONSTRUCTION GRANTS PROGRAM, AND THE ADMINISTRATION HAS REQUESTED $3.8 BILLION. I UNDERSTAND THAT YOUR SUBCOMMITTEE IS CONSIDERING AN APPROPRIATION OF FAR LESS THAN THE ADMINISTRATION FIGURE; THIS IS AT LEAST IN PART BASED ON EVIDENCE THAT THE CONSTRUCTION GRANTS PROGRAM IS LAGGING BADLY ACROSS THE COUNTRY AND THAT MANY STATES COULDN'T BEGIN TO OBLIGATE THEIR FULL SHARE OF ALLOTMENTS, WHETHER BASED ON THE $5 BILLION AUTHORIZED OR THE $3.8 BILLION REQUESTED BY THE ADMINISTRATION.

I FULLY SHARE YOUR CONCERN OVER THE PACE OF THE PROGRAM. GETTING THIS PROGRAM MOVING HAS BEEN ONE OF MY TOP PRIORITIES SINCE P.L. 92-500 WAS ENACTED IN 1972; AS RANKING MINORITY MEMBER OF THE PUBLIC WORKS OVERSIGHT SUBCOMMITTEE, I WORKED CLOSELY WITH THE THEN-CHAIRMAN, JIM WRIGHT, TO COME UP WITH A REMEDY TO ONE BIG PIECE OF THE PROBLEM -- THE OPERATIONS OF THE FEDERAL EPA -- WHICH WE FINALLY SAW ENACTED AS PART OF THE CLEAN WATER ACT OF 1977.

ON THE BASIS OF THAT WORK, AND MY EXPERIENCE WITH MY OWN STATE OF NEW HAMPSHIRE, I SUBMIT FOR THIS SUBCOMMITTEE'S CONSIDERATION ONE FACT WHICH SHOULD BEAR HEAVILY IN YOUR DELIBERATIONS: WHILE THE PROGRAM MAY BE MOVING SLOWLY IN SOME STATES, EVEN A LARGE MAJORITY OF STATES, THERE ARE A HANDFUL OF STATES, PERHAPS A DOZEN, WHICH HAVE MOVED AHEAD AND GEARED THEMSELVES UP TO MAKE THIS PROGRAM WORK AND CLEAN UP OUR WATERS AS THE 1972 ACT INTENDED. FOR THEM -- AND FOR THE PROGRAM NATIONWIDE -- A CUTBACK EVEN TO $3.8 BILLION IF EVENLY APPLIED ACROSS THE BOARD WOULD BE A DISASTER.

THE MAIN POINT I WANT TO MAKE IS THAT YOUR OPTIONS ARE NOT LIMITED TO FUNNELLING OUT APPROPRIATIONS TO STATES THAT CAN'T SPEND THEM, ONE ON ONE HAND, OR A SEVERE CUTBACK NATIONWIDE, WHICH WOULD ALLOW THE SLOWEST MOVING STATES TO SET THE PACE OF THE PROGRAM, REDUCING IT TO THE SLOWEST COMMON DENOMINATOR. THERE IS A MIDDLE GROUND, AN ALTERNATIVE, AND I'LL GET TO THAT IN A MOMENT. BUT FIRST I WOULD LIKE TO GIVE YOU SOME BACKGROUND ON ONE STATE, THE STATE OF NEW HAMPSHIRE.

WE TOOK VERY SERIOUSLY THE PASSAGE OF THE 1972 ACT, THE FACT THAT IT CONTAINED A GOAL OF CLEAN WATER, A REQUIREMENT THAT THE GOAL BE MET, AND A COMMITMENT OF FEDERAL FINANCIAL ASSISTANCE FOR THE CONSTRUCTION OF MUNICIPALLY OWNED WASTE TREATMENT PLANTS. THE STATE GOT GEARED UP, AND THE TOWNS, MANY OF THEM SMALL TOWNS THE OUTSIDE WORLD NEVER HEARS OF EXCEPT FOR THE DATELINES IN THE NATIONAL PRESS EVERY FOUR YEARS. AT THEIR TOWN MEETINGS, THEY HAVE VOTED TO BOND THEMSELVES, AND THEY'VE GONE OUT AND DONE THEIR STEP 1 PLANNING WORK, THE STEP 2 DESIGN WORK AND GOTTEN READY FOR CONSTRUCTION.

I AM PROUD OF MY STATE, AND OF THOSE OTHERS -- LIKE OREGON AND ILLINOIS -- FOR WHOM OTHERS SPEAK HERE TODAY. AT THE SAME TIME, I AM WITHHOLDING JUDGMENT ON THE SLOWER MOVING STATES BECAUSE I AM NOT IN A POSITION TO KNOW THE REASONS

FOR DELAY. EXCEPT TO SAY THIS: THE DELAYS AND CONFUSION CREATED BY EPA ITSELF INITIALLY WERE SO PERVASIVE AS TO SLOW DOWN THE PROGRAM LITERALLY YEAR AFTER YEAR, AND THOSE PROBLEMS ARE NOT OVERCOME OVERNIGHT. I MENTION THAT AGAIN ONLY TO HIGHLIGHT ONE POINT: IN THE PAST, WASHINGTON WAS PART OF THE PROBLEM; BUT THAT WAS AT LEAST UNINTENDED. IT WOULD BE NOTHING SHORT OF REPREHENSIBLE FOR THE CONGRESS TO ACT NOW, WITH DUE DELIBERATION AND IN FULL POSSESSION OF THE FACTS, AND WITH CONSCIOUS CALCULATION TO SAY, IN EFFECT, THAT BECAUSE OF THE PROGRAM IS MOVING SLOWLY IN MOST STATES, WE'RE GOING TO SLOW IT DOWN IN ALL STATES.

THAT WOULD SAY TO THE TOWNS THAT ARE READY TO MOVE: WAIT A FEW MORE YEARS, THEN GO BACK AND FLOAT A NEW BOND ISSUE FOR ADDITIONAL FUNDS TO MAKE UP FOR THE INCREASE IN CONSTRUCTION COSTS. OR TO THOSE TOWNS WHICH HAVE BUILT THEIR PLANTS, WE'D BE SAYING: SORRY, THE RIVER RUNNING THROUGH TOWN IS GOING TO HAVE TO STAY DIRTY BECAUSE WE'RE GOING TO POSTPONE CONSTRUCTION THAT'S READY TO GO UPSTREAM, AND ALL BECAUSE OTHER STATES HAVEN'T MOVED AS WE HAVE. THAT WOULD BE, IRONIC AND TRAGIC, TO LOSE MOMENTUM, SLOW THE PROGRESS, AND BETRAY THE CONFIDENCE OF THOSE WHO TOOK SERIOUSLY THIS CONGRESS AND ITS ENACTMENTS.

SO WHAT I PROPOSE IS THIS: TAKE A LOOK AT THE TEN, ELEVEN OR TWELVE STATES THAT HAVE MOVED AHEAD WITH THE PROGRAM, THEIR ABILITY TO SPEND THE FUNDS WISELY ON PROJECTS IN THE BASIC, TOP-PRIORITY CATEGORIES, ON THE BASIS OF THEIR PERFORMANCE; WE NEED AN OBJECTIVE STANDARD OF PERFORMANCE, SUCH AS THE EXTENT OF FISCAL YEAR 1978 FUNDS OBLIGATED BY A UNIFORM DATE, SAY FEBRUARY 28, 1979. GO WITH THIS STANDARD, NOT SOME ESTIMATE BY EPA OR SOMEBODY ELSE. SPLIT THE APPROPRIATION IN TWO TIERS, THE FIRST TO GO OUT TO ALL STATES ON THE BASIS OF THE EXISTING FORMULA AND THE SECOND AVAILABLE ONLY TO THOSE STATES WHICH HAVE DEMONSTRATED THEIR ABILITY TO MOVE IN A PROMPT AND ORDERLY FASHION.

SET THE AMOUNTS IN BOTH TIERS SO THAT, IN THE AGGREGATE, THAT DOZEN OR SO WOULD RECEIVE A TOTAL ALLOTMENT EQUAL TO WHAT THEY WOULD GET BY FORMULA IF THE $5 BILLION AUTHORIZED WERE FULLY APPROPRIATED. THIS WOULD ENABLE THE FASTER MOVING STATES TO PROGRESS ACCORDING TO THEIR ABILITY AND SPEED THE ACHIEVEMENT OF CLEAN WATER. BY ESTABLISHING THIS PRINCIPLE, IT WOULD TELL THE OTHER STATES THAT THE FUNDS WILL BE THERE WHEN THEY GET THEIR PROGRAM UP TO SPEED, RATHER THAN SUGGEST A PERMANENT SLOWDOWN IN THE PROGRAM. THAT IS AN INCENTIVE WHICH IS LACKING NOW, AND AN ALTERNATIVE TO THE DISINCENTIVE THAT WOULD RESULT FROM A MECHANISTIC, UNIFORM, ACROSS-THE-BOARD CUTBACK. AND THE BEAUTY OF THIS APPROACH IS THAT IT WOULD ENABLE THIS SUBCOMMITTEE AND THE FULL COMMITTEE ON APPROPRIATIONS TO HOLD APPROPRIATIONS SIGNIFICANTLY BELOW THE AUTHORIZED AMOUNT, WHILE DEMONSTRABLY CONTINUING -- AND INDEED STRENGTHENING -- OUR CONGRESSIONAL COMMITMENT TO THE CLEAN WATER PROGRAM.

THIS IS NOT A REVOLUTIONARY CONCEPT. IN THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1978, WE CREATED AN ACCELERATION POT IN THE INTERSTATE PROGRAM BY LIMITING THE AVAILABILITY OF APPORTIONMENTS TO TWO YEARS, INSTEAD OF THE USUAL FOUR. STATES THAT ARE IN A POSITION TO OBLIGATE MORE THAN THEIR REGULAR INTERSTATE APPORTIONMENT CAN COME IN ON A FIRST-COME, FIRST-SERVED BASIS AND OBTAIN ADDITIONAL FUNDS FROM THOSE WHICH LAPSED AS A RESULT OF THE CUT-OFF AND MOVE AHEAD WITH THEIR PROJECTS.

THE APPROACH I AM SUGGESTING ALSO HAS SOMETHING IN COMMON WITH THE REALLOTMENT PROVISION, WHEREBY LAPSED FUNDS ARE AVAILABLE TO OTHER STATES. I RECOGNIZE THE PROBLEM WITH THE REALLOTMENT MECHANISM, AND THE FACT THAT IT CONFRONTS STATES WITH LAPSE OF FUNDS AND THEREBY PROVIDES AN INCENTIVE TO MOVE AHEAD WITH LOW-PRIORITY PROJECTS WHICH CAN BE GOTTEN UNDER WAY, RATHER THAN LOSE FUNDS.

I AM SYMPATHETIC WITH THE CONCERNS OF EPA THAT THIS MIGHT RESULT IN A WASTE, THE LAST THING WE WANT TO ENCOURAGE, AND WITH ITS REQUEST THAT THE RE-ALLOTMENT DATES BE EXTENDED IN AUTHORIZING LEGISLATION. BUT I HAVE TO TELL YOU THAT I WILL BE A GREAT DEAL MORE SYMPATHETIC TO THE REALLOTMENT EXTENSION IF YOUR COMMITTEE IS ABLE TO DEVISE SOME MECHANISM AS I SUGGEST TO TAKE CARE OF THE STATES THAT CAN MOVE.

ON THE SUBJECT OF DEADLINES, LET'S NOT LOSE SIGHT OF THE FACT THAT THE 1972 ACT INITIALLY REQUIRED ALL MUNICIPALITIES TO HAVE SECONDARY TREATMENT IN OPERATION BY JULY 1, 1977. JUST FIVE YEARS LATER, BECAUSE THE PROGRAM WAS LAGGING SO BADLY FOR ANY NUMBER OF REASONS, WE EXTENDED THAT DEADLINE TO 1983. UNLESS WE COME UP WITH SOME KIND OF INCENTIVE TO REWARD STATES FOR SUPERIOR PERFORMANCE, WE'LL BE CONFRONTED AGAIN IN A FEW SHORT YEARS WITH A NEED TO EXTEND THAT 1983 DEADLINE IN RECOGNITION OF THE FACT THAT ALL CONCERNED HAVE FALLEN DOWN ON THE JOB. THAT'S EXACTLY WHAT WE'RE LETTING OURSELVES IN FOR IF WE CUT BACK ON THE APPROPRIA-TION, AS HAS BEEN SUGGESTED, IN A MANNER THAT CURTAILS THE PROGRAM IN THE FEW FAST MOVING STATES. IF I HAVEN'T DONE SO, LET ME MAKE IT EXPLICIT THAT AN APPROPRIATION OF $3.8 BILLION, IF APPLIED UNIFORMILY TO THE PROGRAM, WOULD RESULT IN A SUBSTANTIAL CUTBACK IN FISCAL YEAR 1980 OBLIGATIONS IN MY STATE IN COMPARISON WITH FISCAL YEAR 1979. THAT'S ABSOLUTE NUMBERS, REAL DOLLARS, NOT ADJUSTED FOR INFLATION.

IN CLOSING, LET ME CITE ONE ADDITIONAL ADVANTAGE TO MY PROPOSAL, IN ADDITION TO THE BENEFITS OF A FASTER CLEAN-UP OF OUR RIVERS AND STREAMS. THE VERY REAL FISCAL PLIGHT OF THIS COUNTRY WHICH YOU ARE TRYING TO DEAL WITH THROUGH THE APPROPRIATIONS PROCESS HAS BEEN LONG IN THE MAKING. IT WON'T BE SOLVED IN THIS CONGRESS OR THE NEXT, AND WILL REQUIRE THE BEST EFFORTS OF YOUR COMMITTEE, THE BUDGET COMMITTEE AND THE AUTHORIZING COMMITTEES YEAR AFTER YEAR. TO THE EXTENT THAT WE CAN TAKE ADVANTAGE OF THE ABILITY OF THE FAST MOVING STATES TO GET THEIR PROJECTS BUILT, WE WILL GET A SUBSTANTIAL JUMP ON INFLATION AND THE RELENTLESS INCREASE IN THE COST OF THESE PROJECTS, A FACT THAT MIGHT MAKE YOUR JOB A LITTLE EASIER IN A FEW YEARS DOWN THE ROAD.

THANK YOU.

The State of New Hampshire

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Director of Municipal Services

April 9, 1979

RECEIVED
APR 12 1979

The Honorable James C. Cleveland
2246 Rayburn House Office Building
Washington, D. C. 20515

Dear Congressman Cleveland:

The purpose of this letter is to provide you with a statement concerning the status of projects in New Hampshire which will be awaiting Federal funding at the outset of Fiscal 1980.

You have indicated that EPA headquarters has advised that municipalities in the State of New Hampshire could utilize only 61% of the 1980 Federal appropriation, assuming that the allocation to this State would be $33 million under a $3.8 billion appropriation. Enclosed is a listing of Step II projects, either presently completed and awaiting funding or which will be completed not later than October 1, 1979. As can be observed, there will be a need for Federal grant funds in the order of approximately $100 million at the beginning of the next fiscal year. Clearly, the information being offered by EPA Washington is totally in error and must be rejected.

Incidentally, there are a number of other projects which conceivably could be awaiting funding by the October 1, 1980 date. The Federal dollars needed to assist those municipalities is in excess of $12 million.

In an effort to determine the source of the erroneous information encountered, Region I headquarters was contacted on Friday, April 7, 1979, with the construction grant staff reporting that the only information supplied to Washington was that New Hampshire, in the event of a $3.8 billion appropriation, would utilize the projected allocation of $33 million. Hence, it would appear that the 61% figure must have been generated at the Washington level.

In providing the foregoing summary, it should be appreciated that the two and four per cent set-asides for innovative-alternative projects has not been included. As matters now stand, it would seem that New Hampshire, along with many other states, will have great difficulty in using such funding, either because of unrealistic requirements for innovative projects or the geologic, hydrologic, and topographic barriers to wide-spread land application systems in this area. In this regard, however, New Hampshire has not been lax in employing land application as an acceptable means for disposal. There have been in the past several projects of this type installed in New Hampshire communities where the circumstances warranted.

"Live Free or Die"

In closing, your attention is invited to the enclosed tabulation titled "CONSTRUCTION GRANTS PROGRAM - CONSTRUCTION STATUS AS OF 79/02/14", prepared by EPA for Region I. The data contained therein, if examined by EPA headquarters, would have disclosed that New Hampshire, for the period reported, had 52% of the Step I projects completed in Region I; 27% of Step II projects completed; and 23% of the Step III projects completed. From such an analysis, it would have been clear that this State has a progressive program and has maintained a better "mix" of projects than any of the other states in the Region. Similarly, if Washington were to look at comparable reports for other regions, it would be immediately apparent which of the other states likewise are facing the prospect of Step II projects being held as a result of inadequate funding for the next fiscal year.

Copies of this letter have been directed to Messrs. Rhett, Adams, and Sutton so that they will be advised (if they are not presently aware) of the severe shortage of Federal funds which exists now and which undoubtedly will become even more critical in Fiscal 1980 and succeeding years.

We applaud your efforts to encourage alternative means for financing the backlog which is seriously delaying the abatement program in New Hampshire as well as in a number of other states such as Illinois and Oregon.

Finally, we enclose a copy of a Region I tabulation (dated 4/2/79) which reveals that New Hampshire would require 24 years to complete the abatement program specified in the 1978 NEEDS SURVEY at this year's $4.2 billion appropriation. We continue to be amazed at the gross lack of understanding on the part of EPA headquarters concerning this matter.

Sincerely,

William A. Healy, P.E.
Executive Director

WAH/dkb

c.c. Mr. John T. Rhett
Deputy Assistant Administrator for Water Programs

Mr. William R. Adams, Jr.
Regional Administration

Lester A. Sutton, Director
Water Programs Division

Enclosures

CONSTRUCTION GRANTS PROGRAM
CONSTRUCTION STATUS
AS OF 79/02/14

(DOLLAR AMOUNTS ARE IN THOUSANDS)

STATE	PROJECTS AWARDED UNDER PL 92-500 STEP 1	STEP 2	STEP 3	TOTAL	TOTAL PL 92-500 PAYMENT	PROJECTS COMPLETED UNDER PL 92-500 STEP 1	STEP 2	STEP 3	TOTAL	ACTIVE PROJECTS UNDER PL 92-500 STEP 1	STEP 2	STEP 3	TOTAL
CT	$8205	$10236	$312514	$330955	$155838	$517	$1442	$30811	$32770	$7688	$8794	$281703	$298185
	61	38	81	180		8	11	14	33	53	27	67	147
MA	$10770	$25786	$581819	$618375	$365184	$664	$11281	$25359	$37304	$10106	$14505	$556460	$581071
	97	89	123	309		10	39	14	63	87	50	109	244
ME	$2376	$3771	$166570	$172717	$131348	$152	$259	$25760	$26171	$2224	$3512	$140810	$146546
	66	19	45	130		7	2	15	24	59	17	30	106
NM	$2915	$12935	$176638	$192488	$106273	$1913	$3736	$18604	$24253	$1002	$9199	$158034	$168235
	61	74	63	198		40	27	22	89	21	47	41	109
RI	$2375	$4452	$88389	$95216	$59326	$864	$1005	$10621	$12490	$1511	$3447	$77768	$82726
	12	11	26	49		3	5	8	16	9	6	18	33
VT	$1615	$4013	$554411	$560039	$35346	$426	$1697	$14807	$16930	$1189	$2316	$39684	$43189
	29	30	48	107		9	17	21	47	20	13	27	60
REG 1 $	$28256	$61193	$1380341	$1469790	$853315	$4536	$19420	$125962	$149918	$23720	$41773	$1254379	$1319872
#	326	261	386	973		77	101	94	272	249	160	292	701

CR: TC7 MW (437)

EXPLANATORY NOTES :

1. COMPLETION IS DEFINED AS EPA APPROVAL OF PHYSICAL COMPLETION
2. STEP 3 TOTALS INCLUDE STEP 4 (COMBINED STEP 2/3 PROJECT) VALUES
3. EACH STATE IS ENTITLED TO OBLIGATE A MAXIMUM OF $600,000 FOR CONSTRUCTION OF TRAINING FACILITIES (STEP 9). STEP 9 GRANTS ARE NOT INCLUDED ON THIS REPORT.
4. EACH STATE IS ENTITLED TO OBLIGATE A MAXIMUM OF 2% OF EACH FISCAL YEARS ALLOTMENT BEGINNING WITH THE FISCAL YEAR 1978 ALLOTMENT, FOR STATE MANAGEMENT ASSISTANCE GRANTS (SMAG OR STEP 0). SMAG'S ARE NOT INCLUDED IN THIS REPORT

4/5/79
NHWS&PCC

PLANS SUBSTANTIALLY COMPLETED AND APPROVABLE

Winnipesaukee River Basin Program		EPA Assistance
C-330211-02	Belmont Interceptor	$ 1,725,000
155-01	Franklin Separation	390,000
153-01	Northfield Interceptor	500,000
154-01	Tilton Interceptor	900,000
		$ 3,515,000
Other Projects		
220-01	Belmont	$ 3,000,000
218-02	Bennington	432,000
143-02	Bethlehem	2,355,000
185-01	Bow	2,700,000
177-02	Carroll County Home	400,000
114-02	Claremont	11,037,000
144-02	Colebrook	585,000
157-02	Concord	3,634,000
237-01	Conway Precinct	1,655,000
194-02	Derry	6,123,000
200-02	Dover STP	6,680,000
200-02	Dover Sewer Rehabilitation	750,000
184-01	Gilford	938,000
146-01	Grafton County Home	500,000
115-02	Hanover - 3 Phases	3,926,000
128-01,02	Woodsville (Haverhill)	2,550,000

165-02	Hopkinton	$ 2,165,000
110-02	Keene	17,386,000
189-01	Marlboro	1,275,000
219-02	Meriden Village Precinct	644,000
215-03	Merrimack Interceptor 14 & 18	3,103,000
145-01	Newfields District	900,000
162-02	Newmarket	3,131,000
169-02	Newport	2,654,000
132-02	Plymouth	2,049,000
217-01/ 131-01	Stewartstown	2,100,000
234-02	Strafford County	172,000
191-01	Swanzey-West	1,125,000
190-01	Troy	3,029,000
117-02	Wilton	1,255,000
196-02	Portsmouth Interceptor & Rehabilitation	8,085,000
		$96,338,000
	Plus Winnipesaukee River Basin	3,515,000
	TOTAL	$99,853,000

Design Substantially Complete - Other Problems - could proceed to construction

212-01	Sanbornton WRB	$ 1,425,000	Easements
136-01	Bedford	3,928,000	Manchester
113-02	Goffstown	4,800,000	Manchester
172-02	Stratford	925,000	No Vote
181-01	Londonderry	1,174,000	Manchester
		$12,252,000	

46-106 O - 79 - 9

	STATE	GRANT NEEDS TAKEN FROM TABLE 24 - 1978 NEEDS SURVEY CATEGORIES I-V $ MILLIONS	ONE YEAR DISTRIBUTION OF $4.2 BILLION $ MILLIONS	NUMBER OF REQUIRED SATISFY N
1	Maine	$ 1,228	$ 31	39.6
2	Rhode Island	708	22	32.2
3	Washington	2,071	73	28.4
4	Indiana	3,153	115	27.4
5	Kentucky	1,563	61	25.6
6	New York	10,617	440	24.1
7	New Hampshire	866	36	24.0
8	Florida	3,732	159	23.5
9	Kansas	827	36	23.0
10	Connecticut	1,037	46	22.5
	Pennsylvania	4,018	181	22.2
	New Jersey	3,147	148	21.3
	Oregon	1,152	54	21.3
	Massachusetts	2,570	122	21.0
	Tennessee	1,317	65	20.3
	Maryland	2,182	115	19.9
	Michigan	3,363	171	19.7
	Hawaii	644	33	19.5
	Alaska	386	20	19.3
	Ohio	5,083	268	18.9
	Colorado	711	38	18.7
	West Virginia	1,384	74	18.7
	Virginia	1,506	81	18.6
	Missouri	1,901	103	18.5
	California	6,030	329	18.3
	Wisconsin	1,347	81	16.6
	Vermont	345	21	16.4
	Georgia	1,316	80	16.4
	Louisiana	852	52	16.4
	Iowa	882	54	16.3
	Idaho	334	21	15.9
	North Carolina	1,243	82	15.2
	Delaware	292	20	14.6
	Mississippi	580	40	14.5
	Illinois	3,078	215	14.3
	Utah	299	21	14.2
	Alabama	710	53	13.4
	Minnesota	1,010	77	13.1
	South Carolina	630	49	12.8
	Texas	2,332	181	12.8
	Arkansas	378	31	12.2
	Arizona	384	32	12.0
	Oklahoma	429	38	11.3

4/2/7

Nebraska	237	23	10.3
Nevada	195	21	9.3
South Dakota	155	21	7.4
D.C.	139	21	6.6
New Mexico	118	21	5.6
Montana	94	21	4.5
North Dakota	62	21	3.0
Wyoming	56	21	2.7
A. Samoa	42	2	21
Guam	33	3	11
P.R.	732	49	14.9
P.T.T.	68		
V.I.	33	1.5	22
	$79,614* (total Federal cost)	$4,200 (one year Federal grant funds)	19 (years t meet nc

* $79,614 = 75% ($106,153)

Average Years to Satisfy Needs by Region

Boston	Region I	25.9	
Seattle	X	21.2	
New York	II	20.1	w/o Virgin Is.
Chicago	V	18.3	
Atlanta	IV	17.7	
Kansas City	VII	17.0	
Philadelphia	III	16.8	
San Francisco	IX	14.8	w/o Guam & T.T.
Dallas	VI	11.7	
Denver	VIII	8.4	

Mr. BOLAND. The Committee will come to order.

We are delighted to have with us this afternoon our distinguished colleague from the State of New Hampshire, Mr. James Cleveland, who serves on the legislative committee which put together the Water Pollution Control Act of 1972. It is a program you have been interested in and I know your State is interested. Your concern is that there have been problems in funding this program, not in your State but in some of the other States that have not stayed on target. You are concerned about the recommendations made by the Surveys and Investigations staff of the House Appropriations Committee about the water pollution control program. You have expressed that concern to Members of this Subcommittee.

We are delighted to have you here to give us your opinion on the way to improve the program, and to be sure that those States which are fulfilling their responsibilities under the Act continue to be funded in an orderly fashion, so that we don't have any of these stop-and-go effects on the program. This program is terribly important to the communities and terribly expensive.

We are very glad to have you, Jim. Proceed as you wish.

Mr. CLEVELAND. Thank you, Mr. Chairman. I would like to say at the outset I was quite impressed during some of the oversight hearings to see you sitting patiently in the audience listening to some of the testimony on the advanced waste treatment.

Anyway, it was reassuring to me to know that the Appropriations Committee is appropriating the money that we authorize with that kind of interest. It is one of the first times I have ever seen it happen. I just wanted to comment on that for the record.

I have a statement but, on the assumption both you and my friend Mr. Coughlin can read, I certainly will not read the entire statement to you. Basically what this statement says is that many States were not spending up to the full authorization. In fact, some of the States had no way they could do it. There were other States, New Hampshire is one of them and Oregon and Illinois as well, that were fully geared up. They have ordered communities to go through the step 1 and step 2 process, and they are ready to go to step 3 which is construction.

I have submitted for the record a letter from the New Hampshire Commissioner.

EPA said that if you appropriated at the $3.8 billion level, New Hampshire could only spend 61 percent of that money. That is an absolutely untrue statement. I have here the list of the towns that have gone through step 1, step 2—Belmont, Bethlehem, Hanover—these people in these towns have had their meetings, have hired engineers and architects, have had the step 1 planning, the step 2 engineering, and the bond issues authorized. Now the State is telling them sorry, you are going to have to wait. Obviously they are questioning me because it is totally unfair.

Mr. BOLAND. How did the EPA arrive at 61 percent?

Mr. CLEVELAND. I would love to know. I am going to try to get my oversight committee to have hearings on that.

Mr. BOLAND. We appreciate the information that you have given to the Subcommittee before. We certainly will look into it, too.

Construction will be a lot more costly to the local communities and the States. At least we will make an effort to find out why the EPA came up with the opinion that the State of New Hampshire could use only 61 percent of the money that would be allocated to them out of the $3.8 billion.

Mr. CLEVELAND. We are in a position where we could use more than we are to receive.

What I propose in this statement is, in view of the severe problem that this is going to cause to States such as the three or four I have cited, you might work out an appropriation on a two-tier basis. For those States that can use the money and not waste it you could appropriate the $3.8 billion now, and for those who are slower you could appropriate as you see fit.

I think we would all agree that to crank out $5 billion would be very wasteful. As the States get down to the deadline, they come up with a lot of quick projects which do not do the job. If they cannot get that, they will come to Congress and get an extension of the allocation dateline.

As far as I am concerned, I have no objection to extending the reallocation dateline, provided you do something to take care of the States that are up there in front with the projects ready to go. Now Congress says, "Sorry, boys, not this year, not next year, maybe not for 3 years from now." It is destroying the credibilty of the program.

Mr. BOLAND. What is the fiscal year 1980 allotment to New Hampshire by EPA?

Mr. CLEVELAND. $5 billion?

Mr. BOLAND. Out of the $5 billion authorized, $33 million?

Mr. CLEVELAND. $44,050,000.

Mr. BOLAND. What about $4.5 billion, what would New Hampshire receive?

Mr. CLEVELAND. $39 million.

Mr. BOLAND. How about $3.8 billion?

Mr. CLEVELAND. $33 million.

Mr. BOLAND. In asking EPA to look at this and respond to the Surveys and Investigation staff report EPA changed their estimate for New Hampshire and some of the other States. They estimated New Hampshire would use about $30 million under the $3.8 billion appropriation. You disagree with this?

Mr. CLEVELAND. I do not know where EPA is getting its information. I do not know if they are deliberately lying to you.

Mr. BOLAND. I am sure they would not deliberately lie.

Mr. CLEVELAND. There is my information [referring to letter].

Mr. BOLAND. You suggest a two-tier appropriation. That would seem to me to be a very difficult accomplishment. All Committees of the Congress jealously guard their turf, as you know, unless there is an agreement that we could do this by way of the appropriation process. We could do it all right, but again, we would be doing it by legislating within the appropriation bill, I guess. Maybe that is the way we would have to do it. It would be relatively easy to do if we had a waiver rule to protect the points of order. But in any event, the gist of your testimony is that the amount of money which

would be allocated to the State of New Hampshire under the $3.8 billion appropriation would be disastrous to many communities?

Mr. CLEVELAND. It would be disastrous. It would be breaking faith with these communities that have been urged to go along and have gone along.

There is another related problem. Under the Cleveland-Wright Amendment adopted in 1975, some of the States now handling the construction grant program get 2 percent of the construction grant money for the staff to do the actual engineering work that used to be done by EPA. This, you'll remember, originally was causing this whole program to lag so badly. It is 2 percent of the construction grant program, so you are going to raise the dickens with their staffing if there is not any consistency there.

I am not suggesting you go back to the $5 billion, because I think there is evidence the $5 billion could not properly be used.

Mr. BOLAND. You are aware there are unobligated balances in the program. Right now it is $8 billion caused for the most part by some States' failure to use their funds in a timely fashion. That is a concern of this Committee, and it would be a concern of Congress itself. That does not help the States that are using the funds in a constant fashion and continually go along at a normal pace in construction. These are the States that you are concerned about and of course, New Hampshire is one of those States. There are several others in the same condition.

Mr. COUGHLIN. We certainly appreciate your being here and giving us the advantage of your expertise.

Is the authorizing committee moving on anything which approaches a two-tier approach?

Mr. CLEVELAND. No, that is the problem.

Mr. BOLAND. Would the authorizing committee move out if we appropriated, say, $3 billion or nothing? There is enough money in the unobligated balances in reallocations to run this program in fiscal year 1980, without any appropriation—at least that is what our Surveys and Investigations staff advises. I have doubts about it myself, but there is some indication the program could be run out without any additional appropriation for 1980. You would not agree with that, I suppose.

I am impressed with your concern in getting this program moving. It has been one of your top priorities. You are the ranking minority member on the oversight subcommittee. This Subcommittee on Appropriations is aware of the interest you have shown in water pollution control since the Act went into effect in 1972. As Mr. Coughlin indicated, and Marty Sabo agreed, someone with that much knowledge and expertise deserves to be heard. So, we are delighted to have you with us.

Mr. COUGHLIN. As you indicated, the reallocation approach has serious problems in having States move ahead so their funding would not lapse.

Would the two-tier approach create the same problem?

Mr. CLEVELAND. As I see it, under the two-tier approach, those States going forward will not seriously be penalized by those not going forward.

Approximately 40 States have not geared up and really gotten going on this. You are going to penalize the 10 States that have gotten under way.

In New Hampshire, we will get less money for 1980 than for the current year.

I wish you could talk to some of the selectmen who have been told by the Federal Government to get busy and clean up the rivers. Then they have gone out and paid architects and paid for the planning. And now the Federal Government says we did not really mean it.

Mr. COUGHLIN. You do not think the two-tier approach has the same effect by funding projects that really are not worthy projects?

Mr. CLEVELAND. The two-tier approach is more like a carrot. It will reward those States which are doing their job by making more money available to them. In area allotment, you threaten to penalize States that do not use their money. That has not worked for two reasons: One, as you get to the deadline, political pressure goes up and they approve wasteful programs and two, they will come to Congress and get an extension. They have the votes to do it. Reallocation is really not a useful tool—at least it has not worked yet.

Mr. COUGHLIN. As I said to an earlier witness, there is no one more committed to this program than Chairman Boland and this Subcommittee. Our investigative staff has found we have been funding some pretty dismal failures and we have these projects still in the pipeline. How to handle that situation is something we have to consider.

Mr. CLEVELAND. If you do not approve the two-tier approach, I hope you will come up with something. All I know is we have $100 million worth of jobs ready to go and now we are being told we will only get $33 million.

Mr. COUGHLIN. I hope if we were able to approve the two-tier approach you will support a waiver on the rule.

Mr. BOLAND. You explain this somewhat on pages 3 and 4 of your statement. It is an area we will be glad to examine. What you propose is rather unique, let me say.

Mr. CLEVELAND. In the Surface Transportation Act of 1978, we created an "acceleration pot" in the interstate program. As you know, when you have a fixed allocation formula it gets complicated. You remember the difficulties we had 3 or 4 years ago, when the southern States found out they were not getting as much, so then we had the amendment. What I think we all want to do is get the job done. The allocation formula is apparently really one of the problems. Once you adjust that, you get into a fight with different States.

Mr. BOLAND. Marty?

Mr. SABO. I am interested in your opinion on trading allocations. New Hampshire in 1980 might trade allocations with another State not quite ready to proceed, and they would get a portion of that State's appropriated portion, and that State might get a portion of New Hampshire's allocation in 1981.

Mr. CLEVELAND. That might be a solution. Another solution is borrowing.

Mr. SABO. But then States start obligating low-priority projects simply to get the money spent.

Mr. BOLAND. That is a good point.

Ben, did you have anything to add?

Mr. STEWART. No.

Mr. BOLAND. Thank you very much, Jim, for your appearance. We appreciate it.

HOUSING AND URBAN DEVELOPMENT

WITNESS

HON. STANLEY LUNDINE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BOLAND. The Committee will resume its hearings. We are pleased to have with us the distinguished Member from the State of New York, Congressman Lundine. The Committee understands that you appear here with reference to the HUD budget.

Mr. LUNDINE. That is correct, Mr. Chairman. I will be very brief.

I feel that housing has suffered a disproportionate cut, albeit we have to reduce Federal spending to every extent possible, and reduce the size of the deficit to every extent possible.

I have submitted a statement which I would ask be included in the record.

Mr. BOLAND. It will be included.

[The statement follows:]

Hon. Stanley N. Lundine
Testimony before the House Appropriations Subcommittee
on H.U.D. and Independent Agencies
Tuesday, April 24, 1979

Mr. Chairman, let me express at the outset my appreciation both for the opportunity to appear here today and for the broad range of witnesses which your Subcommittee has agreed to hear. In this year of extreme inflation, your job is probably the most difficult in the entire Congress. At the very moment when inflation cruelly threatens those who are already at the margins of economic survival, this Subcommittee is charged with the unpleasant task of limiting the programs which serve that same population.

I do support the President's overall goal of keeping the federal deficit below $30 billion for the coming fiscal year and of minimizing it in Fiscal Year 1981. Regardless of a balanced budget's effectiveness as a macro-economic tool against inflation, there is no question in my mind of its importance in shaping consumer behavior. Confronted with further deficit spending in Washington, Americans will continue to act upon inflationary expectations and thereby perpetuate the cost-push process.

However, having agreed to a restricted budgetary framework, I believe there is still a great deal of choice on our part as to where those reductions should be made. Frankly, I am a bit dismayed by the Administration's decision to focus disproportionate cuts upon federal housing programs. It simply seems illogical to me to concentrate budget cuts -- which are aimed at reducing inflation -- on the very programs which help people to cope with a tightened and inflationary housing market. I particularly question such a policy when, at the same time, we declare the military budget immune from fiscal scrutiny.

Therefore, I come here this afternoon to urge you to follow the lead of the House Banking Committee's budget requests in restoring some of the housing money which the Administration has recommended be cut. I am particularly concerned about the overall decline in the number of assisted housing units provided for in the budget. I am also concerned about the effective decrease in elderly units which will result if level-funding is imposed upon the Sec. 202 program, and I further question the serious cutbacks recommended for Sec. 701 planning money as well as the Sec. 312 rehabilitation grants.

I am distressed by these proposed reductions not simply because we have already fallen short of the housing need in America. Indeed, it is true that the ten-year goal of six million units of assisted housing set in 1968 was only half-fulfilled by the close of that decade. But, I am also discouraged because we seem to be ignoring the painful lessons of past reductions in housing programs -- the recognition of how fragile the housing sector is and how difficult it becomes to build up a strong federal delivery system for housing services. Given that experience, we should not lightly impose cyclical funding patterns on an industry which already suffers from natural peaks and valleys. This is particularly the case now, as we prepare for an expected slump in housing production in the coming year. Finally, I am concerned about the rationale for these funding cuts as it seems to me that housing programs are among the least efficient vehicles for restrictive fiscal policy; most of the budgetary authority involved is spread out over a number of years and will have little impact on the immediate economy.

With these general comments in mind, I would like to spend the remainder of my time today addressing a specific concern which I believe is both typical

of the deficiencies in the Administration's housing budget and crucially important in its own right. I refer to the Administration's decision not to request funding for the congregate services program for Fiscal Year 1980. As members of this Subcommittee know, the Housing and Community Development Act of 1978 authorized $25 million for FY '80 to support the development of housing projects containing crucial support services enabling frail elderly and handicapped persons "to remain independent and avoid unnecessary institutionalization." That legislation was the product of years of policy discussions in which the specter of a national congregate housing program was raised again and again -- beginning with President Kennedy's recommendation in 1963. Since then, implementation has been precluded by jurisdictional squabbles, bureaucratic tangles and Departmental indifference. And now the congregate program seems to have encountered a new and no less formidable adversary in the "austere budget."

In reviewing the wealth of literature which discussion of congregate services has generated over the years, I was interested by a particularly appropriate paper delivered by the economist Charles Schultze at a national conference on congregate housing in 1975. Mr. Schultze identified two issues of public concern which he felt were crucial to the fate of a federal congregate services program. First, he highlighted the increasing skepticism "about the ability of the government, and the federal government in particular, to deal with any social problem." Secondly, he underscored "the belief that government expenditures are out of control." Obviously those sentiments have subsequently intensified!

Mr Schultze's response at the time to these public misgivings was character-

istically judicious. Placing recent federal deficits and performance in historical perspective, he concluded that social services were not at an end, but that we need to be more innovative in our design and prudent in our support of them -- both to allay public doubts and to ensure their effectiveness.

I find this prescription provocative in two respects. First, I believe and presumably Mr. Schultze agrees, that the model of congregate housing qualifies as one of those logical and cost-effective responses to a complex social problem for which we should be searching. Secondly, I am convinced that the federal government's failure to implement the program engenders far more public dissatisfaction than would the modest funding involved.

That need is not only obvious to the American public but has been documented for many years and from several sources. While the figures differ with the sources, it seems beyond dispute that somewhere between 1.5 and 2.4 million elderly people, whose activities and/or mobility are restricted, would benefit from congregate housing. Other data suggests that anywhere from a third to a half of all nursing home residents could function in less intensive care environments -- if they existed. Finally, statistics show that the cost of individual care in a congregate setting is substantially less than that of nursing institutions. In short, our failure to provide this sensible housing option results, with each passing day, in the unnecessary institutionalization of older Americans. Such premature institutionalization is both a human tragedy and a waste of tax dollars.

It cannot be claimed that congregate housing has been inadequately studied

as a worthwhile alternative. Not only has Congress sought in vain to encourage its development legislatively since 1970, but in the subsequent period several government studies have confirmed the wisdom of that policy. Four years ago, for example, the Administration on Aging hosted the first National Conference on Congregate Housing. Spanning subsidiary issues from architectural design to financing the services component, the papers presented at that conference (including Charles Schultze's) confirmed that congregate housing is well understood as a concept and successfully tested in practice.

More recently, a detailed study of existing congregate projects by the Department of Housing and Urban Development found that the research results "all converge in the overwhelming conclusion that congregate housing does indeed effectively meet the needs of its elderly residents." On the Congressional side, numerous hearings on the congregate issue have been held in both House and Senate, and the fruits of those inquiries appeared in Title IV of the Housing and Community Development Act of last year. Title IV set forth specific guidelines for the inauguration of a federal program within HUD to assist the provision of congregate housing for low and moderate income elderly. Similarly, the Senate Appropriations report of last year spoke firmly of an initial $20 million allocation "to fund a new program." It was only in the compromise wording in the conference report that the program emerged as a "pilot demonstration project."

Of course, the funding level involved insured its pilot status from the beginning: H.U.D. estimates that the current $10 million will assist perhaps as few as 1,000 elderly. But, coupled with the new wave of budgetary

restraint, the language of last year's conferees has turned congregate housing into a pilot project in a different sense: a single year program. It seems to me that this runs directly contrary to the intent of the authorizing legislation and that it cannot be justified when both the serious need and the prior research conducted are taken into account.

It is my understanding from the Department of Housing and Urban Development that, after much delay, they are now ready to proceed with guidelines and anticipate making the first funding awards this fall. I strongly urge this Subcommittee not to perpetuate the record of delays and detours which has plagued congregate housing and to appropriate funding for continuation of the program in Fiscal Year 1980.

Mr. LUNDINE. I would like to emphasize one particular program in the HUD budget. Last year the Housing and Community Development Act authorized $25 million for fiscal year 1980 to support the development of Congregate Housing Services. The Administration has chosen to include no funding for this program this year. We believe that considerable savings would be achieved through the development of a Congregate Services program. There are about 4 million elderly people whose mobility is restricted. Therefore, they cannot benefit from public housing programs. A third of nursing home residents could exist in other environments if they existed.

We believe on a moderate scale such as this, it is the intention of the authorizing committee that such a program go forward and be carried out without interruption.

The only reason the 1979 appropriation for Congregate Services has not been carried out is that HUD has been dilatory. They have not even finalized the guidelines and regulations for applications. Around the country, there are indications of enormous interest. I believe that sustaining an appropriation for this function would be a wise investment and would point the way toward more prudent expenditures.

Mr. BOLAND. I think you make a good point. This Committee has long sought the kind of program put in place in 1979. You are on the Banking Committee, and I know you have taken some considerable interest in it.

There is no question about the fact, and I think you will agree, that this is a program that would cost a lot of money after it has been fully implemented.

The Department is now engaged in conducting a demonstration to determine precisely what the cost might be and also the kind of services that would be included under Congregate Services.

I assume that is one of the reasons no money was requested in the fiscal 1980 budget for it. They are waiting until they have a better idea about precisely what the program should cover and also the direction in which it is going to travel. It is a brand new program, as you know.

It currently is estimated that congregate meal services will be provided twice daily at an average cost of $1,000 per year per individual. Approximately 1,800 to 2,000 elderly or handicapped individuals will be assisted in an estimated 50 to 60 Section 202 and public housing projects for a period of 5 years starting in 1979. The projects to be selected will include as broad a geographical distribution as is reasonable and as wide a range of project types as feasible, including large, small, urban, rural, elderly, and projects designed especially for the handicapped. So I presume the program is about to get started. It really is a pilot program at this point in time.

Mr. LUNDINE. I fully agree it is a program that should be carried out on a modest scale. I was the House sponsor on this in the last Congress, along with Senator Williams. We agree it should be tested and evaluated. We did believe it was entitled to a full 5-year program demonstration. It was never intended that the 1979 authorization be restricted or that the program be restricted to the

funds allocated to it in 1979. So I hope this subcommittee will give it a careful examination.

Mr. BOLAND. Marty?

Mr. SABO. I am curious. What has your Committee done with the authorization for Section 312? Have you dealt with that issue yet?

Mr. LUNDINE. We have not this year. The Housing Subcommittee starts the markup next Monday.

Mr. BOLAND. You have had hearings on it, though?

Mr. LUNDINE. Yes.

Mr. BOLAND. Ben?

Mr. STEWART. No, I do not have any questions.

Mr. BOLAND. Stanley, thank you very much. We appreciate your presence here.

NATIONAL ASSOCIATION OF REGIONAL COUNCILS

WITNESS

CORKY KIRKPATRICK, COUNCILOR, METROPOLITAN SERVICE DISTRICT, PORTLAND, OREG., AND NATIONAL ASSOCIATION OF REGIONAL COUNCILS

[The statements follow:]



NATIONAL ASSOCIATION OF REGIONAL COUNCILS

1700 K St., N.W., Washington, D.C. 20006 • Area Code (202) 457-0710

RICHARD C. HARTMAN, Executive Director

TESTIMONY OF

CORKY KIRKPATRICK
Councilor, Metropolitan Service District
Portland, Oregon

ON BEHALF OF THE

NATIONAL ASSOCIATION OF REGIONAL COUNCILS

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 24, 1979

WASHINGTON, D. C.

46-106 O - 79 - 10

Mr. Chairman, I am Corky Kirkpatrick, Councilor, Metropolitan Service District, Portland, Oregon. In addition, I am a member of the Board of Directors of the National Association of Regional Councils. I appreciate the Subcommittee giving me this opportunity to testify on the FY 1980 budget for the Department of Housing and Urban Development.

At this time, I would like to submit for the Subcommittee's consideration, NARC's statement on the FY 1980 budget for the Environmental Protection Agency. We take this action in the interest of saving time, but it does not in any way indicate a lack of interest in EPA's activities.

Regional councils are public areawide organizations of general purpose local governments encompassing a total regional community. Their primary purposes are to increase communication, cooperative decision-making and coordination among local governments, and to develop policies and programs to meet mutual problems. More than 600 such regional councils have been established to deal with areawide problems such as housing, community and

economic development, environmental quality, transportation, and public safety.

Regional councils, to the extent of their limited resources, try to confront the entire areawide mix of problems and potential solutions. In considering the metropolitan area or rural region as a single community without regard to historic political boundaries, we are in the business of formulating development policies which can achieve the greatest overall benefit. We are working to stretch program dollars - federal, state, and local - to do the most good for all the citizens whose lives and work are mutually bound in the progress of the region as a whole.

The HUD "701" Comprehensive Planning Program is the backbone of planning and coordination efforts by local governments and their regional councils. The Administration has requested $40 million for the 701 program in fiscal year 1980. This is a sharp reduction from the current fiscal year ($53 million) and reflects a continuing decline in federal funding support.

From a high mark of $100 million, the 701 program has been reduced to its current funding level of $53 million. Moreover, the 701 program has gone

through a number of emphasis shifts since it was first enacted as part of the Housing Act of 1952.

Throughout the late 1960's and early 1970's, the 701 program focused on aiding and improving local government management, policy making and program coordination. "Capacity building" as it is popularly referred to by local government professionals was recognized as a legitimate role for the federal government. The 701 program enabled local elected officials to obtain a long-range view of community development issues, particularly as they related to housing. (A housing element was added to the 701 requirements in 1968.) However, Congress substantially revised the 701 program under the Housing and Community Development Act of 1974.

The 1974 Act required all 701 grant recipients to develop and maintain a land use element as a part of their comprehensive plan in addition to a housing element. This new land use element was to include "studies, criteria, standards, and implementing procedures necessary for effectively guiding and controlling major decisions as to where growth would take place within the recipients boundaries." NARC supported the Congress's action and we believe the land use

element has produced significant and useful data. However, the addition of this new requirement combined with continual reductions in federal funding forced many regional councils and other 701 recipients to cut back on their A-95 review, technical assistance, and policy coordination activities.

The focal point of the 701 program became the preparation of detailed housing and land use elements within the areawide comprehensive plan. As a result, the program became less useful to local elected officials as a policy implementation and coordination tool. HUD's failure to closely integrate the housing element required under 701, and the housing assistance plans (HAP) under the Community Development Block Grant Program, has caused many local governments to question the usefulness of this effort. In fact, only recently has HUD used the so called "housing opportunity plans," devised as a part of an incentive demonstration program in 12 areas as the basis of allocating housing funds at the regional level. In March, an additional seven areas were designated.

This failure to relate funding decisions to plans developed with 701 monies has given rise, and with some justification, to the charge that this is planning for plannings sake. Many members of Congress, particularly those on

the Appropriations Committees, began to express skepticism about 701's effectiveness in implementing development decisions.

The Carter Administration has shifted some of the emphasis of the 701 program away from detailed housing and land use planning toward the development of strategies for achieving national goals in the community development field. HUD also appears to be trying to ensure that its decisions on housing funding are related to areawide housing plans that are endorsed by local governments.

NARC has been working with a number of public interest groups to develop a proposal to rectify the present deficiencies in the 701 program. Basically, we are proposing revision of the program's language to require the preparation of community conservation and development policy, instead of separate housing and land use elements; a strengthening of interagency coordination at the federal level; a stronger emphasis on policy coordination through the A-95 process at the local, regional and State levels; and stronger performance requirements for recipients. Our proposals are presently being considered by the Subcommittee on Housing and Community Development of the House Banking,

Finance, and Urban Affairs Committee.

I do not want to leave the Subcommittee with the impressiong that the 701 program has been a failure or is unworkable. On the contrary, the 701 program has provided the glue by which local government officials, through their regional councils, have been able to bring many disparate elements of public policy together. Let me cite a few examples:

Louisiana

Regional Planning Commission for
Jefferson, Orleans, St. Bernard, and St. Tammany Parishes — New Orleans

The RPC has recently completed a Metro area atlas showing 95 various aspects of the Orleans area. Schools, commercial concentrations, industrial areas, residential zones, and churches are among the features highlighted in the atlas. A comprehensive housing plan was prepared by the Commission resulting in construction of approximately 500 units of section 8 housing.

Massachusetts

Lower Pioneer Valley
Regional Planning Commission — West Springfield

The development of an Areawide Housing Opportunity Plan has resulted in approximately 1.7 million dollars for direct and specific housing implementation activities. Documentation of local solid waste disposal needs resulted in the issuing of an RFP for a resource recovery facility to serve 18 municipalities.

Michigan

East Central Michigan
Planning and Development Region — Saginaw

The Fair Share Plan developed by the ECMPDR has resulted in six rehabilitation programs comprising approximately 200 units. 561 section 8 units for the elderly have also been built as a result of the plan.

Illinois

Coles County Regional Planning Council — Charleston

The CCRPC has developed two sewer plans, one for the City of Oakland and one for the village of Humboldt, both presently being implemented. As a result of their regional housing plan, 68 two bedroom FmHA elderly units and 100 section 8 units of housing are being constructed in Charleston. Also, 81 units of section 8 11b housing have been constructed in Matoon.

Minnesota

Metropolitan Council — St. Paul

The MC has developed comprehensive housing plans, including an AHOP, of which 8 jurisdictions in the region conform to. Consequently, all of those jurisdictions receive some sort of housing subsidy. The MC aided in the development of 2,800 section 8 subsidized housing units. Policy 39 is a housing guide which ranks communities in order of subsidized housing needs. This aids in the establishment of priorities for subsidized housing in the region. Also, the MC publishes a relocation handbook which lists all subsidized housing in the region.

There are many other successful programs across the nation, and I have attached a copy of our special report "HUD 701 Comprehensive Planning and Management Program."

The importance of the 701 program increases in light of the Administration's commitment to the most effective employment of limited programmatic resources. As you know, "701" has been the only source of funding available for the kind of comprehensive planning that provides some order to otherwise fragmented federal, State and local development efforts. The careful coordination of

planning for transportation, housing, energy, economic development, social services, environmental quality, and other related activities can prevent the undesirable and costly patterns of urban and rural development which wastes our natural, economic and human resources.

I recognize that local officials are criticized for not freeing more funds from their own budgets for planning. However, as fiscal restraints on local government become tighter because of restrictions on taxation like Proposition 13, it becomes very difficult to set aside funds in the face of rapidly growing operating expenses which overwhelm available tax revenues. The same situation also affects local support of regional council activities.

NARC strongly urges the Congress to fund the 701 program at its present level of $53 million. We believe the Administration's cut is too severe and not in line with other reductions in the federal budget. As local elected officials serving the same citizens you serve, we recognize the budgetary implications of our request, but NARC feels strongly that the 701 program can help make more efficient and effective use of Federal, State and local dollars.

Thank you.

National Association of Regional Councils

report

1700 K STREET, N.W., WASHINGTON, D.C. 20006 • (202) 296-2351

April, 1979

Report No. 35

HUD "701"
COMPREHENSIVE PLANNING AND MANAGEMENT PROGRAM

The Comprehensive Planning and Assistance Program, "701," administered by the Department of Housing and Urban Development (HUD), encourages and financially supports state and general purpose governments, including their regional councils, in improving their comprehensive planning and management capabilities. Small towns and rural areas are especially dependent on "701" funding because of limited budgets and staff. The "701" funds aid in:

- Decreasing costs of government and increasing its productivity,
- Maximizing the use of limited natural and human resources,
- Developing and implementing comprehensive plans,
- Developing energy conservation measures, and
- Planning for disaster and economic recovery.

Funding under the "701" program assists in paying for A-95 reviews of federal grant applications on a wide range of activities as required by the Office of Management and Budget (OMB). This review process has saved hundreds of millions of dollars by eliminating duplication and inconsistencies from one jurisdiction to the next. In addition, the "701" program enables local governments to integrate various programs, including health, housing, land use, and transportation, as well as address specific priorities defined by the local jurisdictions.

The following is a brief listing by state of some of the achievements made possible through "701" funded programs.

Alabama

Top of Alabama
Regional Council of Governments — Huntsville

Dean Matthews (205) 533-3330 — 1979 "701" Budget: $98,079

TARCOG has prepared housing assistance plans and housing program applications for

local governments without the means to do so on their own. Through the A-95 review process, a TARCOG staff recommendation that several applicants for water system development combine their proposals into a functional unit was accepted. This recommendation led to the development of the North Limestone County Water System, saving in excess of $200,000.

West Alabama
Planning & Development Council — Tuscaloosa

Lewis McCray (205) 345-5545 — 1979 "701" Budget: $75,000

WAPDC prepared comprehensive water and sewer plans for the towns of Brent and Centreville. These plans resulted in the development of a joint sewage system. A comprehensive water system planned for Lemar County is also in service. In addition, WAPDC aided in the planning and siting of a sanitary landfill for Pikens County.

Connecticut

Southeastern Connecticut
Regional Planning Commission — Norwich

Richard Erickson(203) 889-2324 — 1979 "701" Budget: $60,000

The SECRPA prepared an analysis necessary for the establishment of a regional community college. SECRPA also assisted its local governments in establishing a regional water authority and a regional transit district.

Windham Regional
Planning Agency — Willimantic

Terry A. Wakeman (203) 456-2221 — 1979 "701" Budget: $14,800

WRPA has developed both long and short term solutions to their region's solid waste disposal needs. In the short term, the program utilizes a transfer haul system to transport the waste to a landfill outside the region. In the long term, construction is planned for a municipally owned and operated solid waste to steam facility which will save approximately 20,000 barrels of fuel oil and improve the competitive position of a major employer, as well as ease the solid waste disposal problem.

Florida

Tampa Bay
Regional Planning Council — St. Petersburg

Scott D. Wilson (813) 577-5151 — 1979 "701" Budget: $162,000

The TBRPC has developed a comprehensive economic development guide which identifies industries that would be beneficial for the region. This has aided efforts in recruiting new industries to the region. Also, a comprehensive plan for solid waste disposal has been developed and adopted resulting in construction of a resource recovery plant which will produce electricity by burning trash.

Illinois

Coles County
Regional Planning Council — Charleston

James Mann(217) 348-0521 — 1979 "701" Budget: $36,300

The CCRPC has developed two sewer plans, one for the city of Oakland and one for the village of Humboldt, both presently being implemented. As a result of their regional housing plan, 68 two bedroom FmHA elderly units and 100 section 8 units of housing are being constructed in Charleston. Also, 81 units of section 8 11b housing have been constructed in Matoon.

Kentucky

Barren River Area
Development District — Bowling Green

Jack Eversole (502) 781-2381 — 1979 "701" Budget: $81,766

BRADD has provided a circuit rider to serve 23 municipalities and 10 counties in preparation of all budgets, financial reporting forms, personnel management, and other management activities. Assistance was provided for the establishment of the Barren River Local Official's Organization which operates the regional housing program and a regional water quality management laboratory. In addition, a comprehensive disaster and emergency service program was developed, consisting of: (1) On-site assistance, (2) Mutual-aid agreements, and (3) Emergency operation plans for each of the ten counties in the region.

Kentuckiana
Regional Planning and Development Agency — Louisville

Neil Farris (502) 587-3804 — 1979 "701" Budget: $186,294

KRPDA prepared a redevelopment plan for a city whose central business district (CBD) was completely destroyed by a tornado. Implementation of plans completed within three months after the damage resulted in restoration and revitalization of the city's CBD and alleviated the city's chronic traffic and parking problems.

KRPDA's regional housing plan serves as an effective implementation tool by providing a guide to the best sites for low and moderate income housing. The plan points out areas where undue concentrations already exist and is regularly used by private and public developers in making locational decisions. It also fosters communications between builders and local elected officials and is used in developing CDBG applications and area housing projects.

Louisiana

Regional Planning Commission for
Jefferson, Orleans, St. Bernard, and St. Tammany Parishes — New Orleans

Lee Gravemberg (504) 523-1432 — 1979 "701" Budget: $180,000

The RPC has recently completed a Metro area atlas showing 95 various aspects of the Orleans area. Schools, commercial concentrations, industrial areas,

residential zones, and churches are among the features highlighted in the atlas. A comprehensive housing plan was preprared by the Commission resulting in construction of approximately 500 units of section 8 housing.

Maryland

Metropolitan Washington
Council of Governments — Washington, D.C.

Walter Scheiber (202) 223-6800 — 1979 "701" Budget: $422,650

Approximately 5,000 subsidized units of low income family housing are or will be available in the near future through the Fair Share Plan developed by the MWCOG. With the aid of the Guide Fair Housing Affirmative Action Plan and partial support of 701 funds, MWCOG is involved in promoting minorities in the Real Estate Program. This effort is expanding employment opportunities in the real estate sales field for minorities. Comprehensive emergency plans for use during shortages of gasoline, heating oil, natural gas, or electricity, have been prepared. In addition, local governments have saved approximately $250,000 by working together through MWCOG to purchase necessities such as tires, antifreeze, library materials, and audio-visual equipment.

Regional Planning Council — Baltimore

Mr. Cowalcheck (301) 383-5854 — 1979 "701" Budget: $310,000

The RPC provided a detailed economic study for Baltimore's Metro Center. This study provided analysis used in the Center's development. Preliminary transit studies were prepared for the Maryland Department of Transportation, on a rapid rail and mass transit system. The studies served as the basis of Baltimore's current mass transit system. The RPC also recommended establishment of a state-wide transit authority, now in existence as Maryland's Mass Transit Administration. The Baltimore Metropolitan Manpower Consortium, partially funded by "701" funds made job placements for 6,992 persons in an area experiencing 7.5 to 8.5% inflation. Also, 14,897 youths were employed in various summer job experiences. The RPC has provided plans and is working closely with the city for the revitalization of the Penn Station downtown. The RPC joined the State Bureau of Air Quality Control in urging the U.S. Environmental Protection Agency not to impose a requirement that the sulfur content on residual fuel oil be lowered from 1.0 to 0.5 percent with a $30 million dollar savings realized from the action.

Massachusetts

Lower Pioneer Valley
Regional Planning Commission — West Springfield

Krzysztof Munnich(413) 781-6045 — 1979 "701" Budget: $65,000

The development of an Areawide Housing Opportunity Plan has resulted in approximately 1.7 million dollars for direct and specific housing implementation activities. Documentation of local solid waste disposal needs resulted in the issuing of an RFP for a resource recovery facility to serve 18 municipalities.

Montachusett
Regional Planning Commission — Fitchburg

Mohammed Khan (617) 345-2216 — 1979 "701" Budget: $33,000

MRPC used "701" funds to develop a comprehensive community development plan for revitalization of the town of Sterling which was cut in half by construction of Interstate 90. MRPC also developed an Economic Recovery Revitalization Plan for the town of Clinton, which is presently under bid for a block grant.

Michigan

East Central Michigan
Planning and Development Region — Saginaw

David Gay (517) 752-0100 — 1979 "701" Budget: $57,000

The Fair Share Plan developed by the ECMPDR has resulted in six rehabilitation programs comprising approximately 200 units. 561 section 8 units for the elderly have also been built as a result of the plan.

Mississippi

Central Mississippi
Planning and Development District — Jackson

Clarke Holmes (601) 981-1511 — 1979 "701" Budget: $95,000

Through CMPDD's comprehensive planning and coordination the region has been able to provide 150 section 8 and 30 FmHA housing units for the elderly. More than $1 million has been secured from the Bureau of Outdoor Recreation for the purpose of construction facilities in line with comprehensive recreation plans developed by the CMPDP.

New Hampshire

Strafford Rockingham
Regional Council — Exeter

Jack Metee (603) 742-2523 — 1979 "701" Budget: $38,800

The SRRC developed capability maps used by municipalities in making land use decisions which have resulted in substantial reduction of water pollution problems in the region. The maps have formed the data base for the development of 25 land use control ordinances.

North County Council — Franconia

Gerald Coogan (603) 823-8108 — 1979 "701" Budget: $40,000

The NCC has assisted the towns of Jackson and Madison in developing and implementing plans for future growth. Similar aid is being provided for three other towns in the region. In addition, NCC has assisted the towns of Exeter, Franconia, and Sugar Hill in establishing a solid waste transfer station and tried to keep

abreast of rapidly changing technologies in the field of solid waste management.

Ohio

Northeast Areawide
Coordinating Agency — Cleveland

Frederick Pizzedaz (216) 241-2414 — 1979 "701" Budget: $100,000

The NEACA developed a mortgage plan highlighting weak investment areas and suggesting the type of industry or commercial uses from which the area would benefit. This has been an extremely useful tool in the recruitment of new investors for the region. As a result of the housing plan developed by NEACA, 250 section 8 housing units have been constructed.

Oklahoma

Association of Central
Oklahoma Governments — Oklahoma City

Zach Taylor (405) 848-8961 — 1979 "701" Budget: $102,000

ACOG's accomplishments include the following: 1) Development and adoption of a regional water plan, instrumental in the implementation of many water projects in the region, 2) preparation and adoption of a Regional Open Space Plan for parks and open space development, 3) an update of an Areawide Land Use Plan, of which all major cities in the region participate, and finally 4) development of an affirmative action plan for equal opportunity which has been used by several members as a model. ACOG has updated area maps and developed an areawide address file which will be used by the Census Bureau as the official mapping system for the 1980 census. This eliminated the need for a duplicate process saving well over $80,000.

Northeast Counties of Oklahoma
Economic Development Association — Vinita

L. B. Earp (918) 256-6478 — 1979 "701" Budget: $25,000

A complete housing inventory of the region has been conducted in cooperation with the FmHA. Programs with HUD and FmHA are being developed to meet the region's increasing needs. Water and sewer documents were developed for incorporated areas, analyzing the cost of upgrading the present systems to meet future demands.

Tennessee

Mississippi-Arkansas-Tennessee Council of Governments
Memphis Delta Development District — Memphis

George Livers (901) 528-2770 — 1979 "701" Budget: $113,500

The city of Covington was assisted in obtaining EDA funds when Warwick Electronics closed, leaving approximately 500 employees jobless. Now development of a new industrial park is being pursued. A housing plan developed for Crittenden County has formed the basis of the counties CDBG program, assistance was also provided for

the city of Sunset in preparing and establishing its Housing Rehabilitation Program with its CDBG funds.

South Central Tennessee
Development District — Columbia

Joe Max William (615) 381-2040 — 1979 "701" Budget: $56,000

The SCTDD developed and assisted nine different housing authorities with plans for over 500 low and moderate income housing units. An Historic Sites Plan, which identifies historical sites and outlines a program to preserve them from destruction, is also being developed.

Chattanooga Area
Regional Council of Governments/
Southeast Tennessee Development District — Chattanooga

Charles Thrailkill (615) 266-5781 — 1979 "701" Budget: $91,554

CARCOG developed plans resulting in the Good Neighbor Homes, 117 units of elderly housing in the region. Also, through plans developed by CARCOG, the Hiwasse Utilities Water Project, a two county water system, was established.

Vermont

Lamoille County
Development Council — Morrisville

Anthony Ciaraldi (802) 888-4548 — 1979 "701" Budget: $14,260

The LCDC has developed plans resulting in the construction of 48 units of section 8 elderly housing, as well as 10 units of congregate housing in Morrisville. The LCDC's review of a WIC application, resulted in the realignment of administrative costs, saving approximately $500,000.

Bennington County
Regional Commission — Arlington

Gregory Burke (802) 375-2576 — 1979 "701" Budget: $15,000

Site plans were developed which resulted in construction of a multi-purpose park for the region. BCRC also provided the planning for a regional landfill presently serving six communities. In addition, BCRC recommended a cost-effective alternative to the city of Arlington's proposed Central Sewage Treatment System. The alternative is a neighborhood type system with projected savings of approximately $1.7 million.

Wisconsin

Northwest Regional
Planning Commission — Spooner

Mark Mueller (715) 635-2197 — 1979 "701" Budget: $49,495

Preliminary plans for a Marina in the city of Superior were proposed by NWRPC.

Their adoption resulted in seven million dollars of private investments and 200-300 jobs for an area experiencing 10% unemployment. Comprehensive Regional Development Plans for eight cities in the region have provided the data base necessary for the adoption of zoning and subdivision regulations, as well as for official maps of the region. Preparation of plans for 250 units of housing are being developed for use in the near future.

Dane County
Regional Planning Commission — Madison

Charles Montemayor (608) 266-4137 — 1979 "701" Budget: $64,000

DCRPC, having helped to establish the Dane County Housing Authority in 1973, has more recently assisted in the establishment of local community housing authorities and guiding their preparation of federal housing grant applications. The Commission received national recognition for its technical assistance to Dane County in its Capehart Housing Rehabilitation Project and currently provides assistance to a Hispanic self-help housing group which received FmHA mention as one of the most successful groups of its type in the nation. DCRPC used "701" funds to help in the development of a Solid Waste Management Plan that required attention to both urban and rural concerns. DCRPC's efforts were rewarded not only by succeeding in seeing the plan implemented, but by being asked to host a national conference in Madison to enable elected officials and planners around the country to take an in-depth look at regional cooperation in siting the Dane County Sanitary Landfill.

45-106 O - 79 - 11

Illinois

Northeast Illinois
Planning Commission — Chicago
1979 "701" Budget: $430,000

Matthew L. Rockwell (312) 454-0400

As a result of the "701" funds, NEIPC has provided comprehensive plans for each of the following areas: 1) Housing, 2) Land Use, 3) Water Supply, 4) Drainage, 5) Flooding, 6) Solid Waste Disposal. These plans have provided the basis for most future development in the Chicago planning region. NEIPC has used "701" funds almost exclusively to fund its A-95 reviews. These reviews are matched for compatibility with the comprehensive plans. In 1978, there were 770 such reviews conducted by NEIPC for their approval or rejection. The comprehensive housing plan is of special interest in that it was only adopted June, 1978, and has already spawned many housing projects for future use.

Pennsylvania

Northern Tier Regional
Planning and Development Commission — Towanda
1979 "701" Budget: $40,000

Philip D. Koos, Jr. (717) 265-9103

With technical assistance in the development of 15 Community Development Block Grants for the various communities in the region, the NTRPDC has effected a savings of approximately $1,000 a piece for the communities. The NTRPDC provided technical assistance needed for the establishment of the Solid Waste Administration (SWA), which has resulted in the SWA's reception of a $750,000 grant from the ARC for the implementation of NTRPDC's comprehensive sewer plans for the region. Preparation of Comprehensive Community Development plans by NTRPDC for 15 communities in the region, saved each community approximately $7,500.

Juniata County
Planning Commission — Mifflintown
1979 "701" Budget: $16,000

Arthur E. Holmes (717) 436-8991, ext. 238

With a staff of 3 people, the JCPC has recently assisted in the preparation of 3 block grants for recreation affecting 5 municipalities. Also, with the assistance of JCPC, approximately $120,000 in grants for 7 municipalities are pending. Due to the assistance given by the JCPC, all 17 municipalities of Juniata County are participating in the Federal Flood Insurance Program. Recently, during the Three-Mile Island nuclear accident, the JCPC prepared immediate plans for the evacuation of the counties' population to churches and granges in the region. This was accomplished within 2 days, and in fact, 100 residents were relocated during the incident.

Minnesota

Metropolitan Council — St. Paul
1979 "701" Budget: $134,000

Chuck Ballantine

The MC has developed comprehensive housing plans, including an AHOP, of which 8 jurisdictions in the region conform to. Consequently, all of those jurisdictions receive some sort of housing subsidy. The MC has aided in the development of 2,800 Section 8 subsidized housing units. Policy 39 is a housing guide which ranks communities in order of subsidized housing needs. This aids in the establishment of priorities for subsidized housing in the region. Also, the MC publishes a relocation handbook which lists all subsidized housing in the region.

Mr. BOLAND. Our next guest is Corky Kirkpatrick, who is w the National Association of Regional Councils.

Where are you from?

Mrs. KIRKPATRICK. The metropolitan district of Portland, Oreg

As I am sure you are aware, most of the regional councils voluntary. We are the first directly elected regional council, our needs are the same.

At this time, I would like to submit for the Subcommitt consideration NARC's statement on the fiscal year 1980 budget the Environmental Protection Agency. We take this action in interest of saving time, but it does not in any way indicate a l of interest in EPA's activities.

[The statement follows:]



NATIONAL ASSOCIATION OF REGIONAL COUNCILS

1700 K St., N.W., Washington, D.C. 20006 • Area Code (202) 457-0710

RICHARD C. HARTMAN, Executive Director

TESTIMONY

ON BEHALF OF THE

NATIONAL ASSOCIATION OF REGIONAL COUNCILS

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS

APRIL 24, 1979

WASHINGTON, D. C.

THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS WOULD LIKE TO TAKE THIS OPPORTUNITY TO INFORM THE HOUSE SUBCOMMITTEE ON HUD INDEPENDENT AGENCIES OF ITS GREAT CONCERN ABOUT THE ADMINISTRATION'S PROPOSED BUDGET FOR THE ENVIRONMENTAL PROTECTION AGENCY. WE FEEL STRONGLY THAT THE ADMINISTRATION'S REQUEST FOR SECTION 175 OF THE CLEAN AIR ACT, SECTION 208 OF THE FEDERAL WATER POLLUTION CONTROL ACT, AND SECTION 4.008(a)(2) OF THE RESOURCE CONSERVATION AND RECOVERY ACT ARE INADEQUATE AND WILL JEOPARDIZE THE EFFECTIVE IMPLEMENTATION OF THESE LAWS.

SECTION 175 OF THE CLEAN AIR ACT

THERE ARE CURRENTLY OVER 100 REGIONAL COUNCILS DESIGNATED AS LEAD PLANNING AGENCIES THROUGHOUT THE COUNTRY. CONGRESS HAS RECOGNIZED THE NEED FOR AREAWIDE ENVIRONMENTAL MANAGEMENT PLANNING AND HAS PROVIDED REGIONAL COUNCILS WITH A SIGNIFICANT ROLE IN THE IMPLEMENTATION OF THE NATIONS ENVIRONMENTAL LAWS.

THE ADMINISTRATION BUDGET PRESENTED TO THE SUBCOMMITTEE IN EARLY MARCH DID NOT REQUEST ANY FUNDING FOR SECTION 175 OF THE CLEAN AIR ACT. THE RATIONALE GIVEN FOR THIS IS THAT, "TRANSPORTATION PLANNING ADDRESSES AIR QUALITY PROBLEMS AND CONTRIBUTES TO THE ATTAINMENT OF AIR QUALITY STANDARDS." NARC BELIEVES THAT EPA'S PROPOSAL TO UTILIZE TRANSPORTATION PLANNING FUNDS FOR AIR QUALITY WORK IS UNREALISTIC. OUR MEMBERS DOUBT WHETHER THEY CAN MEET BOTH THE SUBSTANTIAL REQUIREMENTS OF THE CLEAN AIR ACT AND THOSE OF THE VARIOUS TRANSPORTATION LAWS WITHOUT ADDITIONAL FUNDS. IN REGARD TO APPROPRIATIONS, THE FIRST $25 MILLION ALLOCATED FOR FY 78 DID NOT ACTUALLY BECOME AVAILABLE UNTIL OCTOBER 78 DUE TO OMB REQUIREMENTS THAT AIR AND TRANSPORTATION

PLANNING BE INTEGRATED. THIS RESULTED IN AIR FUNDS BEING GIVEN TO UMTA TO BE RELEASED TO MPO'S. THE NECESSARY FEDERAL AGREEMENTS BETWEEN UMTA AND EPA WERE NOT SIGNED, AND THE FUNDING NOTICE NOT PUBLISHED, UNTIL DECEMBER 1978. THE FIRST SECTION 175 FUNDS WERE RELEASED IN FEBRUARY 1979, OVER ONE MONTH AFTER STATE IMPLEMENTATION PLANS (SIPS) WERE DUE.

NARC URGES THE CONGRESS TO ENACT AN APPROPRIATION OF $25 MILLION FOR SECTION 175 IN FY 1980. NARC BELIEVES THE INVOLVEMENT OF LOCAL ELECTED OFFICIALS IS CRUCIAL TO THE SUCCESS OF THE CLEAN AIR ACT. WE FEEL STRONGLY THAT THE STRINGENT AIR QUALITY STANDARDS IMPOSED ON STATE AND LOCAL GOVERNMENTS BY THE CLEAN AIR ACT AMENDMENTS IMPLY AN EQUAL FINANCIAL COMMITMENT ON THE PART OF THE FEDERAL GOVERNMENT TO FUND THIS PROGRAM AT AN ADEQUATE LEVEL.

SECTION 208 OF THE FEDERAL WATER POLLUTION CONTROL ACT

THE 208 PROGRAM PROVIDES A SIGNIFICANT OPPORTUNITY FOR LOCAL GOVERNMENTS AND THEIR REGIONAL COUNCILS TO DEAL EFFECTIVELY WITH MAJOR POLICY AND FUNDING DECISIONS IN ACHIEVING NATIONAL WATER QUALITY STANDARDS. NARC VIEWS THE 208 PROGRAM AS THE CENTERPIECE IN THE NATION'S WATER POLLUTION CONTROL EFFORTS. UNFORTUNATELY, THE INITIAL MOMENTUM OF THE 208 PROGRAM WAS SLOWED BY SPORADIC AND CHRONIC UNDER FINANCING AND ILLEGAL INTERPRETATIONS OF THE LAW BY EPA.

WE MUST, HOWEVER, DISAGREE WITH THE COMMITTEE'S INVESTIGATIONS STAFF REPORT WHICH RECOMMENDS ZERO FY 1980 FUNDING FOR THE 208 WATER QUALITY MANAGEMENT PROGRAM. IF THIS APPROACH WERE ADOPTED TO DEAL WITH PREVIOUS PROGRAM MANAGEMENT DIFFICULTIES, IT WOULD BE VIEWED AS A CLEAR SIGNAL THAT

PARTNERSHIP WITH STATE AND LOCAL GOVERNMENT. SUCH A SIGNAL WOULD REINTRODUCE THE VERY ELEMENT OF FUNDING UNCERTAINTY THAT HAS PLAGUED THE PROGRAM FROM ITS INCEPTION.

IN SPITE OF PAST DIFFICULTIES, CONTACTS WITH OUR MEMBERSHIP INDICATE STRONG SUPPORT FOR THE 208 PROGRAM AMONG LOCAL OFFICIALS. WE FEEL THAT THIS PROGRAM IS NOW REACHING THE POINT WHERE IT IS STARTING TO SHOW POSITIVE RESULTS. WE ALSO BELIEVE THAT ELIMINATION OF FY 1980 FUNDING FOR THE SECTION 208 WATER QUALITY MANAGEMENT PROGRAM WOULD SERIOUSLY UNDERMINE STATE AND LOCAL EFFORTS TO CONTROL THOSE NON-POINT SOURCES OF POLLUTION THAT CANNOT BE DEALT WITH THROUGH THE CONSTRUCTION GRANTS PROGRAM.

FOR THESE REASONS, WE URGE YOUR SUPPORT FOR THE ADMINISTRATION'S $40 MILLION FUNDING REQUEST FOR THE 208 PROGRAM IN FY 80. THESE FUNDS WOULD MOVE THIS PROGRAM INTO THE MANAGEMENT STAGE SO THAT PREVIOUS PLANNING EFFORTS CAN BE TRANSLATED INTO SOLID RESULTS.

IT SHOULD BE NOTED ALSO THAT IN 1978, THE UNITED STATES DISTRICT COURT, FOR THE DISTRICT OF COLUMBIA, ON REMAND FROM THE COURT OF APPEALS, ISSUED A FINAL ORDER IN THE CASE NARC V. COSTLE. THIS ORDER PROVIDES FOR REIMBURSEMENT BY EPA OF STATES AND CERTAIN DESIGNATED AREAWIDE AGENCIES OF THE LOCAL COSTS OF DEVELOPING THEIR INITIAL WATER QUALITY MANAGEMENT PLANS REQUIRED BY SECTION 208 OF THE CLEAN WATER ACT. THESE STATES AND AGENCIES WERE DEPRIVED OF RECEIVING 100% FUNDING FOR THESE INITIAL PLANS BECAUSE OF ILLEGAL DELAYS BY EPA IN IMPLEMENTING THE 208 PROGRAM. IN ACCORDANCE WITH THIS ORDER EPA ASCERTAINED THAT APPROXIMATELY $20 MILLION WOULD BE NEEDED TO COMPLY WITH THIS JUDGMENT. NOTWITHSTANDING THE COURT ORDER AND THE NEED IN TREATING ALL OF THE 208 AGENCIES EQUALLY, OVER 130 AGENCIES RECEIVED 100% FUNDING FOR

THEIR INITIAL PLANNING. THE OFFICE OF MANAGEMENT AND BUDGET REFUSED TO PERMIT EPA TO REQUEST FOR APPROPRIATIONS TO PAY THIS COURT JUDGMENT. NARC FINDS THIS OMB POSITION UNTENABLE. ACCORDINGLY, WE ARE REQUESTING THE COMMITTEE TO DEDUCT $20 MILLION OF THE ADMINISTRATION'S REQUESTED $40 MILLION FOR THE PAYMENT OF THIS JUDGMENT.

SECTION 4.008(a)(2) OF THE RESOURCE CONSERVATION AND RECOVERY ACT

A MAJOR IMPEDIMENT TO THE FULL IMPLEMENTATION OF THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 HAS BEEN THE LOW LEVEL OF FEDERAL FINANCIAL SUPPORT. IT WAS THE INTENT OF CONGRESS THAT STATEWIDE SOLID WASTE MANAGEMENT PROGRAMS BE BUILT UPON AREAWIDE MANAGEMENT PLANNING. UNFORTUNATELY, PRESENT FUNDING LEVELS FOR SECTION 4.008(a)(2) ARE INADEQUATE TO ALLOW STATES TO BOTH DEVELOP REGULATORY PROGRAMS FOR HAZARDOUS WASTE AND PASS THROUGH FUNDS TO AREAWIDE AGENCIES FOR LOCAL PROJECTS. THE ADMINISTRATION HAS REQUESTED A $10 MILLION APPROPRIATION FOR RCRA SUBTITLE D (SOLID WASTE PLANNING). NONE OF THE MONEY UNDER SUBTITLE D WILL BE MADE AVAILABLE TO REGIONAL COUNCILS OR LOCAL GOVERNMENTS. NARC BELIEVES THIS FIGURE TO BE INADEQUATE AND FEEL THAT ADDITIONAL FUNDING SHOULD BE MADE AVAILABLE TO ADDRESS CRITICAL SOLID WASTE PROBLEMS AT THE LOCAL LEVEL. WE FEEL THAT ADDITIONAL FUNDS SHOULD BE SPECIFICALLY EARMARKED FOR LOCAL GOVERNMENTS AND REGIONAL COUNCILS.

Mrs. KIRKPATRICK. The HUD "701" Comprehensive Planning Program is the backbone of planning and coordination efforts by local governments and their regional councils. The Administration has requested $40 million for the 701 program in fiscal year 1980.

The 1974 Act required all 701 grant recipients to develop and maintain a land use element as a part of their comprehensive plan in addition to a housing element. This new land use element was to include, "Studies, criteria, standards, and implementing procedures necessary for effectively guiding and controlling major decisions as to where growth would take place within the recipient's boundaries."

NARC supported the Congress' action and we believe the land use element has produced significant and useful data. However, the addition of this new requirement combined with continual reductions in Federal funding forced many regional councils and other 701 recipients to cut back on their A-95 review, technical assistance, and policy coordination activities.

The focal point of the 701 program became the preparation of detailed housing and land use elements within the areawide comprehensive plan. As a result, the program became less useful to local elected officials as a policy implementation and coordination tool. HUD's failure to closely integrate the housing element required under 701, and the housing assistance plans (HAP) under the Community Development Block Grant Program, has caused many local governments to question the usefulness of this effort. In fact, only recently has HUD used the so-called "housing opportunity plans," devised as a part of an incentive demonstration program in 12 areas as the basis of allocating housing funds at the regional level. In March, an additional seven areas were designated.

This failure to relate funding decisions to plans developed with 701 monies has given rise, and with some justification, to the charge that this is planning for planning's sake. Many Members of Congress, particularly those on the Appropriations Committees, began to express skepticism about 701's effectiveness in implementing development decisions.

The Carter Administration has shifted some of the emphasis of the 701 program away from detailed housing and land use planning toward the development of strategies for achieving national goals in the community development field. HUD also appears to be trying to ensure that its decisions on housing funding are related to areawide housing plans that are endorsed by local governments.

NARC has been working with a number of public interest groups to develop a proposal to rectify the present deficiencies in the 701 program. Basically, we are proposing revision of the program's language to require the preparation of community conservation and development policy, instead of separate housing and land use elements; a strengthening of interagency coordination at the Federal level; a stronger emphasis on policy coordination through the A-95 process at the local, regional, and State levels; and stronger performance requirements for recipients. Our proposals are presently being considered by the Subcommittee on Housing and Community Development of the House Banking, Finance, and Urban Affairs Committee.

I do not want to leave the Subcommittee with the impression that the 701 program has been a failure or is unworkable. On the contrary, the 701 program has provided the glue by which local government officials, through their regional councils, have been able to bring many different elements of public policy together.

Mr. BOLAND. What would you say to restricting the grants under the 701 program to communities that are 50,000 or less in population, and to regional councils? The program was conceived for communities under 50,000, as you know. The program has been in effect now for almost 20 years. There has been an expenditure of around $700 million.

Do you like the idea of communities benefiting so much under the Community Development Block Grant program?

Why can they not take some of their funds and use them for comprehensive planning? It is permissible.

Mrs. KIRKPATRICK. Some do.

Mr. BOLAND. But the Government likes to make grants to communities of 50,000 or less under the Community Development Block Grant program. This Committee has been successful in restricting it to communities under 50,000. You do not object to that, do you?

Mrs. KIRKPATRICK. You are only solving half the program, because the comprehensive planning has to look at the total picture.

Mr. BOLAND. Marty?

Mr. SABO. No questions.

Mr. BOLAND. Ben?

Mr. STEWART. Who composes this regional council?

Mrs. KIRKPATRICK. We are directly elected councilors from the three-county areas. We serve a specific district; there are 12 of us.

Mr. STEWART. And you replaced the entire old membership with new members?

Mrs. KIRKPATRICK. That is correct. The old membership consisted of city and county representatives. I served on that old council as well. Now, we combine our program. For example, we run the zoo and run the mass transit district.

Mr. BOLAND. How are you elected?

Mrs. KIRKPATRICK. By members in the district. It is a district of about 70,000.

Mr. BOLAND. You are talking about the population of your district?

Mrs. KIRKPATRICK. Yes.

Mr. BOLAND. Your names are on a ballot?

Mrs. KIRKPATRICK. We are the only ones in the United States, and it is new. We just started January 1, 1979.

Mr. BOLAND. We appreciate your presence here and are delighted to have you. Give our best to everybody in Portland when you go back. Thank you very much.

NATIONAL LEASED HOUSING ASSOCIATION

WITNESSES

DONALD H. LEVIN, PRESIDENT, NATIONAL LEASED HOUSING ASSOCIATION
CHARLES L. EDSON, COUNSEL

[The statement follows:]

TESTIMONY OF
Donald H. Levin, President
National Leased Housing Association
Before
The Subcommittee on HUD-Independent Agencies
House Committee on Appropriations

April 24, 1979

My name is Donald H. Levin. I am President of Nationwide Realty Development Corporation, Pittsburgh, Pennsylvania and of the National Leased Housing Association on whose behalf I am testifying today. I am accompanied by Mr. Charles L. Edson, Counsel for the Association.

NLHA now has over 650 member organizations representing all the principal actors in the Section 8 program -- public housing authorities, state housing finance agencies, private developers, nonprofits, investment bankers, and concerned professionals in the field. As broad as our organization is in membership, it is as narrow in focus -- on assuring a viable and meaningful Section 8 program.

Our 1979 legislative platform is a simple one -- adequate funding for the Section 8 program. At a bare minimum, this means the approximately 250,000 units requested by the Administration for the Section 8 new and existing programs. However, this does not mean the amount of budget authority requested by the Administration, because that request significantly underestimated the average unit cost, assuming only a 4.4 percent inflation factor. As you know, the House Budget Committee has accepted the recommendation of the House Banking Committee for a $28.7 billion budget authority for Section 8 and public housing in FY 1980. This figure is intended to provide a 300,000 unit program, but this is still a 25 percent reduction over the 400,000 units requested by the Administration two years ago and represents an 18% cut from that requested last year. In light of the severe reduction that housing programs have already taken, we urge this Committee to accept the 300,000 unit program level which your colleagues recommended.

Indeed, the major problem of Section 8 has been its success, for with its success has come cost. Far too little attention has been given to the program's achievements and far too much to its cost.

Section 8 Achievements

The achievements of Section 8 are many. In terms of number, by the end of fiscal year 1979 there will be over 1-1/2 million units under reservation in the Section 8 program. This number has been achieved in a five year span. By contrast, in the 40 plus years that the public housing program has been on the books, there are only 2.1 million units under contract. Thus it is seen that Section 8 has proven to be an expeditious vehicle to provide

adequate housing for low income people. In other words, the program works.

Second, Section 8 has provided not merely quantity housing, but quality housing as well. One of the congressional goals for the Section 8 program was to provide housing for low income people that could not be distinguished as such, contrary to the general case in public housing. Section 8 (a) sets forth as a program purpose "a decent place to live" in "economically mixed housing." Of course, there can never be the possibility of such economically mixed housing in structures with the barest amenity levels. Perhaps the tribute to Section 8 projects is the fact that they are generally indistinguishable from other housing in the community and thus have proven as asset to it.

Third, the program has helped meet the goals that Congress envisioned in imposing the Housing Assistance Plan requirement - namely furthering community revitalization through the restoration and rehabilitation of stable neighborhoods and promoting greater choice of housing opportunities and avoiding undue concentration of low income people. In response to a questionnaire submitted by the League of Women Voters to its member organizations, the Cook County, Illinois League commented:

> "In our work with housing counseling centers in the suburbs and with other groups that seek to improve housing opportunities, we have found that the Section 8 program has improved housing opportunities in areas heretofore lacking in low- and moderate-income housing. The program has not only made gains in 'scatteration' of minorities and the poor, but also has helped stabilize some older communities which have been able to combine Section 8 with Community Development and Urban Development Action Grant (UDAG) funds to turn around their 'urban crises.' It is the only program that has been able to make a few housing units available in wealthier suburbs where jobs are more prevalent and it is the most promising program for poor and minority groups who have too long been segregated and limited in opportunities for economic advancement because of earlier ill-conceived federal program."

As any follower of the Gautreaux litigation knows, suburban Cook County has not been a leading jurisdiction concerning economic and racial integration. If Section 8 can make headway there in breaking down racial and economic barriers, it can be assumed that the program has been even more successful in less truculent jurisdications.

We have talked about the successes, let us now talk about the cost issue.

First, we have not yet seen a really thorough study of Section 8 costs compared to the cost of non-subsidized construction. Part of the difficulty is due to the fact that HUD's management information

system is woefully inadequate in producing cost figures. We understand that HUD has commissioned a consulting firm study of the cost issue and we await with eagerness what that study might produce. Until then, we are basing decisions on unreliable HUD figures and have nothing to compare them with.

Secondly, if indeed it is shown that Section 8 has a slightly higher per unit cost that non-assisted units of comparable quality, it would not be surprising. In looking through the Section 8 regulations, we see that housing assisted under this program must meet the following requirements:

1. HUD minimum property standards.

2. HUD site and neighborhood standards in conformity with Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, and Executive Order 11063.

3. Equal Opportunity requirements of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Orders 11063 and 11246, and Section III of the Housing & Urban Development Act of 1968.

4. All requirements of the National Environmental Policy Act.

5. Requirements under the Clean Air Act and the Federal Water Pollution Control Act.

6. Davis-Bacon Wages.

7. The National Historic Preservation Act.

8. The Archaeological and Historic Preservation Act of 1974.

9. Executive Order 11593 on Protection and Enhancement of the Cultural Environment, including the procedures prescribed by the Advisory Council on Historic Preservation.

Few would argue with the purposes sought to be served by the above cited legislation and regulations. However, it is apparent that Congress and HUD have imposed on the subsidized housing program many social responsibilities such as prevailing wages for labor, equal opportunity in employment, environmental protection as well as protection of historic structures and clean air and clean water. These laudable goals are not reached without a cost -- a cost which goes into the housing budget and not that of a Department of Labor or the Environmental Protection Agency. Indeed, after reviewing this imposing requirement list it would seem miraculous if Section 8 did not cost more than conventional housing.

Third, in comparing the cost of Section 8 with other subsidy programs, we often lose sight of the crucial fact that Section 8 has its operating subsidy already built in. Every year, a Section 8 project is charged with the full amount of the contract rent, although the tenant is paying a portion of that rent. That tenant payment is in effect going into a reserve for future rent increases caused by additional operating expenses. That is a built in operating subsidy. As you are well aware, under the public housing program, Congress must appropriate an ever increasing (but badly needed) amount for the operating subsidy, an expense not present under the Section 8 program.

In comparing the Section 8 cost to that of Section 236, what is never taken into account is the cost of defaults experienced under the 236 program. Each default and foreclosure means a HUD take over and usually deep loss on resale. When Section 236 was the same age as Section 8, (approximately 4-1/2 years old) defaults started to appear. From 1971 through 1973 there were default terminations in 160 Section 236 projects, which involved a total of 13,797 units. To our knowledge, there has not been one default on any Section 8 project. Such defaults in Section 8 projects are unlikely due to the rent escalation mechanism to meet inflating cost.

We certainly understand Congressional concern with cost in this era of Proposition Thirteen and the nationwide concern about inflation. However, equally dangerous is an overreaction to the alleged high cost of the program, such as by cutting the number of units to an indefensable amount, or as HUD is planning to do, imposing regulations in good faith aimed at cutting cost, but in reality producing processing delays that will only increase cost. We fear that this will be the case with new Section 8 regulations soon to be promulgated in proposed form in the Federal Register. The advance drafts of these regulations raise a real question whether the hoped for cost saving will not be more than offset by the time taken in the long HUD processing reviews that the new regulations will impose. With inflation in construction at the rate of 1% a month, delay is a most serious factor.

In conclusion, we believe that much of the present discussion of the Section 8 program has been out of focus. The program has succeeded in what its originators set out to do -- establish a program that would provide quality housing for a significant number of low and moderate income people in such a manner as to revitalize our cities and to provide freedom of housing choice in our suburban locations. In no way has it been shown that the government is paying more to accomplish this end than it should cost to do so. We urge the committee to translate this pride in the Section 8 program to a significant authorization for fiscal 1980 so that the program may continue in a meaningful way.

Thank you.

Mr. BOLAND. Our next witness is Donald H. Levin of the National Leased Housing Association.

Mr. LEVIN. I have submitted our full statements. I will give you some of the highlights.

Mr. BOLAND. All right.

Mr. LEVIN. My name is Donald H. Levin. I am president of Nationwide Realty Development Corporation, Pittsburgh, Pennsylvania, and of the National Leased Housing Association, on whose behalf I am testifying today. I am accompanied by Mr. Charles L. Edson, counsel for the association.

NLHA now has over 650 member organizations representing all the principals in the Section 8 program—public housing authorities, State housing finance agencies, private developers, nonprofits, investment bankers, and concerned professionals in the field. As broad as our organization is in membership, it is as narrow in focus—on assuring a viable and meaningful Section 8 program.

Our 1979 legislative platform is a simple one—adequate funding for the Section 8 program. At a bare minimum, this means the approximately 250,000 units requested by the Administration for the Section 8 new and existing programs. However, this does not mean the amount of budget authority requested by the Administration, because that request significantly underestimated the average unit cost, assuming only a 4.4 percent inflation factor. As you know, the House Budget Committee has accepted the recommendation of the House Banking Committee for a $28.7 billion budget authority for Section 8 and public housing in fiscal year 1980. This figure is intended to provide a 300,000-unit program, but this is still a 25-percent reduction over the 400,000 units requested by the Administration 2 years ago and represents an 18-percent cut from that requested last year. In light of the severe reduction that housing programs have already taken, we urge this Committee to accept the 300,000-unit program level which your colleagues recommended.

The achievements of Section 8 are many. In terms of number, by the end of fiscal year 1979 there will be over 1.5 million units under reservation in the Section 8 program. This number has been achieved in a 5-year span.

Second, Section 8 has provided not merely quantity housing, but quality housing as well. Perhaps the primary tribute to Section 8 projects is the fact that they are generally indistinguishable from other housing in the community and thus have proven an asset to it.

Third, the program has helped meet the goals that Congress envisioned in imposing the housing assistance plan (HAP) requirement—namely furthering community revitalization through the restoration and rehabilitation of stable neighborhoods and promoting greater choice of housing opportunities and avoiding undue concentration of low-income people. In response to a questionnaire submitted by the League of Women Voters to its member organizations, the Cook County, Illinois League commented:

"In our work with housing counseling centers in the suburbs and with other groups that seek to improve housing opportunities, we have found that the Section 8 program has improved housing opportunities in areas heretofore lacking in low- and moderate-income housing. The program has not only made gains in "scatteration"

of minorities and the poor, but also has helped stabilize some older communities which have been able to combine section 8 with Community Development and Urban Development Action Grant (UDAG) funds to turn around their "urban crises." It is the only program that has been able to make a few housing units available in wealthier suburbs where jobs are more prevalent, and it is the most promising program for poor and minority groups who have too long been segregated and limited in opportunities for economic advancement because of earlier ill-conceived Federal program."

We have talked about the successes, let us now talk about the cost issue.

First, we have not yet seen a really thorough study of Section 8 costs compared to the cost of nonsubsidized construction.

Second, if indeed it is shown that Section 8 has a slightly higher per-unit cost than nonassisted units of comparable quality, it would not be surprising. In looking through the Section 8 regulations, we see that housing assisted under this program must meet the following requirements:

One, HUD minimum property standards.

Two, HUD site and neighborhood standards in conformity with Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, and Executive Order 11063.

Three, equal opportunity requirements of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Orders 11063 and 11246, and Section III of the Housing and Urban Development Act of 1968.

Four, all requirements of the National Environmental Policy Act.

Five, requirements under the Clean Air Act and the Federal Water Pollution Control Act.

Six, Davis-Bacon wages.

Seven, the National Historic Preservation Act.

Eight, the Archaeological and Historic Preservation Act of 1974.

Nine, Executive Order 11593 on Protection and Enhancement of the Cultural Environment.

Few would argue with the purposes sought to be served by the above-cited legislation and regulations. However, it is apparent that Congress and HUD have imposed on the subsidized housing program many social responsibilities such as prevailing wages for labor, equal opportunity in employment, environmental protection, as well as protection of historic structures and clean air and clean water. These laudable goals are not reached without a cost—a cost which goes into the housing budget and not that of a Department of Labor or the Environmental Protection Agency.

Third, in comparing the cost of Section 8 with other subsidy programs, we often lose sight of the crucial fact that Section 8 has its operating subsidy already built in.

In comparing the Section 8 cost to that of Section 236, what is never taken into account is the cost of defaults experienced under the 236 program. Each default and foreclosure means a HUD takeover and usually deep loss on resale. To our knowledge, there has not been one default on any Section 8 project. Such defaults in Section 8 projects are unlikely due to the rent escalation mechanism to meet inflating cost.

We certainly understand Congressional concern with cost in this era of Proposition 13 and the nationwide concern about inflation.

However, equally dangerous is an overreaction to the alleged high cost of the program, such as by cutting the number of units to an indefensible amount, or as HUD is planning to do, imposing regulations in good faith aimed at cutting cost, but in reality producing processing delays that will only increase cost.

We thank you for letting us appear here today.

Mr. BOLAND. Are you a builder?

Mr. LEVIN. I am a private developer.

Mr. BOLAND. What is the largest unit you have built?

Mr. LEVIN. One hundred fifty.

Mr. BOLAND. How many have you built?

Mr. LEVIN. Five.

Mr. BOLAND. What is the total number of units?

Mr. LEVIN. Five hundred.

Mr. BOLAND. How many are occupied by the elderly?

Mr. LEVIN. Every one; however, we are going to have family units.

Mr. BOLAND. All the units you have built now are for elderly?

Mr. LEVIN. Yes.

Mr. BOLAND. Seventy percent of all Section 8 housing is now occupied by the elderly. All the developers like the program and the elderly say they are great units. The living conditions are fine and everyone is happy with them, but the problem is that a lot of the developers do not like the idea of developing family units.

Mr. LEVIN. I am in favor of that.

Mr. BOLAND. You have not built one so far.

Mr. LEVIN. We are in the process of closing up with HUD and State agencies.

Mr. BOLAND. I would think Pittsburgh would be a good place to build family units.

Mr. EDSON. In Pittsburgh, it is on a bid basis; some you win, some you lose. Now as you know, HUD is going out for family units and is getting all kinds of responses, like cats lapping up milk.

Mr. BOLAND. You are responding?

Mr. LEVIN. Yes.

Mr. BOLAND. We are trying to get developers to recognize family units should be in the Section 8 program.

I have a note that the Senate Budget Committee reduced the Administration request and changed to a 50–50 mix.

Mr. LEVIN. That can change. We are not sure about this.

Mr. STEWART. Inasmuch as the witness is a developer, are you one of the competing developers in that area or are you monopolizing?

Mr. LEVIN. No, I am one of the small people.

Mr. STEWART. Could you give us an estimate of the number of developers?

Mr. LEVIN. In the city of Pittsburgh, 250 to 300. We have three in particular who do an excess of $20 million a year on various HUD programs.

Mr. STEWART. I am talking in terms of the units, now, you are one of the smallest developers?

Mr. LEVIN. Yes, I would say so.

Mr. STEWART. And you have approximately how many units?

Mr. LEVIN. Five hundred.

Mr. STEWART. And you have 250 to 300 developers?

Mr. LEVIN. Yes, but I do not build all in Pittsburgh.

Mr. STEWART. In the area where you operate, there are 250 to 300 developers, and you are one of the smallest ones?

Mr. LEVIN. I did not say that.

Mr. BOLAND. He is one of the middle size.

Do you build any units under Section 236?

Mr. LEVIN. No.

Mr. BOLAND. Have you been developing Section 8 units since the inception of the program?

Mr. LEVIN. At that time I was in commercial management. Later I went into regular housing that would be sold, such as at Fairlawn or someplace else, I went into this in 1970.

Mr. BOLAND. Thank you very much for your appearance here today.

NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

WITNESSES

JOSEPH CANALE, PRESIDENT, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT

ROBERT MAFFIN, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT

[The information follows:]

NAHRO

Serving the Nation's Housing and Community Development Needs

Statement of

Joseph E. Canale

On Behalf of

NAHRO - "SERVING THE NATION'S HOUSING AND COMMUNITY DEVELOPMENT NEEDS"

on

FISCAL YEAR 1980 HOUSING & COMMUNITY DEVELOPMENT APPROPRIATIONS

Before

Subcommittee on HUD-Independent Agencies Appropriations
Committee on Appropriations
United States House of Representatives
April 24, 1979

National Association of Housing and Redevelopment Officials
2600 Virginia Avenue, Northwest Suite 404 Washington, D.C. 20037 (202) 333-2020

Mr. Chairman and members of the subcommittee, I am Joseph Canale, the President of NAHRO and Executive Director of the Housing Authority and Redevelopment Agency of the City of Danbury, Connecticut. I am accompanied by Robert Maffin, Executive Director of NAHRO. I am pleased to have this opportunity to appear before you this morning to present NAHRO's comments and recommendations on appropriations for housing and community development programs for fiscal year 1980. We have made every effort to draw on the local administrative experience of our 7,000 individual and 2,000 public agency members in developing our recommendations.

During the past year, there has emerged a growing national concern with the cost and efficiency of federal programs, particularly those designed to serve low- moderate-income persons. In our view, this concern is a valid one, and one which we hope will lead to an informed dialogue with the Congress on housing and community development programs.

We are concerned, however, that an overly strident assessment of budgetary issues may obscure discussion of important programmatic issues. In addition, we firmly believe that this subcommittee must weigh equity, as well as efficiency, considerations in acting on programs and proposals to revitalize our neighborhoods and communities, and to meet the housing needs of lower income persons.

Community Development: The conservation and revitalization of our neighborhoods and communities underlie all of NAHRO's policy recommendations in housing and community development. The community development block grant program provides the fundamental vehicle for localities to pursue these objectives, and we strongly support the Administration's requests for full funding of authorized levels for the program in fiscal year 1980.

NAHRO's three monitoring studies of local experience under the block grant program indicate that communities can and should utilize CD funds for a full range of physical development activities; at the same time, these studies have demonstrated that more specialized programs, used in conjunction with the CD program, are necessary to enable communities to maximize their conservation and revitalization efforts.

At the heart of the community development problems in many cities is an inability to maintain or attract private investment and enployment. We have been encouraged by the progress to date of the Urban Development Action Grant program in this regard, and strongly urge the subcommittee to support the Administration's request for an additional $275 million in UDAG appropriations in FY 1980. Under the UDAG program, cities have been encouraged to develop innovative proposals which maximize the effectiveness of the federal dollars involved. A study on municipal fiscal problems issued recently by Touche Ross & Co. and the First National Bank of Boston concluded

that "Federal or state efforts to deal with municipal financial stress without addressing the investment and job creation issues might help the cities with their immediate cash flow difficulties, but will not encourage them to come to terms with their underlying problems". The UDAG program has helped cities address these fundamental investment and job creation issues, and HUD has made a good faith effort to encourage a mix of well-conceived proposals.

Neighborhood Conservation and Housing Rehabilitation: A year ago, the Administration proposed a variety of new initiatives and modifications to existing programs as part of its urban policy proposal, giving increased support to neighborhood conservation and housing rehabilitation activities. In our view, however, the follow-through on those initiatives has been inadequate.

It has frequently been observed that successful neighborhood conservation efforts hinge on resident perceptions and confidence as well as on a coordinated, comprehensive approach utilizing public, private, and resident energies. We are somewhat dismayed, then, by the proposed $100 million cut in the Section 312 rehabilitation loan program, particularly at a time when local need and demand for property rehabilitation are high, and when inflated interest rates have driven conventional home improvement loans beyond the reach of most low- moderate-income persons. While we commend this Administration and the Congress for their recognition last year of the viability of the 312 program, we again find ourselves faced with the chronic problem of justifying a proven program and level of demand. This has the effect of undermining the credibility of local officials with property owners who are waiting to reinvest in older neighborhoods, freezing local neighborhood conservation efforts and creating undue administrative and planning difficulties for local officials. Mr Chairman, we strongly urge this subcommittee to insure that the total amount appropriated for the the 312 program in the coming fiscal year, including carryover authority, projected at $17 million by HUD, is at least equal to the $260 million available during the current year. This is important for two reasons:

1) Our figures indicate that only 15 percent of entitlement block grant funds nationally are currently used for rehabilitation financing. This relatively low figure is due more to the competing local demands for CD program funds than to flaws inherent in the CD program. The 312 loan program thus serves as an important adjunct to the block grant program. In addition, many cities with the greatest rehabilitation needs are either facing declining block grant levels under the hold harmless formula, or must compete for limited block grant funds under the Small Cities program and find it difficult to generate much rehabilitation activity using CD funds alone.

2) Multifamily and commercial rehabilitation, which were formally recognized as important components of the 312 program for the first time last year, are extremely difficult for localities to fund out of limited CD grants due to the large commitment of funds required. In addition, it is frequently the rehabilitation of small multifamily and commercial structures for which private financing is most difficult to obtain, and which is critical to the comprehensive treatment of a deteriorating neighborhood. In many cities, these buildings are the backbone of the low- moderate-income rental housing stock. The results of a survey conducted last summer by NAHRO of multifamily rehabilitation needs in 68 cities, show that:

   a) 40 percent of the units in need of rehabilitation in the cities surveyed were in multifamily buildings;
   b) Only 10 percent of the cities experienced no problems in obtaining private financing for multifamily rehabilitation; and
   c) 47 percent of the cities indicated that they had a "great need" for multifamily rehabilitation in some neighborhoods.

I ask that a full summary of the findings of that study be included in the record of this hearing.

The rehabilitation of multifamily rental housing raises concerns regarding the potential for the displacement of existing lower income tenants. NAHRO believes that there currently exists a displacement problem, resulting from both reinvestment and disinvestment, in a growing number of urban neighborhoods, and that demographic trends suggest that both the magnitude and rate of displacement are likely to increase. In our view, solutions to this problem must be locally conceived to reflect differences in local housing market dynamics, and maximum flexibility must be afforded local officials in designing strategies to address their particular market conditions. Cities should not be prevented by administrative fiat from utilizing federal programs in different ways to prevent displacement. For example, HUD now discourages and sometimes prohibits cities from utilizing Section 312 loans in tandem with the Section 8 moderate and substantial rehabilitation programs. While we believe such a mechanism is appropriate only in certain situations, local officials around the country inform us that this approach is sometimes the only means of preventing a needed source of rental housing from abandonment while preserving it for low- moderate-income persons.

In this regard, we endorse the Administration's proposal to increase mortgage limits under the Section 235 homeownership program in neighborhoods undergoing revitalization. It must be remembered, however, that a fundamental cause of displacement is an inadequate supply of decent, affordable housing for low- and moderate-income persons, and we urge the subcommittee to continue to investigate additional means of encouraging homeownership among lower income families. NAHRO believes, for example, that public housing authorities can play a role in this effort; HUD has proposed public housing and Section 8 homeownership programs, which have been rejected by OMB, and these should be reconsidered by the subcommittee in its deliberations.

Finally, the Administration's proposed Temporary Mortgage Assistance Payments program represents in our view a cost-effective means of protecting the investments of existing moderate-income homeowners. This is a viable alternative to the present mortgage assignment procedure, as it can help reduce the incidence of foreclosures on FHA-insured properties, which in many cities, has resulted in major costs to the government and had a destabilizing effect on otherwise sound neighborhoods.

HOUSING: As this subcommittee has long recognized, the ability of local governments to address adequately their community development and neighborhood preservation objectives is dependent on the availability of decent, affordable housing for the residents of those communities and neighborhoods. An inadequate supply of lower income housing can either thwart local community development initiatives or, as previously noted, aggravate problems of displacement and overcrowding.

Likewise, the supply of housing for low income people is a function of both the production of new housing and the maintenance of our existing stock of housing. We are currently faced with a dual problem, however: We are not producing enough new housing to meet our lower income housing needs; at the same time, we are losing existing low income units from the stock due to an inadequate commitment to maintenance and modernization needs. Our recommendations to you this morning thus respond to what we believe is a wholly inadequate response by the Administration to the nation's low income housing needs, in both new production, and in the upgrading of existing units.

Production: During the past several months, the costs and benefits of the federally-assisted housing programs have once again come under close scrutiny and evaluation. While NAHRO welcomes and supports efforts to improve both program mechanisms and performance, we firmly reject the substantial cut in funding for these programs proposed by the Administration in fiscal year 1980. Reductions in assisted housing funds hurt only low-income persons, and can themselves be inflationary by forcing more low-income persons to compete for a scarce supply of affordable, decent housing in the private market, thereby bidding up the cost of existing

housing. These reductions also conceal additional costs, for the resultant loss of construction employment and laborer income cost the government in other ways. Certainly, these difficult questions warrant further deliberations before current program levels are reduced; if past experience holds true, these questions yield no quick and easy solutions.

We find the proposed cuts particularly ironic coming at a time when housing starts have dropped precipitously, mortgage credit is expensive and difficult to obtain, and the private rental housing market is dwindling and becoming increasingly beyond the reach of low-income families. NAHRO has publicly stated its support of a funding level sufficient to support 400,000 unit reservations of Section 8 and public housing in fiscal year 1980; at the very least, current program levels should be maintained. We further believe that the mix of assisted housing units should continue to reflect locally identified housing needs, and not a desire to achieve perceived cost savings. While local housing assistance plans (HAPs) have not proven totally effective as instruments for local housing needs planning, the principle that local housing needs are best identified at the local level is a sound one. The reasons for HAP ineffectiveness vary from city to city; and we urge the subcommittee to review in more detail the basis upon which localities have determined their housing needs before taking legislative actions.

In order to maximize local capacity to produce needed lower income housing, the Congress must ensure that all available local expertise can be brought to bear in the production process. We thus again ask this subcommittee to recognize the need for public agencies and limited dividend sponsors to participate in the Section 202 program, as provided for in the authorizing legislation, by removing the restriction on such sponsorship in the FY 1980 Appropriations bill. In many cases, particularly in rural areas, there is a shortage or an outright absence of nonprofit sponsors, and this flexibility of sponsorship is necessary to enable communities to respond to the diversity of local need.

The need for technical assistance to communities to improve both the administration and implementation of local community development programs has been recognized, but there exists a companion need to improve local capacity in the housing production area, particularly in refining the use of the housing assistance plan. We hope that the Congress will respond to this need by authorizing and appropriating funds for housing technical assistance, to be based on a proportion of the total funding level of federal housing assistance. These funds would help insure that federal housing assistance is utilized more efficiently and expeditiously.

Management: Mr. Chairman, there are both immediate and long-term issues involved in public housing management. The Administration's request for operating assistance for public housing authorities (PHAs) for FY 1980 reflects a policy of simply keeping PHAs afloat from year to year, without reference to fundamental problems in the method by which this assistance is allocated. We are concern-

ed not only because many PHAs are in danger of losing viable units from their public housing stock due to a lack of needed operating assistance and a resultant accumulation of deferred maintenance, but also because the lack of a predictable and equitable system for allocating operating assistance severely hampers the capacity of many PHAs to produce new housing.

Since 1975, operating subsidy levels for PHAs have been set according to the performance funding system (PFS) formula, which is calculated on a comparative estimate of the subsidy required to operate "well managed" units of similar size, location, and physical characteristics. Yet, little if any provision is made in the formula for services and maintenance needs not apparent or significantly severe at the time of the initial base year used in calculating the subsidy, including increases in insurance and labor costs, vandalism and security costs, and unusual operating expenses such as snow removal. These "costs beyond control" have been concentrated in the larger PHAs which own and manage the vast majority of the nation's one million-plus public housing units. Faced with inadequate operating subsidies, these authorities have been forced to defer maintenance needs, often to the point of losing units from the stock. The Administration request of $741.5 million for operating subsidies in the coming fiscal year represents a scant two percent increase over the current appropriation, and again fails to account for any costs beyond control. In fact, it is our understanding that an earlier estimate placed operating subsidy needs in FY 1980 at $817 million. The additional $43 million in FY 1978 subsidy funds that has been transferred to the reserve accounts of several large PHAs for costs beyond control for use in FY 1980, could have been used to fund urgent requests at the end of FY 1978; failure to utilize these funds for this need places a further strain on PHA ability to maintain existing units.

HUD has acknowledged these basic problems by commissioning a two-year evaluation of the PFS, and a comprehensive survey of modernization needs, including deferred maintenance, due to be completed this fall and in early 1980. Based on these analyses, it should be possible to make, and we intend to propose, a number of changes in the operating subsidy and modernization programs aimed at providing a predictable and equitable system of assistance to PHAs, including the provision of management performance incentives, as well as establishing maintenance and repair on a regular cycle in a comprehensive fashion. In the interim, however, action is needed to prevent a continued build-up of unmet maintenance and loss of units from the stock. A survey conducted this year by NAHRO of 39 large PHAs (all with over 4,000 units), identified unmet deferred maintenance needs amounting to nearly $207 million in capital costs, or $19 million in additional modernization contract authority. I ask that the results of this survey, including a description of the PFS and deferred maintenance problems, be included in the record of this hearing. We therefore recommend the following initiatives to the subcommittee for fiscal year 1980:

1) Although statutory change in the operating assistance mechanism may be premature pending the results of the HUD-PFS evaluation, the subcommittee should recognize the inadequacy of the PFS by recording in report language its intention to seek legislative remedies in FY 1981.

2) The FY 1980 program level for modernization should be increased from the proposed $37.5 million in contract authority to at least $50 million, the current level. This level at a minimum is essential to enable PHAs to address their deferred maintenance needs, most of which are now fundable as capital (vs. operating) costs, and to return currently vacant and vandalized units to the stock. It must be recognized that this additional authority is needed as a production measure, as well as a protection of our estimated $19 billion investment in public housing.

3) The subcommittee should adopt a legislative provision to insure the provision of operating subsidies to public housing projects whose 40-year debt service payments have been completed. This is the only way in which low income families can continue in occupancy. Also, many of these units can continue for at least 10-20 years at a net cost to the federal government of only operating assistance.

We firmly believe that the public housing program is a viable, cost-effective mechanism for providing low-income housing. I must reemphasize, however, that the absence of an equitable system for allocating operating assistance to PHAs will continue to undermine the program and, more importantly, reduce the housing options for low income people. We urge the subcommittee, however, to avoid looking to "quick fix" solutions to the operating cost problem. PHAs around the country have warned us that an increase in the rent-to-income ratio ceiling above the current 25%, for example, would actually exacerbate the problem: Rent collections in many authorities are erratic, and an increasing reliance on already low tenant incomes for operating income would likely cause a further shortfall in rent receipts. Without a change in the PFS, this and other such measures would clearly be counterproductive.

We further urge the subcommittee to fully fund the Congregate Housing Services program at its authorized level of $25 million, as the demand for this important initiative far exceeds the modest amount appropriated to date, and the number of elderly and handicapped residents of public housing continues to increase. This innovative program enables public housing authorities to address the full range of housing needs of these tenants, without adding an undue administrative burden, and should be continued.

The provision of flexible operating subsidies to troubled FHA-assisted projects, conditioned on approved management plans, should also continue as requested by the Administration. We again point out, however, that the identified level of need for this assistance is significantly greater than the proposed $82 million level. We emphasize to the subcommittee that all HUD assisted housing must be adequately maintained, and at levels sufficient to permit lower-income tenants to remain in occupancy, in order to preserve the neighborhoods in which this housing is located.

Mr. Chairman, I appreciate this opportunity to appear before the subcommittee this afternoon. I will be pleased to respond to the subcommittee's questions.

MULTIFAMILY REHABILITATION SURVEY CITIES

1) Akron, Ohio
2) Anaconda, Montana
3) Baltimore, Maryland
4) Battle Creek, Michigan
5) Bay Shore, New York
6) Boaz, Alabama
7) Boise, Idaho
8) Boston, Massachusetts
9) Cedar Falls, Iowa
10) Chesapeake, Virginia
11) Cleveland, Ohio
12) Des Moines, Iowa
13) Detroit, Michigan
14) Duluth, Minnesota
15) Durham, North Carolina
16) East Chicago, Indiana
17) Enfield, Connecticut
18) Grand Island, Nebraska
19) Houston, Texas
20) Hudson, New York
21) Huntsville, Alabama
22) Indianapolis, Indiana
23) Jacksonville, Florida
24) Jamestown, New York
25) Kalamazoo, Michigan
26) LaJunta, Colorado
27) Los Angeles, California
28) Louisville, Kentucky
29) Lubbock, Texas
30) Malden, Massachusetts
31) Mexico, Missouri
32) Miami, Florida
33) Milwaukee, Wisconsin
34) Montgomery County, Maryland
35) Newark, New Jersey
36) New Haven, Connecticut
37) Norfolk, Virginia
38) Pawtucket, Rhode Island
39) Philadelphia, Pennsylvania
40) Pittsburgh, Pennsylvania
41) Portland, Maine
42) Portland, Oregon
43) Portsmouth, Virginia
44) Providence, Rhode Island
45) Royal Oak Township, Michigan
46) Sacramento, California
47) Salem, Oregon
48) Salt Lake City, Utah
49) Santa Ana, California
50) San Antonio, Texas
51) San Francisco, California
52) Syracuse, New York
53) Toledo, Ohio
54) Tampa, Florida
55) Vineland, New Jersey
56) Waterloo, Iowa
57) Wilmington, Delaware
58) Winston-Salem, North Carolina
59) Jefferson City, Missouri

60) Manchester, N.H.
61) Birmingham, Alab.
62) Jersey City, N.J.
63) Worcester, Mass.
64) Trenton, N.J.
65) Columbus, Ohio
66) Concord, N.H.
67) Uniontown, Alab.
68) Hoboken, N.J.

AGGREGATE U.S. STATISTICS

1) Number of housing units	8,307,666	
2) Number of units in need of rehabilitation	1,561,142	19 % of 1)
3) Number of multi-family units in need of rehab	619,457	40 % of 2)
number of small multi-family units in need of rehabilitation	431,279	70 % of 3)
number of moderate sized multi-family units in need of rehabilitation	123,776	20 % of 3)

Availability of private financing for rehabilitation of multi-family properties

a) private financing generally unavailable	20 %
b) private financing unavailable in some neighborhoods	25 %
c) some problems obtaining private financing	45 %
d) no problems obtaining private financing	10 %

Availability of public financing for rehabilitation of multi-family properties

a) no public financing available	31 %
b) limited public financing available for a few neighborhoods	42 %
c) limited public financing available city-wide	23 %
d) adequate public financing available	4 %

Can the rehabilitation industry in your area handle higher levels of publicly-supported rehabilitation? Yes 92 % No 8 %

Which of the following statements most closely describes the multi-family property rehabilitation needs in your city?

a) There is a great need for multi-family property rehabilitation in many areas of the city	23 %
b) There is a great need for multi-family property rehabilitation in a few neighborhoods	24 %
c) There is a moderate need for multi-family property rehabilitation in many areas of the city	15 %
d) There is a moderate need for multi-family property rehabilitation in a few neighborhoods	14 %
e) There is a need for rehabilitation of a few multi-family properties in selected neighborhoods, without which neighborhood conservation efforts in those neighborhoods are likely to be hindered	15 %
f) There is no need for multi-family property rehabilitation	0 %
g) Other	9 %

National Association of Housing and Redevelopment Officials

The Performance Funding System: A Background Statement and Current Perspective
March 1, 1979

Background of the PFS

The Performance Funding System (PFS) is the method by which HUD calculates operating subsidy payments to public housing authorities managing conventional public housing. The system was developed in response to a congressional mandate included in the 1974 Housing and Community Development Act requiring that HUD establish a public housing operating subsidy allocation system for the purpose of making payments to local housing authorities.

Originally in 1937 the federal government contributed an amount adequate to pay the debt service covering the project development while the PHA paid for operating and maintenance costs from rental income. In the 60's, operating costs began to exceed rental income. This trend was exacerbated by the Brooke amendments which prohibited PHAs charging rent in excess of 25% of a family's adjusted income. To make up for the difference, HUD has been providing annual operating subsidies to PHAs since 1963. At, first the subsidy level for each PHA was negotiated between HUD and the PHA based on individual PHA requests supported by an operating budget. Beginning in 1971, HUD based subsidies on the amounts of income and expenses negotiated in that baseline year with annual adjustments for inflation. The effect of these procedures created inequities among the PHAs; and concern over rising subsidy costs and the unsystematic manner in which individual subsidy amounts were determined prompted the provision in the 1974 act.

Basically, the Performance Funding System formula which has been in effect since 1977 is an equation consisting of a number of technical components, including the prototype equation, and decision rules for their use. Taken together, these components determine the allowable expense levels of public housing authorities and the treatment of tenant and other revenues. (See Performance Funding System Subsidy Equation page 3). The PFS was designed to provide forward funding so that the subsidy to be provided for the next fiscal year is the difference between the predicted levels of allowable expenses and total annual PHA revenues. In practice, many PHAs however do not have operating budgets and allowable operating subsidies approved by HUD at the start of the fiscal year's operation; in fact, many PHAs have operated in excess of 5 to 6 months in a fiscal year without knowledge of approved funding levels.

A major way in which PFS differs from the previous subsidy allocation method (1963-1971) is that PFS is not tied to a local budgeting process. The factors used in computing the PFS subsidy are: 1) population of area served; 2) PHA's bedroom composition; 3) PHAs project age; 4) PHAs project height; 5) Fair Market Rents (FMRs) for PHAs area in the Section 8 program; and 6) relative cost by region. Some are not included in the computation: family characteristics, location of the project, and crime rate -- resulting in neglect of the differences in funding necessary to operate large urban housing authorities vs. small rural housing authorities that may be located in the same region.

These major PFS shortcomings were compounded by the Brooke amendments of 1969, 1970, and 1971 and generally lower tenant rental income, particularly in large city housing authorities.

Shortfalls in PFS resulted in PHAs being forced to both use their operating reserve funds to maintain projects, and to reduce staff -- resulting in reduced services, leading to the deterioration of the physical condition and operating status of their housing inventories.

Maintenance Not Covered in PFS

While utilities are not included in the PFS formula and are funded separately, there is no other source for funding maintenance, and the backlog of deferred maintenance which has grown since 1969. Public housing modernization funds have assisted with major capital improvements, but only in a minimal way with deferred maintenance, particularly because of the priorities for use of limited modernization funding, and the focus on capital items. (see separate NAHRO Memorandum on Deferred Maintenance).

Increased Rents Will Not Help

Moreover, even increases in rental income, due to rises in family income or adjustments in rent levels, do not assist PHA's since under the PFS system, the Federal assistance is then reduced.

Thus, under the PFS, the PHA has no benefit in attaining a higher income mix; the housing stock is still left to deteriorate.

"Costs Beyond Control"

A method which HUD has adopted to deal with the inadequacy of PFS (See Excerpt from HUD Circular 7475.13 attached as page 4) is "Costs Beyond Control" of a PHA that were not reflected in the base year expense level. These costs may be considered for supplemental operating assistance. Among items that PHAs have applied for under "costs beyond control" include: changes in insurance rates, unemployment compensation, security, social services, snow removal costs and court actions.

Some of these "Costs Beyond Control" were funded by HUD in FY 1977. However, at the end of FY 1978, HUD transferred the balance of public housing operating subsidies (some $43 million) that could have been used to fund "Costs Beyond Control" to reduce the PFS requirement for FY 1980. PHAs submitting requests for "Costs Beyond Control" before the end of FY 1978 were told there were no funds available to assist them.

A NAHRO Survey Underway

NAHRO is presently tabulating, the results of a survey that will document the problems of deferred maintenance and "costs beyond control" for PHAs in 60 cities.

PFS FORMULA

$$Subsidy_X = ([AEL_{X-1}+(FEL_X\ (I)-FEL_{X-1}\ (I))]\ I + U_X - R_X + A_X)UMA_X$$

Where: Subsidy X = The subsidy payment to which the PHA will be entitled in Fiscal Year X.

AEL_{X-1} = The PHA pum Allowable Expense Level for Fiscal Year X-1.

FEL_X = The Formula Expense Level for the PHA using PHA characteristics in Fiscal Year X and the updated (latest) prototype equation. The prototype establishes an FEL using regression coefficients which relate operating expenses to PHA characteristics for a set of "high-performing" PHAs. These weights are recalculated each year based on the latest available data.

FEL_{X-1} = The Formula Expense Level for the PHA using the PHA's characteristics in Fiscal Year X-1 and the same weights used in calculating FEL_X.

I = The inflation rate which the PHA is expected to incur in its operating expenses between Fiscal Years (X-1) and X.

U_X = The PHA's allowable pum Utility expense during FY (X).

R = The PHA's projected pum rental income plus estimated other income during FY(X).

A_X = The expected pum Audit expenses for FY (X) plus approved add-ons.

UMA_X = The expected Unit Months Available during FY (X).

Since PHAs must submit worksheets with their PFS subsidy request prior to the beginning of the fiscal year to be funded, FY (X) refers to the coming fiscal year and FY (X-1) refers to the fiscal year

§ 890.108 Other costs.

(a) Costs of Independent Public Accountant (IPA) audits. HUD requirements provide that the cost of the required biennial IPA audit shall be budgeted in either the PHA's Development Cost Budget or its annual Operating Budget, as appropriate. The Allowable Expense Level excludes the cost of IPA audits. However, the estimated cost of such audits, applicable to the operations of the low-income public housing program, is allowed in full in computing the amount of operating subsidy under § 890.104, above. Even though the PHA is not eligible to receive operating subsidy pursuant to the provisions of the PPS, it may be eligible to receive operating subsidy to offset the cost of the IPA audit chargeable to operations (the period after the Initial Operating Period). The eligibility to receive operating subsidy for IPA audits is considered independently of the PPS. However, the PHA shall not request, nor will HUD approve, an operating subsidy for the cost of an IPA audit if such funds have been previously provided to the PHA in a prior fiscal year, nor to the extent that such funds will create residual receipts after provision for the operating reserve. Prior to engaging an IPA, the PHA must obtain the approval of the HUD Field Office. The PHA's estimate of cost of the IPA audit is subject to adjustment by HUD. If the PHA requires assistance in determining the amount of cost to be estimated, the HUD Field Office should be contacted.

(b) Units deprogrammed pursuant to HUD approval, but not yet disposed of. A deprogrammed unit is one which is permanently removed from the rent roll. This does not include units temporarily unavailable for occupancy because they are utilized for PHA related activities. Costs attributable to the deprogrammed units, as approved by HUD, may be eligible for inclusion, but must be limited to the minimum services and protection necessary to protect and preserve the units until appropriate further action is taken. In the determination of the PPS operating subsidy, no Unit Months Available shall be included for the deprogrammed units. Deprogrammed units shall be listed by the PHA and supporting documentation regarding direct costs attributable to such units shall be included as a part of the operating budget in which the PHA requests operating subsidy for these units. If the PHA requires assistance in this matter, the HUD Field Office should be contacted.

(c) Costs attributable to changes in Federal law or regulation. In the event that HUD determines that enactment of a Federal law or revision in HUD or other Federal regulation has caused or will cause a significant increase in expenditures of a continuing nature above the Allowable Expense Level and Utilities Expense Level, and upon a determination that sufficient other funds are not available to cover the required expenditures, HUD may in HUD's sole discretion decide to prescribe a procedure under which the PHA may apply for or may receive an increase in operating subsidy.

(d) Costs beyond the control of the PHA. Costs attributable to unique circumstances which are beyond the control of the PHA and were not reflected in the PHA's Base Year Expense Level may be considered for supplemental operating subsidy funding. Where costs were reflected in the PHA's Base Year Expense Level, but the rate of increase for such costs is greater than the prescribed PPS inflation rate(s), then the increase in excess of that provided by the inflation rate may be considered for supplemental operating subsidy funding. The PHA must submit to the HUD Field Office complete documentation relating to those cost items which it claims to be beyond its control. Such documentation shall not be submitted as a part of the requested operating budget, but shall be submitted separately as an addendum to the budget. The PHA also must show that these additional costs cannot be funded from its own resources. In the event that excess funds are available after making all payments approvable under § 890.104 of these regulations, HUD may, in HUD's sole discretion, solicit, evaluate and approve or disapprove, in full or in part, these requests for additional operating subsidy for costs beyond the control of the PHAs.

§ 890.109 Projected operating income level.

(a) *Policy.* PPS determines the amount of operating subsidy for a particular PHA based in part upon a projection of the actual dwelling rental income and other income for the particular PHA. The projection of dwelling rental income is obtained by computing the average monthly dwelling rental charge per unit for the PHA, and projecting this amount for the Requested Budget Year by applying an upward trend factor (subject to updating) of 3 percent, and multiplying this amount by the average number of Project Units expected to be occupied during the Requested Budget Year. Nondwelling income is projected by the PHA subject to adjustment by HUD. There are special provisions for projection of dwelling rental income for new projects.

HUD-Wash., D. C.

46-106 O - 79 - 13

National Association of Housing and Redevelopment Officials

MEMORANDUM: Deferred Maintenance in Public Housing Agencies

March 1, 1979

Since 1969, PHAs have not been able to generate rents equal to rising operating expenses. This gap was exacerbated by the Brooke Amendments of 1969, 1970, and 1971 which reduced rents. The impact of this is as follows:

-- Primarily, the gap between rental income and operating expenses has been addressed through the creating of the Federal Performance Funding System (PFS) in 1975. But the PFS has not adequately filled the gap. Prior to PFS there was no consistent system of providing federal operating assistance. From 1970 to 1975, PHAs which could not obtain adequate federal assistance used operating reserve funds to meet basic operating obligations. Many PHAs depleted their reserves prior to PFS; and then were forced to defer basic, non-safety related maintenance work, as well as reduce the work force. Thus, the creation of a deferred maintenance problem.

-- During this same period, many public housing projects began to require some modernizing as a result of age. However, neither the funds for modernization, or the eligible uses, covered the deferred maintenance problem. In 1976, the definition of modernization and the eligible items were expanded to cover "major repairs". While this alleviated some of the deferred maintenance needs, neither the new definition or the level of modernization funding was adequate to cover all of the deferred maintenance. Meanwhile, inflation has created an even larger gap between real operating costs and those reflected in PFS. A compounding effect has occurred and some needs, originally classifed as maintenance items have been deferred long enough to qualify as capital replacements eligible for modernization. The cycle of maintenance neglect continues, and modernization priorities which PHAs have to observe-ie. energy conservation, health and safety items and emergencies -- mean that many urgent deterioration items are never funded. Therefore, many PHAs are left with work items which, never funded under modernization, remain in the unmet category of deferred maintenance. Additionally, some major items result from changes in state and/or local law over which the PHA has no control.

-- A NAHRO sampling of 60 large and medium PHAs shows that certain basic work items re-occur in each PHAs definition of deferred maintenance:

*- Cycle Painting of Units
  - Interior
  - Exterior
- Roof Repairs
- Repair and replacement of floor coverings
- Window sash and frame repairs and/or replacement
- Repair and replacement of maintenance equipment including vehicles

- Replace interior and exterior doors
- Repair and/or replace gas distribution lines
- Replace kitchen cabinets
- Refurbish elevator cabs
- Grounds maintenance including parking lots, curbs & gutters, landscaping
- Tuck pointing
- Replace plumbing fixtures
- Replace kitchen fixtures

* Never considered eligible for modernization funding.

The impact of not eliminating these repair needs is to lower the desirability of the units to both current and prospective tenants. This car and does result in vandalism, vacancies and, in some cases, structural problems which can lead to units being de-programmed, ie. lost from the inventory.

Each PHA identifies need categories in slightly different ways, however, they are all components of building maintenance and repair. In many instances there is a direct correlation among items e.g. roofs, gutters and downspouts, exterior masonry and painting, window sashs, landscaping, and brickwork or tuck painting.

Our survey to date indicates total deferred maintenance needs of $167,550,217 in 18 PHAs..

- This is an actual figure needed to complete work.
- Funding at this level would create an estimated 700-1000 new jobs. PHA's have indicated that if these needs are not funded that as many as 2000 units might be deprogrammed.

Examples of Deferred Maintenance Needs

Toledo — Total Need $8,947,000
(Lucas Metro)

Sample

Painting	95,600
Siding, Doors, Windows	2,632,030
Replacing Kitchen Cabinets	1,846,500
Replace Garbage Enclosures	477,050
Brickwork	790,000
Roof repair & replacement	859,000
Plaster work	394,000
Resurface parking areas	129,000

Pittsburgh — Total Need $25,735,000

Sample

Painting, Plaster work	5,750,000
Plumbing & Plumbing Fixtures	6,000,000
Grounds maintenance	7,500,000
Interior & Exterior Doors	850,000
Exterior wall waterproofing	1,150,000
Facia, gutters, downspouts	750,000

Cleveland (Cuyahoga Metro)	Total Need $64,000,000
Sample	
Painting	2,229,900
Tuck Pointing (Brickwork)	9,365,000
Update, electrical system capacity	6,330,000
Replace underground steam lines	4,600,000
Roofs & facia- replace	5,469,000
Parking lots & drivway repair	980,000
Replace interior gas lines	3,015,000
Replace windows	7,516,000
Buffalo	Total Need $12,114,940
Sample	
Roof replacement	2,420,370
Masonry	1,960,000
Window replacement	7,482,100
Door replacement	1,644,900
Bathrooms	934,000
Detroit	Total Need $4,581,700
Sample	
Painting	944,000
Brick & cement work (incl. parking areas)	1,054,000
Doors, screens, windows, repair & replace	1,072,000
Heating-Repair underground gas lines	627,000
Roof & gutter work	229,700
Philadelphia	Total Need $10,700,000
Sample	
Painting-Interior-Exterior	6,000,000
Roof repair & replacement	2,000,000
Concrete work	350,000
Emergency lighting	500,000
Fire alarm systems, equip. tower doors	900,000
Landscaping	500,000
Chicago	Total Need $20,950,000
Sample	
Painting	6,100,100
Roofing	2,400,000
Floor tiles	4,400,000
Sinks & Cabinets (kitchen)	4,700,000
Window sash & frames	3,100,000

SUMMARY OF COSTS -- DEFERRED MAINTENANCE

The following are general categories identified by PHAs and are considered to be either routine or non-routine maintenance:

Painting & Plastering:	37,+21,050
Rock Repair/NCC Gutters & Downspouts	29,960,850
Grounds, Concrete & Blacktop Work	32,095,037
Doors, Windows, Door Windows Hardware	29,106,730
Heating, Ventilating & A/C System	18,326,650
Floor Coverings	4,019,350
Masonry & Brickwork	14,760,100
Plumbing & Bathroom Fixture	13,295,950
Waterproofing Exterior Wall	6,065,000
Electrical	7,743,500
Appliance Repair	1,992,000
Elevator	560,000
Kitchen Cabinets & Hardware	7,265,000
Fire System	900,000
Trash System	2,877,000
Maintenance Equipment	362,000
Outdoor lighting	623,000
	206,983,217

The sample represents 38 of 60 PHAs surveyed. The figure of $206,983,217 represents capital costs, i.e., actual dollars if funded through operating subsidies. If funded under the modernization program the additional contract authority required would be approximately $18,828,124.

Most of the needs identified in the survey were originally considered operating costs. However, over a period of time funds have been insufficient to deal with regular maintenance. Therefore, with the exception of cycle painting, a strong case can be made that most, if not all of these deferred maintenance costs have become capital needs.

Mr. BOLAND. We now move to our guest, Joe Canale, of the National Association of Housing and Redevelopment Officials, a very powerful group. We are glad to have you.

Mr. CANALE. The full statement I have filed with you. I will read a brief summary.

Mr. Chairman and Members of the Subcommittee, I am Joseph Canale, the president of NAHRO and executive director of the Housing Authority and Redevelopment Agency of the City of Danbury, Connecticut. In that capacity, I have responsibility for the city's public housing, urban renewal, and Community Development Block Grant programs. I am accompanied by Robert Maffin, executive director of NAHRO. I am pleased to have this opportunity to appear before you this afternoon to present NAHRO's comments and recommendations on appropriations for housing and community development programs for fiscal year 1980. We have made every effort to draw on the local administrative experience of our 7,000 individual and 2,000 public agency members in developing our recommendations, which I will attempt to briefly summarize for the Subcommittee.

The conservation and revitalization of our neighborhoods and communities underlie all of NAHRO's policy recommendations in housing and community development. As this Subcommittee has long recognized, housing, community development, and neighborhood preservation issues are closely linked. A failure to produce enough new housing, and to adequately maintain our existing housing can thwart community development initiatives and aggravate problems of displacement and overcrowding. Likewise, communities must not be constrained from utilizing a wide range of tools to meet locally identified needs, which vary from community to community. Our recommendations to you today reflect these concerns.

We strongly support the Administration's request to fully fund the Community Development Block Grant program at its authorized level. Our three monitoring studies have indicated the need for more specialized programs to address long-term investment and job creation programs. We thus urge the Subcommittee to support the Administration's request for an additional $275 million in UDAG authority for fiscal year 1980, as the UDAG program has helped distressed cities of all sizes address these fundamental problems, and HUD has made a good-faith effort to encourage a mix of well-conceived proposals.

We believe, however, that the Administration's response to the nation's low-income housing needs, in both the production of new and the upgrading of existing units, is wholly inadequate.

First, we firmly reject the substantial cut in funding for the Section 8 and public housing programs proposed by the Administration for fiscal year 1980. This cut places the burden of inflation squarely on those least able to bear it, while in fact adding inflationary pressure to already squeezed low-income housing markets. NAHRO has publicly stated its support of a funding level sufficient to support 400,000 unit reservations of Section 8 and public housing in fiscal year 1980. At the very least, the current program level should be maintained.

Second, we recommend three initiatives to the subcommittee to help counter the problems in maintenance and modernization, described in detail in our written statement, which threaten to force needed public housing units from the stock:

One, although statutory change in the performance funding system (PFS) may be premature pending the results of an ongoing HUD evaluation, the Subcommittee should recognize the inadequacy of the PFS by recording in report language its intention to seek legislative remedies for fiscal year 1981.

Two, the fiscal year 1980 program level for modernization should be increased from the proposed $37.5 million in contract authority to at least $50 million, the current level. It is important to recognize that this is a production measure needed to return vacant and vandalized units to livable condition.

Three, the Subcommittee should adopt a legislative amendment to ensure the provision of operating subsidies to public housing projects whose 40-year debt service payments have been completed. This is a cost-effective way of continuing a needed source of low-income housing.

For instance, in my own community, Danbury, Connecticut, we have need for modernization. We also have need for housing units. We have some 1,000 families waiting to come into our program.

Mr. BOLAND. How many public housing units do you have in Danbury?

Mr. CANALE. We have 1,150.

Mr. BOLAND. What is the newest one?

Mr. CANALE. We have one under construction now.

Mr. BOLAND. Public housing?

Mr. CANALE. Yes, a 54-unit conventional, elderly housing program, but the last family program we have had was built in 1972.

Mr. BOLAND. So you have 400 units for the elderly in public housing?

Mr. CANALE. We will have when we get the next 54 units.

Mr. BOLAND. That will give you 1,100 units?

Mr. CANALE. 1,100 to 1,160 units.

Mr. BOLAND. So you would have approximately 700 units for families.

Mr. CANALE. Right, for families.

Mr. BOLAND. How many people will be sheltered in the 1,100 units, including families?

Mr. CANALE. Our families average is about 4.2 people per unit when we take the large and small. The elderly are about 1.3 people per unit because we have more singles than we have couples living in them.

Mr. BOLAND. So you have more than 3,000 units in total?

Mr. CANALE. Yes, we do. Of course, we have a great need for family units. Out of the thousand units or thousand people who are on our waiting list, I would say probably 600 of them, 650 of them, are families. We are working on 1977 applications at this point.

Mr. BOLAND. And are the private developers tripping over each other in order to build family units in Danbury, Connecticut?

Mr. CANALE. No, they are not, to be frank about it. They have come in and offered us elderly units. The housing authority concen-

trates on family units because we have so many of the other that developers are willing to build for us.

Mr. BOLAND. Do the developers want to build them?

Mr. CANALE. We do.

Mr. BOLAND. I think that is commendable for the local housing authorities to do it.

Mr. CANALE. We know the need has been universal throughout the country for housing authorities to try to take care of the families.

Third, we strongly urge this Subcommittee to ensure that the total amount of Section 312 loan funds available in the coming fiscal year, including carryover authority, is at least equal to the current level of $260 million. As the Congress recognized a year ago, the 312 program is a needed adjunct to the Community Development Block Grant program, and an important source of financing for multifamily rehabilitation, the need for which is critical in light of the dwindling availability of private rental housing.

Finally, in your deliberations, we caution you against seeking quick fix solutions to complex problems. For example, without a change in the performance funding system formula, any change in the rent-to-income ratio ceiling for tenants in public housing would increase the operating cost problem. Indeed, increasing the ceiling from 25 percent to 30 percent would constitute a 20 percent increase in rent for many low-income tenants, a burden that runs directly counter to all current guidelines.

Likewise, the mix of assisted housing units should continue to reflect locally-identified housing needs, and not a desire to achieve perceived cost savings. The reasons for housing assistance plan ineffectiveness vary from city to city, and the Subcommittee should review any identifiable problems in more detail before taking legislative actions.

Let me say just one more thing, Mr. Congressman. Public housing it is the most cost effective program that is in existence for supplying low and moderate housing for people of low and moderate income. We must also say to you and to the Committee that at the end of its period it still remains in the public domain. There is not a throw-away in the whole program.

Mr. Chairman, I appreciate the opportunity to appear before you. I know you have a busy schedule. I would be pleased to respond to any of your questions either in writing or orally, however you would like.

Mr. BOLAND. We are delighted to have you with us, and we are delighted that you come here from Danbury, Connecticut. That is a nice community, and you are well represented in the Congress, let me tell you. And we are pleased to have the executive director of NAHRO with us.

Mr. Sabo?

Mr. SABO. On the Section 8 existing program modern rehab, is the percentage of family units higher than in new construction?

Mr. CANALE. You mean nationwide or just my own community?

Mr. SABO. Nationwide, I guess, if you know.

Mr. CANALE. We would have to really check it. I don't have those figures.

Let me just say this. In my community we have both, of course. In our existing units I have 100 units in management. I do have authorizations——

Mr. SABO. What percentage of those are families?

Mr. CANALE. That is all families. We have asked for all family units. We have a very great need for families. We have a great need for our elderly, don't get me wrong. As I said, we have almost 400 of them on-call now wanting to get in and every one of them needs an apartment. When Section 8 is ready for proposals from developers, we find that developers are very happy to build as many elderly units. We like to do them. They are a lot easier to maintain.

Mr. SABO. One would assume that there were only $275 million additional currently pegged; would your preference be to have it all go in UDAG or have that reduced by $75 million and have that money added to Section 312 to bring that up to last year's level of funding?

I guess I am trying to determine your priorities.

Mr. CANALE. Let me just say this. They are both very important. I would hate to say cut one and increase the other. We need both very badly.

Mr. BOLAND. You don't really need them both. It would be nice to have both of them, but if you had your choice and you could only get one, what would you like to do? That is what we would like to know. What would be your priority?

Mr. WITTE. I don't think we view the $75 million, for example, or any number, as an even trade-off. I do think that we find the requested appropriation for Section 312 this year to be unreasonably low, particularly given the fact that, as you are well aware, at the local levels it is very difficult to administer.

Mr. SABO. I know that.

Mr. WITTE. So what I am saying is I think we clearly view the cut in Section 312 as an alarming eventuality.

Mr. SABO. Let me ask you this. Would you prefer to have $75 million added to 312 and have UDAG reduced by $75 million or UDAG at an increased level and 312 left where it is proposed?

Mr. WITTE. In that case I think we would clearly take the former choice.

Mr. SABO. The additional funds in 312?

Mr. WITTE. Yes.

Mr. BOLAND. Or you might take it from some of the other programs that have been recommended.

Do you have any suggestions on other areas you could probably cut in order to build up the Section 312 program?

Mr. WITTE. One thing we think is important to note is that for our request in modernization, an increase is not adding new dollars to the budget. Some of the areas in which we have requested increases are not necessarily adding to the budget overall.

Mr. BOLAND. We keep on hearing from the Department that HUD can't use more public housing.

What is NAHRO's position on that?

Mr. CANALE. We can use it and we can get it out. It has been said we can't get the units out. It is ridiculous. I am ready to go out

for a program now that I could put in the ground by September if I could get it through that fast.

Mr. WITTE. Mr. Chairman, if I could amplify on that one question? We acknowledge that there are problems in certain areas in producing new public housing. We strongly feel that part of this results from a lack of commitment on the part of the Administration over the past 5 or 6 years. Likewise, there are areas—Danbury being one of them—where we strongly believe public housing people are ready to and are capable of producing right now. We don't think that is the case in every locality but we do think there is a significant capacity and need.

Mr. CANALE. Much more is in the pipeline now.

Mr. BOLAND. You indicated a moment ago in your statement that public housing provides more family units for the very low-income families than any other programs that we have.

Mr. CANALE. It certainly does.

Mr. STEWART. We do know there are problems in public housing. According to your statement, you don't suffer with that kind of a problem in your area.

Mr. CANALE. No, I don't.

Mr. STEWART. Can you tell us briefly to what do you attribute your success in being able to sustain demand for public housing when there is rejection in other communities?

Mr. CANALE. Maybe it was because in our community we were able, in the beginning, to build smaller projects, and avoid the heavy densities that some of the larger cities have because they don't have the area but they have the people. Consequently, I think one of the biggest problems has been the density—the number of people in an area more so than the physical structures. When you have to crowd that many people together in a small space, problems do arise.

We were lucky. We happened to come from a city that is spread out. It was a smaller city and had a lot of land, and so consequently the biggest project we built was 80 units in one place. That is the largest one that we have. It is done as low as 30 units in one particular spot, so that we dispersed our people throughout the whole community. We haven't put all people of one economic background in one position. We have spread them out across the country.

Let me just say this. I think that in the smaller communities you have that pretty much across the country. The big cities which have a scarcity of land have to go up into the air, and that is one of the problems they have had.

Let me just say this. There is no question or doubt we have some bad ones, but let's be honest about it. What kind of a problem would ever be in the world if there wouldn't be a few bad ones?

I think the good outweighs the bad many, many, many times.

Mr. STEWART. And you attribute that largely to smaller units?

Mr. CANALE. There are more reasons than that, but that is one of the reasons.

Mr. STEWART. One of the reasons is the smaller units?

Mr. CANALE. Yes.

Mr. STEWART. Not crowding too many people together?

Mr. CANALE. A smaller number of units, yes, Mr. Congressman.

Mr. BOLAND. Thank you very much, Mr. Canale.
Thank you, Mr. Witte.
We are delighted to have you. Have a safe trip back to Danbury.
Mr. CANALE. Thank you very much for listening to me.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

CLARA FOX, SETTLEMENT HOUSING FUND, INC.
CAROL LAMBERG, ASSOCIATE DIRECTOR, SETTLEMENT HOUSING FUND, INC., AND STAFF DIRECTOR, NEW YORK HOUSING CONFERENCE

[The statement follows:]

SETTLEMENT HOUSING FUND, INC.
1780 Broadway, Suite 600
New York, N. Y. 10019

Testimony
by
Clara Fox, Executive Director, Settlement Housing Fund
and
Co-Chairperson, New York Housing Conference
before
Sub-Committee on HUD - Independent Agencies,
House of Representatives Committee on Appropriations

Thank you for the opportunity of testifying today. I am representing Settlement Housing Fund, Inc., the nonprofit housing arm of United Neighborhood Houses of New York, Inc., the federation of 37 New York City settlement houses and the New York Housing Conference, the only regional affiliate of the National Housing Conference. I am accompanied by Carol Lamberg, the Associate Director of Settlement Housing Fund and staff director of the New York Housing Conference.

The topic is the Section 8 Housing Assistance Payments Program. Housing professionals are fond of quoting their colleagues as follows: "We cannot depend on Section 8 because in a year or two Congress will cut it out, after someone from Colorado or Oklahoma looks at the Fair Market Rents in New York City." It is my sincere hope that Congress will continue and expand the program rather than cutting it out. The need is greater than ever. In New York City there are over 100,000 families on the waiting list for the "existing" Section 8 Program alone. Every new or rehabilitated project could be filled many times over. There are 317,000 New York families living in housing deficient in maintenance or basic amenities.

Every advertisement for new projects brings 20 to 30 times the number of applications from developers that can be filled. For example, HUD recently advertised for 2700 units of new construction and rehabilitation, and to date 130 proposals for 200,000 units have been received. At most 20 will be funded. In other words, there is enormous need and demand for Section 8 in New York. This is no time to reduce the number of units to go into reservation. Even the last administration had proposed an annual subsidy level of 400,000 units. The action by the Senate Budget Committee - reducing the units to 250,000 and suggesting that low income families pay 30 per cent of the meager income for rent cannot be allowed to go unchallenged. It would be disastrous.

The Settlement Housing Fund is now involved in the rent-up of four Section 8 projects with 1100 apartments, which we co-sponsored. We formed joint organizations with local neighborhood organizations and in turn, the joint sponsorship entity affiliated with profit-motivated developers. The neighborhood organizations, with our assistance, selected the development teams, maintained control of tenant selection and of management, subject to veto power by the developer in case of fiscal concerns. This pattern has worked very well to date. All the projects were developed at or below the estimated costs, and we believe the budgets are adequate to maintain the projects. We are hopeful that our projects, which are among the very first in New York City, and many similar ones, will help make the case for Section 8. Well-maintained buildings with long waiting lists are indications that a program is working, and this is our prognosis for Section 8.

What about the cost? There is no arguing that the per unit subsidy cost is staggeringly high. However, it costs at <u>least</u> $55,000 to build a new modest 2 bedroom apartment in New York and at <u>least</u> $42,000 for substantial rehabilitation. When you total up the cost of annual debt service, fuel and other operating costs, it is clear that the subsidy is in fact needed.

What are the alternatives? We could go back to the system of multiple subsidies that conceal the total cost. For example, a system involving interest subsidies, tax exempt financing and operating subsidies makes each kind of subsidy seem to cost less per unit. But, whom are we fooling? We could also burden the program with unrealistic per unit cost limits in the hope that eager developers will simply lower their costs. Again the approach is a short sighted one. Shoddy construction and poor maintenance are likely to result, and new kinds of "bail-out" programs will be needed.

I am not saying that we should give up trying to reduce costs. Quite the opposite, we should increase the efforts by examining codes and standards, reducing debt service requirements as often as possible, reconsidering modular housing, and experimenting with competitive bidding and incentive-for-savings contracts. However, we can't reduce the costs simply by legislative fiat.

Until we achieve new ways to reduce costs, the program subsidy must be kept at levels adequate to do their job.

Even more important, this Administration and Congress should not reduce the number of low income housing units at a time when the

supply of adequate housing is so low and the level of hope for low income families is even lower.

The Settlement Housing Fund has extensive experience with Section 8 in existing housing, moderate rehabilitation, substantial rehabilitation and new construction.

When the New York Housing Authority began to administer its existing Section 8 program, the Settlement Housing Fund became directly involved by carrying on an outreach program to enlist owner participation and running a computerized data bank to keep track of vacant, standard units below the "existing" Fair Market Rent. We also sent out questionnaires to the first thousand tenants and received over 700 responses, which were overwhelmingly positive. It was our experience that the program works exceedingly well. Tenants can "shop" in the market place for housing that suits their needs and preferences. Owners receive a steady stream of income and the existing housing stock is preserved. The cost is half the subsidy cost for new or substantially rehabilitated housing. In spite of the many virtues of the program, it can only be part of a housing program, not the total program. As the vacancy rate becomes lower and lower, fewer vacant existing units are available for Section 8 tenants. The vacancy rate for the units in our data bank was only one and a half per cent. As the program increases in scope, standard vacancies become even more scarce. In addition, there are few 3 or 4 bedroom units available for larger families in the existing market. To date 27 per cent of the New York City families who received Section 8 participation certificates had to drop out of the program, either because they could not find suitable housing or they could not cope with the program's requirements.

Clearly we need a balanced housing program with assistance for existing housing, moderate rehabilitation, substantial rehabilitation and new construction. Section 8 provides a balanced program, and Settlement Housing Fund has utilized Section 8 in all these situations, with good success in spite of many difficulties. We are hoping to use the program for a low income cooperative in the near future, a concept that should be tested.

Section 8 is functioning well and has the potential of becoming even more workable as HUD keeps improving its administration, and as architects, developers, and financial institutions become more experienced with the program. The main problem with Section 8 is that there is not enough of it.

As mentioned above, we are now renting up 1100 Section 8 apartments in four projects - two for the elderly and two for families. Our community partners are very much involved in tenant selection, and we are working closely with them. Our experience with the family projects lead us to believe that higher income limits should be permitted for a portion of the units in each project thereby achieving one of the major purposes of the Act, economic integration. (This is permitted by the statute but has not been carried out as a rule). This concept is very important to the neighborhood-based sponsors, who do not want to see their areas exclusively as low income neighborhoods.

Of course it is difficult to attract higher income families because 25 per cent of income is often more than they can afford to pay, especially in New York where tax burdens are very high. However, it is our opinion and that of our community partners that the effort to attract such families should be made because it will enable a project to maintain a stable tenancy which will benefit the neighborhood as well as families who live in the project.

In some of the projects that we developed we were able to obtain through negotiation a share of the tax shelter proceeds which we in turn shared equally with our community partners. These funds have enabled us to develop more housing and have enabled our community partners to run programs in conjunction with the projects. In one of these projects, which was designed for the elderly and handicapped, the funds will be used for seed money for a geriatric medical clinic that hopefully will prevent institutionalization. Without sharing in the profits, such a program would have been impossible. This a dramatic contrast to the Section 202 program, which provides no funds to the sponsor and does not allow the contractor to pay any of the sponsors expenses. We would urge the committee to permit limited profit organizations to participate as Section 202 sponsors, as long as a qualified nonprofit organization is part of the partnership. We will submit a separate letter on this problem for your consideration.

The more experienced we become with Section 8, the more we see that it is a flexible, effective housing program that can be adapted to suit various neighborhoods, various housing types and urban populations. With the exception of public housing, Section 8 is the best tool developed to date to deal with the needs of low income families and individuals. In closing, we would also urge the retention of funds the public housing program - using conventional, turnkey, and, where possible, cooperator low income home ownership

approaches.

Unless the Congress passes legislation to repeal the goal of decent, safe and sanitary housing for all American households, the only conscionable approach is to continue, expand and improve the Section 8 Program and public housing.

April 1979

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Mr. BOLAND. The next witness is Clara Fox, who is with the Settlement Housing Fund, Inc. from the Big Apple area of New York; is that right?

Ms. FOX. That is right.

Mr. BOLAND. Why don't you go ahead with your statement?

Ms. FOX. Mr. Chairman and Members of the Committee, thank you for the opportunity of testifying today. I am representing Settlement Housing Fund, Incorporated, the nonprofit housing arm of the federation of 37 New York City settlement houses and the New York Housing Conference, the only regional affiliate of the National Housing Conference.

I am accompanied by Carol Lamberg, the associate director of Settlement Housing Fund and staff director of the New York Housing Conference.

The topic is the Section 8 housing assistance payments program. Housing professionals are fond of quoting their colleagues as follows:

"We cannot depend on Section 8 because in a year or two Congress will cut it out, after someone from Colorado or Oklahoma looks at the fair market rents in New York City."

Mr. BOLAND. We have been arguing against that for years.

Ms. FOX. I know.

It is my sincere hope that Congress will continue and expand the program rather than cutting it. The need is greater than ever. In New York City there are over 10,000 families on the waiting list for the existing Section 8 program alone. Every new or rehabilitated project could be filled many times over. There are 317,000 New York families living in housing deficient in maintenance or basic amenities.

Every advertisement for new projects brings 20 to 30 times the number of applications from developers that can be filled, and that is for family housing.

For example, HUD recently advertised for 2,700 units of new construction and rehabilitation, and to date 130 proposals for 20,000 units have been received. At most 20 will be funded. In other words, there is enormous need and demand for Section 8 in New York. This is no time to reduce the number of units to go into reservation. Even the last Administration had proposed an annual subsidy level of 400,000 units. The action by the Senate Budget Committee reducing the units to 250,000 and suggesting that low-income families pay 30 percent of the meager income for rent cannot be allowed to go unchallenged. It would be disastrous.

The Settlement Housing Fund, which is a nonprofit housing development corporation, is now involved in the renting of four Section 8 projects with 1,100 apartments, which we cosponsored.

Mr. BOLAND. Have you cosponsored any besides those?

Ms. FOX. Besides Section 8?

Mr. BOLAND. Besides those?

Ms. FOX. Yes, we have.

Mr. BOLAND. What is the total number of apartments?

Ms. FOX. 2,500 is what we have done in moderate, new and substantially rehabilitation in all programs.

We formed joint organizations with local neighborhood organizations and in turn, the joint sponsorship entity affiliated with profit-

motivated developers. The neighborhood organizations, with our assistance, selected the development teams, and maintained control of tenant selection and of management, subject to veto power by the developer in case of fiscal concerns.

This pattern has worked very well to date. All the projects were developed at or below the estimated costs, and we believe the budgets are adequate to maintain the projects. We are hopeful that our projects, which are among the very first in New York City, and many similar ones, will help make the case for Section 8. Well maintained buildings with long waiting lists are indications that a program is working, and this is our prognosis for Section 8.

What about the cost? There is no arguing that the per unit subsidy cost is staggeringly high. However, it costs at least $55,000 to build a new modest two bedroom apartment in New York and at least $42,000 for substantial rehabilitation. When you total up the cost of annual debt service, fuel and other operating costs, it is clear that the subsidy is in fact needed.

What are the alternatives? We could go back to the system of multiple subsidies that conceal the total cost. For example, a system involving interest subsidies, tax-exempt financing and operating subsidies makes each kind of subsidy seem to cost less per unit.

I may add that New York City does give full tax abatement, and of course urban renewal land is acquired at $500 a unit.

But, whom are we fooling? We could also burden the program with unrealistic per unit cost limits in the hope that eager developers will simply lower their costs. Again the approach is a shortsighted one. Shoddy construction and poor maintenance are likely to result, and new kinds of bail-out programs will be needed.

I am not saying that we should give up trying to reduce costs. Quite the opposite, we should increase the efforts by examining codes and standards, reducing debt service requirements as often as possible, reconsidering modular housing, and experimenting with competitive bidding and incentive-for-savings contracts. However, we can't reduce the costs simply by legislative fiat.

Until we achieve new ways to reduce costs, the program subsidy must be kept at levels adequate to do their job.

Even more important, this Administration and Congress should not reduce the number of low-income housing units at a time when the supply of adequate housing is so low and the level of hope for low-income families is even lower.

The Settlement Housing Fund has extensive experience with Section 8 in existing housing, moderate rehabilitation, substantial rehabilitation and new construction.

I have copies of our report, "Empowering Section 8," which I would like to insert in the record.

[The report follows:]

EMPOWERING SECTION 8: A REPORT ON THE SETTLEMENT HOUSING FUND'S COMPUTERIZED DATA BANK PROJECT

A summary of the study
Prepared for Settlement Housing Fund, Inc.
1780 Broadway - Suite 600
New York, New York 10019

By
Dr. David Muchnick
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Settlement Housing Fund, Inc.
A NON-PROFIT HOUSING DEVELOPMENT CORPORATION

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In November 1975, the Settlement Housing Fund initiated a program to maximize the use of the Section 8 Housing Assistance Payment Program for existing housing. The major vehicle used to accomplish this goal was a combined extensive landlord outreach program and computerized data bank and retrieval system. The data system was set up to store information about buildings suitable for Section 8 and relay listings of vacancies to the New York City Housing Authority, where referrals were made to tenants. The program lasted two years, including the design and implementation phases. During the life of the project, the Data Bank enrolled 324 landlords and stored in its computer retrieval system more than 2,450 vacancies in 670 developments with approximately 74,000 apartments. On October 31, 1977 the program was terminated and incorporated into the routine Section 8 process of the Housing Authority.

At the outset, the program outlined several major objectives all of which were accomplished during the program's time frame. These included:

- the establishment and maintenance of a current data bank of apartments available in standard private housing eligible for Section 8 in New York City;
- to store relevant data on buildings and neighborhoods;
- to develop a computerized system that would relay instantly information on available housing vacancies to the NYC Housing Authority which administers the Section 8 Program;
- to provide a computer terminal to the Housing Authority;

- to work with property owners to encourage their participation in the Section 8 program in a way that will maximize the benefits to low and moderate income tenants;

- to develop methods to reduce red tape in the Section 8 program;

- to provide special assistance in locating suitable housing for the elderly and handicapped.

The Data Bank project was funded by grants from the Rockefeller Brothers Fund, the Taconic Foundation, the New York Community Trust, the Office of Public Responsibility of Manufacturers Hanover Trust Company and the New York City Department for the Aging. The initial computer program was designed by Interface, Inc. In the second year, the computer design was refined and developed by Heller Associates and directed by George Moskowitz.

At the conclusion of the program's operation, SHF retained Dr. David Muchnick to conduct a complete evaluation of the Data Bank effort. Dr. Muchnick, a former Associate Professor of Sociology at the Graduate Faculty of the New School for Social Research is also a lawyer with extensive experience in government housing programs. This report specifically addresses the quantitative aspects of the project and describes the scale, scope, diversity and effects of the Data Bank's holding of landlords, developments, buildings, units and vacancies. It also compares the Section 8 leases in the Data Bank developments with those buildings not included in the SHF computer. There is also an analysis of data compiled from a survey of approximately 600 tenants who executed Section 8 leases.

The major important conclusion reached in this report is that SHF's Data Bank empowered the Section 8 Housing Assistance Program. SHF's Data Bank effectively penetrated the private real estate sector and overcame the reluctance of private landlords to participate in the program. SHF's Data Bank empowered Section 8 certificate holders to move from one apartment to another; it empowered minority certificate holders' use of the Section 8 program; it empowered the housing choices of elderly households. Consequently, SHF's Data Bank presents an important and proven model for meeting critical administrative needs in the Section 8 program.

Summary & Conclusions

In December, 1975, the Settlement Housing Fund (SHF) established a new initiative to promote maximum use of the New York City Housing Authority's Section 8 Housing Assistance Payments Program in existing housing.* SHF developed an outreach program to encourage landlords to participate in the Section 8 program and, specifically, to list their buildings in SHF's computerized vacancy data bank and retrieval system. The Data Bank stored information about the participating landlords' buildings suitable for Section 8 and relayed listings of vacancies to the staff of the Housing Authority. The Authority's staff referred the vacancies to tenants holding certificates entitling them to Section 8 assistance.

In its two years, the Settlement Housing Fund's (SHF) Data Bank enrolled 324 landlords and stored in its computer retrieval system more than 2,450 vacancies in 670 developments with nearly 74,000 apartments. One out of six landlords who participated in New York City's Section 8 housing assistance program

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*Section 8 refers to the provisions of the 1974 Housing and Community Development Act which established a subsidy program paying the difference between the rent for an apartment and what a tenant, using approximately 25 percent of income, can afford to pay. Maximum fair market rents and minimum building standards are provided. Although Section 8 can be used for new construction and substantial rehabilitation, the SHF Data Bank was used only for Section 8 in existing housing.

joined SHF's Data Bank. They accounted for three out of ten developments and units found to be eligible for the Section 8 program. They provided twenty percent of the eligible vacancies anticipated in 1977 by the Housing Authority.

During this period, 3,259 Section 8 leases were concluded in Data Bank developments. Of these, 65 percent were move-in leases to households who moved from one place to another, and 66 percent were leases to minority households.

Generally, the Data Bank's landlords and developments executed more than four out of ten Section 8 leases in the Housing Authority's program. What's more, they provided two out of every three Section 8 leases obtained by households who moved from one apartment to another as well as three out of every five Section 8 leases secured by minority households.

Although only twenty-two landlords (7%) accounted for nearly half (47%) of the units in the Data Bank, fully one third of the Data Bank's landlords listed more than 150 units (i.e., large landlords). Four out of ten entered between 51 and 150 apartments (medium landlords), and slightly less than 3 out of 10, 6 to 50 units (small landlords).

Presumably, this distribution reflects the predominance of large apartment buildings in New York City's housing stock. By comparison, in thirty other local Section 8 programs scattered across northeastern federal regions I, II and III, the majority (55%) of Section 8 landlords who owned or managed enough units to have qualified for SHF's Data Bank (had they been in New York) handled only 6-50 units. Another 21 percent dealt with 51-200 units, and 24 percent were responsible for more than 200 units.*

The overwhelming majority (87%) of the Data Bank's landlords only listed buildings in the private sector. This is a higher proportion than the private sector produced in the three northeastern federal regions. In those 30 localities, 80 percent of the "landlords participating in the Section 8 program have had no prior dealings with a federally-subsidized program for low or moderate income families."† These data are a clear indication of the Data Bank's effective penetration of a group of landlords which had previously operated in the private real estate market.

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*Urban Systems Research and Engineering, Inc., Section 8 Research Summary Report (Draft), (Cambridge, Massachusetts, 1977). Percentages derived from Figure 6-1, page 6.4.

†Ibid., p. 6-5.

The effectiveness of SHF's outreach to New York City's landlords is demonstrated in other ways as well. Presumably, because of their familiarity with government assistance programs, publicly-assisted landlords regardless of the size of their holdings and large private landlords (frequently holding a small number of large developments) tended to join the Data Bank earlier than small and medium landlords. In the last six months, the group of large landlords began to change. Those with walk-up buildings and fewer units entered the Data Bank more frequently. For example, only one in six large landlords entered walk-up structures in the first year and a half; in the last six months, nearly four out of ten did. And, the number of large landlords with publicly-aided developments dropped from three in ten to one in ten.

What's more, small and medium landlords entered the Data Bank in the last six months at twice as fast a rate as they did in the first year and a half. The monthly average rate of newly-participating small landlords soared from 2.7 in the first eighteen months to 5.5 in the last period. New medium landlords jumped from 3.7 to 7.8 per month. Simultaneously, the monthly average of newly participating large landlords fell by 27 percent.

The increased rates of participation by small, medium, and smaller-scale large landlords together with the declining reliance on publicly-assisted landlords confirm the SHF Data Bank's effectiveness in penetrating the private real estate sector and overcoming the reluctance of private landlords to join the Section 8 program. To the extent that other private real estate owners and managers remain hesitant about Section 8, these findings indicate the need for continuing outreach programs such as the Data Bank during the conduct or expansion of the Section 8 program. The Data Bank's significance in providing residential mobility to certificate holders and housing opportunities for minority households underscores both the need and the value of SHF's efforts.

Although only three percent of the 670 developments accounted for 35 percent of the nearly 74,000 units in the Data Bank, the majority (54%) of the developments contained between 51 to 150 apartments. Only one in ten had more than 150 units, and one-third had between 6 to 50 units. Nearly nine out of ten developments in the Data Bank were in the private sector.

Most of the Data Bank's developments were located in Brooklyn (43%) and the Bronx (32%), accounting for 35 percent and 27 percent of the Data Bank's units respectively. The distribution of development sizes in these boroughs resembled

the city-wide pattern. Queens had 14 percent of the Data Bank's developments, but 26 percent of its units because of the greater proportions of moderate (64%) and large (19%) developments, including Lefrak City's 4,760 apartments. Nearly all the developments in Queens (97%) and Brooklyn (92%) were in the private sector. In the Bronx, slightly more than five out of six developments were privately-owned.

With 11 percent of the developments and 12 percent of the units, Manhattan differed from these boroughs in three significant respects. It exhibited a substantially larger proportion (47%) of small buildings, especially in the private sector (55%). It had the heaviest reliance upon the publicly-assisted sector, including almost one-quarter of its developments and the majority (63%) of its units. And, nearly half (48%) of its developments failed to list a vacancy with the computer compared to 26 percent in the Bronx, 27 percent in Queens and 33 percent in Brooklyn.

These differences reflect the difficulty which SHF had in finding vacancies in Manhattan. They also underscore the problems of Section 8's and the Data Bank's reaching this borough's private landlords who hold more than 50 units of high enough quality and low enough rent to qualify for the Section 8 program. Perhaps, there are "too few" in this range to warrant an outreach campaign. Perhaps, the demand for housing in Manhattan enables landlords with more than 50 units either to obtain rents in excess of Section 8 rent levels for units

of satisfactory quality or to rent unsatisfactory units at Section 8 levels without bearing the cost of improving them. Whatever may be the case, the private landlords whom SHF had difficulty in reaching in Manhattan apparently resemble the landlords who did not participate in the 30 Section 8 programs evaluated in the Northeast. The latter tended to be profit-making real estate coporations, to have been in the real estate business for more than twenty years, to have operated over 100 units, and to have found the financial incentives of the program inadequate and the inspection, leasing, and the administrative requirements onerous.*

The Data Bank's units were scattered across 53 of the city's 62 City Planning Districts (CPD's) without any apparent relationship to the racial composition of the neighborhoods or the proportion of families living in poverty (1970 data). For example, of 22 CPD's which were predominantly White and had few poverty families in 1970, nine had no units listed in the Data Bank and thirteen recorded 1,000 or more apartments.

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*Ibid., pp. 6-6 to 6-9.

In general, neighborhoods with a few or some vacant residential buildings and a modest or high level of housing code violations were somewhat more likely to register a large number of units in the Data Bank than were areas with a large number of vacant residential buildings and a high level of code violations. This pattern is clarified by the findings of the northeastern regional study.

In those thirty localities, Section 8 landlords were found to "have highly stable tenants who have lived in the units usually three years or more. (Consequently, the Section 8 landlords are not experiencing the problem of high vacancy rates among their holdings.) Most landlords have chosen against keeping their rents in line with rising costs and have made only marginal rent increases in the last three years (prior to Section 8 participation). There is evidence that landlords have been subsidizing their long-term tenants prior to the Section 8 program because the security that these tenants provide outweighed the importance of any profits that would be made on the property."* Also, the study concluded, "it appears that large landlords operating in low income housing markets ("slumlords") have not been attracted to the program."**

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*Ibid., pp. 6-4 to 6-5. Parentheses in the original.

** Ibid., p. 6-5. Parentheses in the original.

Apparently, therefore, in New York's neighborhoods with few vacant residential buildings and a modest or high level of housing code violations, landlords who entered their units in the Data Bank may have been among those in the area who kept their vacancy rates low by not raising rents and by undermaintaining their property-thereby increasing the number of code violations. (In these areas, the effective use of Section 8 to finance property improvements and maintain a low vacancy rate may be critical in preventing the short-term "subsidy" process of undermaintenance from proceeding too far - to substantial deterioration, increasing vacancies, and eventually building abandonment.) By contrast, the neighborhoods which not only had a high number of code violations but also had "progressed" to a large number of vacant buildings may have had fewer Data Bank units for, perhaps, two reasons. Presumably, there are more slumlords operating in these areas, and they are not participating in the Section 8 program. Second, the processes of undermaintenance and building abandonment may have proceeded too far. Other landlords and developments in these areas may be more sanguine about the advantages of their participating in the Section 8 program; and, tenants qualified for Section 8 certificates may be more interested in moving out.

The vacancy listings in SHF's Data Bank are also consistent with the regional study's conclusion that Section 8 landlords were not experiencing the problem of high vacancy rates.* Only one out of six Data Bank developments exhibited the clear possibility that vacancy problems might have been the reason for their inclusion in the Data Bank. Either these 113 developments listed 11 to 50 vacancies, or they reported a sample of their vacancies. (A "vacancy problem" hypothesizes that they listed a sample because they had so many vacancies so often that it made little sense to list specific ones at a particular moment.) The majority (52%) of Data Bank developments listed between one to ten vacancies. Nearly one out of three developments reported no vacancies to SHF.

Nearly three-quarters of the Data Bank's 2,456 vacancies were located in privately-owned buildings with elevators. Private walk-ups and publicly-assisted developments split the difference.

More than nine out of ten vacancies had less than three bedrooms. Three and four bedroom apartments were only 7 percent of the Data Bank's listings.

Monthly rents ranged between $151 and $250 in more than three-quarters of the vacancies. Vacancies in publicly-assisted developments tended to have higher rents than units in the private sector -- for each size of apartment.

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* Ibid., p. 6-5.

Three out of four vacancies remained in the Data Bank for two months or less, including 45 percent for one month or less. Another 15 percent spent up to three months in the computer. By comparison, 34 percent of the vacancies in New York City's housing stock in 1975 were reoccupied in less than one month, another 24 percent, in up to two months, and 16 percent more, in up to three months.* Apparently, registration in the Data Bank tended to shorten the duration of vacancies.

Vacancies with four bedrooms were removed from the Data Bank more quickly than zero-to-three-bedroom units. Vacancies in publicly-assisted developments also tended to remain in the Data Bank longer than those in the private sector.

Nearly three out of four vacancies were located in the Bronx (39%) and Brooklyn (35%). Queens recorded 21 percent, but Manhattan listed only 5 percent of the vacancies. In all four boroughs, the bulk of the vacant units were in private developments with elevators. In the Bronx, Brooklyn and Queens the majority of the vacancies had one bedroom and approximately one-fourth had two bedrooms. In Manhattan, however, more than four out of ten vacancies were studio apartments. Vacancies in Queens and Manhattan tended to have higher rents and to leave the Data Bank sooner than those in Brooklyn and the Bronx.

Although sixteen Data Bank landlords executed 74 percent of the 3,259 Section 8 leases given by Data Bank participants, three out of four Data Bank landlords entered into a Section 8 lease. The majority (53%) gave 1-to-5 leases, and 22 percent

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* Bloomberg, op.cit.

gave six or more (including the sixteen who gave thirty or more). One out offour landlords in the Data Bank failed to execute a lease. The distribution among Data Bank landlords who executed a Section 8 lease resembled the pattern in the thirty northeastern localities. According to that study, "participating landlords' involvement with the Section 8 program is typically very limited: usually between one and ten units under lease as of September 30, 1976."*

Similarly, although ten developments with more than 50 leases apiece accounted for 63 percent of the Data Bank's Section 8 leases, the majority (53%) of the developments provided a Section 8 lease. More than four out of ten developments gave one-to-five leases, and seven percent gave 6-to-25 leases. Forty-seven percent of the developments failed to secure a Section 8 lease.

The Data Bank's landlords and developments, especially those in the private sector, played the critical role in providing Section 8 certificate holders with opportunities for residential mobility. Nearly two out of three leases given by Data Bank participants went to certificate holders who moved from one apartment to another. (Among the Data Bank's large private landlords, this figure rose to eight out of ten leases.) These move-in leases were executed by three out of four Data Bank landlords with a Section 8 lease in 73 percent of the developments with a Section 8 lease. Consequently, 185 Data Bank landlords

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* Section 8 Research Summary Report (Draft), op.cit., p. 6-6.

and 258 Data Bank developments provided two-thirds of all the move-in leases in the Housing Authority's program.

By comparison, only one out of four leases given by landlords who did not join the Data Bank were move-in leases. In small, medium and large non-Data Bank developments, the majority of leases were in-place tenancies.

Most of the Data Bank's small, medium and large landlords who secured a Section 8 lease executed move-in leases. Data Bank landlords from the private sector executed twice as many move-in leases as did their publicly-assisted counterparts. A majority of the leases in small, medium and large Data Bank developments went to move-in lessees.

In the Bronx, Brooklyn and Queens more than seven out of ten Section 8 leases went to households who moved to apartments in both the private and publicly-assisted sectors. Queens (with 45 percent of the move-in leases) and Brooklyn (with 31 percent) provided the greatest opportunities for residential mobility. The Bronx added 16 percent of the move-in leases.

In Manhattan's Data Bank developments, by contrast, nearly eight out of ten leases involved in-place tenancies. The lack of residential mobility occurred because more than nine out of ten Section 8 leases were executed in the borough's publicly-assisted developments and 84 percent of these went to tenants-in-occupancy. (In Manhattan's privately-owned, Data Bank developments, three-out-of-four leases were move-in leases, but they served only 37 households.)

The Data Bank's landlords and developments were the critical force enabling the Housing Authority to provide opportunities to minority housholds under the Section 8 program. Two-thirds of the Section 8 leases executed by Data Bank participants went to minority households. Leases to minority certificate holders were given by the majority (54%) of the 242 Data Bank landlords who executed a Section 8 lease. Half of the 355 Data Bank developments with a Section 8 tenancy gave leases to Blacks, and nearly three out of ten gave leases to Puerto Rican households. Consequently, these 131 Data Bank landlords provided three out of five leases secured by minorities under the Housing Authority's Section 8 program.

By comparison, only one out of three Section 8 leases given by non-participants in the Data Bank served minority households. In 1-5 unit buildings excluded from the Data Bank, fewer than one out of four leases were obtained by minoriites. In multiple-dwelling structures with more than five units, slightly more than a third of the leases went to minorities.

Small, medium and large landlords in the Data Bank gave substantial shares of their Section 8 leases to minorities. Large private landlords and medium and large landlords with publicly-assisted developments were especially responsive to the needs of minority certificate holders.

Data Bank landlords and developments provided these opportunities for minority households even though, on an individual basis, they tended to be "racially selective" in their Section 8 leasing practices. Because 82 percent of all 355 Data Bank developments with a Section 8 lease -- and 89 percent of those in the private sector -- executed between one to five leases, the majority (78%) of the Data Bank's develoments, nearly all (95%) of the small landlords, and three-quarters of the medium landlords rented "only" to White or Black or Puerto Rican households.

However, as the number of Section 8 leases executed by a Data Bank landlord or developments increased, the tendency toward racial selectivity declined. For example, 59 percent of the 92 large landlords with a Section 8 lease gave more than five leases, and only 46 percent of the large landlords were racially selective. Likewise, 63 percent of the 49 publicly-assisted developments with Section 8 leases executed more than 5 leases. Only 43 percent of the publicly-aided developments were racially selective. The majority (54%) of large landlords and the majority (57%) of publicly-assisted developments divided their leases among Whites, Blacks, and Puerto Rican certificate holders in diverse mixes.

Leases to minorities in the Data Bank developments ranged from 60 percent in Queens, to 66 percent in Manhatan and Brooklyn, and 77 percent in the Bronx. In Queens and Brooklyn, these developments played a more significant role

in the provision of housing opportunities to minorities than did their counterparts in the Bronx and Manhattan. They accounted for 78 percent of the leases to minorities in Queens and 61 percent in Brooklyn compared to 50 percent in the Bronx and 48 percent in Manhattan. The different contributions in each borough depended less on variations in the leasing practices in the Data Bank developments than on variations in the non-Data Bank buildings in each borough.

On the basis of a survey of 463 certificate holders who moved from one location to another -- 15 percent of all the move-in leases -- the Authority's vacancy referral process (including sources other than the Data Bank) made a clear difference in the patterns of moving to the Bronx, Brooklyn and Queens and had little influence on moving in Manhattan. Nearly three times as many certificate holders with referrals moved to Brooklyn as did those without referrals. Nearly twice as many households without referrals moved to the Bronx as did those with referrals.

The referral process increased the amount of choice available to certificate holders looking for apartments. A majority (53%) of the households who received referrals saw four or more apartments compared to a third of those without referrals. In general, those with referrals gave more positive reasons for their choices of apartments than did those without referrals.

The referral process and the special outreach program to the elderly conducted by SHF significantly influenced the elderly's moving patterns and increased their residential opportunities and choices.* None of the single person (elderly) households with referrals moved to apartments in the Bronx; the majority (52%) of those without referrals did. Four out of ten single person (elderly) households with referrals moved to Brooklyn, and another four in ten moved to Queens; none of those without referrals moved to Brooklyn and only one in six moved to Queens.

Nearly half (45%) of the single person (elderly) households with referrals visited four and more apartments; half of those without referrals visited only one. Half of the former gave three or more positive reasons for choosing their new apartment; nearly half (44%) of the latter gave only one. Single (elderly) persons with referrals were more positive than those without referrals about their new apartment's rent, neighborhood, layout and building.

One ultimate conclusion follows from these findings. The Settlement Housing Fund's Data Bank empowered the Section 8 Housing Assistance Payments Program. SHF's Data Bank effectively

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* SHF's accomplishments with the elderly are especially significant. For, elderly, low-income households are probably the least mobile group in the city for numerous reasons unaffected by the Section 8 assistance payment. See David M. Muchnick, "Death Warrant for the Cities? The National Urban Policy", Dissent, Winter, 1976, pp. 26-27; George Sternlieb, Housing and People in New York City (1973), pp. 209-210.

penetrated the private real estate sector and overcame the reluctance of private landlords to participate in the program. SHF's Data Bank empowered Section 8 certificate holders to move from one apartment to another. SHF's Data Bank empowered minority certificate holders' use of the Section 8 program. SHF's Data Bank and special outreach program to the elderly empowered the housing choices of senior citizens.

Consequently, SHF's Data Bank presents an important model for meeting critical administrative needs in the Section 8 program.

The evaluation of the administration of the Section 8 program by public housing authorities in the northeastern regions called for "more aggressive" outreach methods to landlords because neither these agencies nor households with Section 8 certificates can accomplish this task effectively.* It also recommended greater assistance in marketing the program to landlords on behalf of Black families, large families, welfare recipients, and nonelderly households.**

What's more, the evaluation recommended the "systematic compilation" of available units below fair market rentals to help guide households searching for a Section 8 unit -- e.g., registering the units of interested landlords according to bedroom size and systematically maintaining and updating the lists.†

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* Section 8 Research Summary Report (Draft), op.cit., p. 9-4.

** Ibid., p.9-8.

† Ibid., p.9-7.

And, finally, it urged public housing authorities to "emphasize moving opportunities and encourage households to shop for better quality housing than they consumed prior to Section 8".* For, the evaluation found that public housing authorities have "characteristically down played households' opportunities to move in the program, due to higher administrative costs involved (in assisting with the search, in marketing the program to landlords, in conducting possibly more than one inspection per unit, etc.)"**

The accomplishments of SHF's Data Bank -- in reaching out to landlords, in systematically maintaining and updating lists of vacancies, in promoting residential mobility, and in increasing the oppportunities of minority and elderly households -- filled these needs for New York City's Housing Authority. And, they established an effective means for reforming the Section 8 program.

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* Ibid., p. 9-8.

** Ibid., pp 9-7 -- 9-8. Parentheses in original.

Ms. Fox. When the New York Housing Authority began to administer its existing Section 8 program, the Settlement Housing Fund became directly involved by carrying on an outreach program to enlist owner participation and running a computerized data bank to keep track of vacant, standard units below the existing fair market rent.

We also sent out questionnaires to the first thousand tenants and received over 700 responses, which were overwhelmingly positive. It was our experience that the program works exceedingly well. Tenants can shop in the marketplace for housing that suits their needs and preferences. Owners receive a steady stream of income and the existing housing stock is preserved.

The cost is half the subsidy cost for new or substantially rehabilitated housing. In spite of the many virtues of the program, it can only be part of the housing program, not the total program. As the vacancy rate becomes lower and lower, fewer vacant existing units are available for Section 8 tenants. The vacancy rate for the units in our data bank was only 1.5 percent.

As the program increases in scope, standard vacancies become even more scarce. In addition, there are few three or four bedroom units available for larger families in the existing market. To date, 27 percent of the New York City families who received Section 8 participation certificates had to drop out of the program, either because they could not find suitable housing or they could not cope with the program's requirements.

Clearly, we need a balanced housing program with assistance for existing housing, moderate rehabilitation, substantial rehabilitation and new construction. Section 8 provides a balanced program. Settlement Housing Fund has utilized Section 8 in all these situations, with good success in spite of many difficulties. We are hoping to use the program for a low-income cooperative in the near future, a concept that should be tested.

We believe the main problem with Section 8 right now is that there isn't enough of it.

Section 8 is functioning well and has the potential of becoming even more workable as HUD keeps improving its administration, and as architects, developers, and financial institutions become more experienced with the program. The main problem with Section 8 is that there is not enough of it.

As mentioned above, we are now renting 1,100 Section 8 apartments in four projects—two for the elderly and two for families. Our community partners are very much involved in tenant selection, and we are working closely with them. Our experience with the family projects leads us to believe that higher income limits should be permitted for a portion of the units in each project thereby achieving one of the major purposes of the Act, economic integration. This is permitted by the Statute, but has not been carried out as a rule. This concept is very important to the neighborhood-based sponsors who do not want to see their areas exclusively as low-income neighborhoods.

Of course it is difficult to attract higher-income families because 25 percent of income is often more than they can afford to pay, especially in New York where tax burdens are very high. However, it is our opinion and that of our community partners, that the

effort to attract such families should be made because it will enable a project to maintain a stable tenancy which will benefit the neighborhood as well as families who live in the project.

In some of the projects that we developed, we were able to obtain through negotiation a share of the tax shelter proceeds which we, in turn, shared equally with our community partners. These funds have enabled us to develop more housing and have enabled our community partners to run programs in conjunction with the projects.

In one of these projects, which was designed for the elderly and handicapped, the funds will be used for seed money for a geriatric medical clinic that hopefully will prevent institutionalization. Without sharing in the profits, such a program would have been impossible. This is a dramatic contrast to the Section 202 program, which provides no funds to the sponsor and does not allow the contractor to pay any of the sponsors' expenses.

We would urge the Committee to permit limited profit organizations to participate as Section 202 sponsors, as long as a qualified nonprofit organization is part of the partnership. We will submit a separate letter on this problem for your consideration.

The more experienced we become with Section 8, the more we see that it is a flexible, effective housing program that can be adapted to suit various neighborhoods, various housing types and urban populations. With the exception of public housing, Section 8 is the best tool developed to date to deal with the needs of low-income families and individuals.

In closing, we would also urge the retention of funds for the public housing program—using conventional, turnkey, and, where possible, cooperator low-income home ownership approaches.

Unless the Congress passes legislation to repeal the goal of decent, safe and sanitary housing for all American households, the only conscionable approach is to continue, expand and improve the Section 8 program and public housing.

Mr. BOLAND. Thank you very much, Clara. It is a very persuasive statement. We appreciate your presence, and Carol Lamberg's presence, too.

Thank you very much.

DEPARTMENT OF HOUSING AND URBAN AFFAIRS

WITNESSES

FATHER T. BYRON COLLINS, S.J., SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

FRANK MILLS, FINANCIAL DIRECTOR, BOSTON COLLEGE

STEVE HYCHKA, DIRECTOR, NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

JOHN R. SMITH, BOSTON COLLEGE

Mr. BOLAND. Our next witnesses are Father Collins of Georgetown University; Frank Mills, Boston College; and Steve Hychka, National Association of College and University Business Officers.

Mr. HYCHKA. We are accompanied by Mr. John R. Smith, from Boston College.

Mr. BOLAND. Father Collins, it is always a delight to have you. And we are delighted to have Frank Mills who is well and favorably known to me and many other Members of Congress.

You are here concerning the HUD budget.

Rev. COLLINS. College housing.

Mr. BOLAND. Do you have a plan?

Rev. COLLINS. We do.

Mr. BOLAND. Now that you are all set in college housing, you want to scrub the program and turn it into some other activity?

Rev. COLLINS. I am afraid, Mr. Chairman, that is not correct.

Mr. BOLAND. I am glad it isn't. I am glad to hear that.

Rev. COLLINS. We have brief statements we would like to file.

Mr. BOLAND. File the statements and tell us about them.

[The statements follow:]

April 24, 1979

COMMITTEE ON APPROPRIATIONS - SUBCOMMITTEE ON HOUSING & URBAN DEVELOPMENT

Mr. Chairman and members of the Committee, we are Fathers T. Byron Collins, S.J. and William L. George, S.J., Special Assistants to the President of Georgetown University. With us are Mr. Frank Mills, Financial Director of Boston College and Mr. Steve Hychka, Director, National Association of College and University Business Officers. ~~,~~ John R. Smith, Boston College

Georgetown University is grateful to this Committee for its past and continued interest in the College Housing Program. This program has been of greater benefit to more colleges and universities in this country than any other one construction program. Over 2,000 colleges and universities have shared its benefits.

Now that the college enrollment figures have stabilized at approximately 11,000,000, there is no longer a need for a dormitory construction program of the magnitude of those during previous years when the college population was growing dramatically.

There still exists, on a national basis, critical housing shortages on a number of campuses, as evidenced by the information on the attached exhibit.

Therefore, we request, along with other witnesses, that the College Housing Program be kept open for at least one more year.

/bz
12/79

COLLEGE HOUSING PROGRAM
NEW CONSTRUCTION FOR SEVERE HOUSING SHORTAGE
LISTED BY STATE, FUNDED AND UNFUNDED

FY 78
(000)

	APPLICANTS	FUNDED	UNFUNDED	TOTAL DEMAND	NATIONAL DEMAND %
Alabama	9	$ 3,782	$ 13,744	$ 17,526	3.99
Alaska	1	-	428	428	.10
Arizona	4	-	11,900	11,900	2.71
Arkansas	1	-	400	400	.09
California	17	19,114	31,158	50,272	11.44
Colorado	2	-	3,575	3,575	.81
Connecticut	3	-	8,185	8,185	1.86
Delaware	-	-	-	-	
District of Columbia	3	4,504	3,023	9,527	1.71
Florida	7	-	18,849	18,849	4.29
Georgia	1	-	1,066	1,066	.24
Hawaii	1	-	1,602	1,602	.36
Idaho	-	-	-	-	
Illinois	9	-	16,784	16,784	3.82
Indiana	3	-	6,629	6,629	1.51
Iowa	3	-	5,097	5,097	1.16
Kansas	2	-	929	929	.21
Kentucky	2	9,069	-	9,069	2.06
Louisiana	1	3,165	-	3,165	.72
Maine	2	-	2,255	2,255	.51
Maryland	7	-	19,569	19,569	4.45
Massachusetts	8	4,950	18,562	23,512	5.35
Michigan	6	5,970	4,936	10,906	2.48
Minnesota	3	-	7,914	7,914	1.81
Mississippi	11	4,000	13,452	17,452	3.97
Missouri	4	-	5,181	5,181	1.18
Montana	1	-	641	641	.14
Nebraska	4	-	6,767	6,767	1.54
Nevada	-	-	-	-	
New Hampshire	2	-	3,020	3,020	.70
New Jersey	5	-	20,409	20,409	4.65
New Mexico	-	-	-	-	
New York	11	11,300	17,872	29,172	6.64
North Carolina	8	1,568	13,739	15,307	3.48
North Dakota	3	-	5,803	5,803	1.32
Ohio	4	-	6,371	6,371	1.45
Oklahoma	-	-	-	-	
Oregon	3	-	2,999	2,999	.68
Pennsylvania	14	2,139	24,494	26,633	6.06
Rhode Island	2	-	5,918	5,918	1.35
South Carolina	7	5,499	7,275	12,774	2.91
South Dakota	-	-	-	-	
Tennessee	6	-	8,491	8,491	1.93
Texas	9	4,100	17,294	21,394	4.87
Utah	-	-	-	-	
Vermont	3	-	1,623	1,623	.37
Virginia	8	4,050	8,504	12,554	2.86
Washington	1	-	3,728	3,728	.85
West Virginia	-	-	-	-	
Wisconsin	2	-	6,027	6,027	1.37
Wyoming	-	-	-	-	
National Totals	203	$83,210	$356,213	$439,423	100.00%

GEORGETOWN UNIVERSITY
WASHINGTON, D.C. 20057

OFFICE OF THE PRESIDENT
SPECIAL ASSISTANT FOR
FEDERAL RELATIONS

202/625-4411

April 19, 1979

Proposed Comment on Rule
Part 279, College Housing

Mr. George O. Hipps, Jr.
Acting Director
Office of Multifamily Housing Development
Office of Housing
Department of Housing and Urban Development
Washington, D. C. 20410

Dear Mr. Hipps:

We would recommend that the first priority for energy conservation would be to have heating-cooling plants presently using gas or oil to change to burn coal.

There is a special program in Department of Energy for using a newly developed high sulfur coal fluidized bed process that is now on the market for colleges and universities. The Program Manager is Mr. William Harvey, of the Fossil Fuel Utilization Office, Department of Energy, Washington, D.C., 20545.

Sincerely,

T. Byron Collins S.J.

T. Byron Collins, S.J.

Wm. L. George S.J.

William L. George, S.J.

cc: Mr. William Miller
Vice Pres. for Planning & Physical Plant

Mr. Dean Price
University Architect

Title 24--Housing and Urban Development

CHAPTER II--OFFICE OF ASSISTANT SECRETARY FOR HOUSING--FEDERAL HOUSING COMMISSIONER, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No.]

PART 279--COLLEGE HOUSING

Subpart D--Loans for College Housing Program

for Fiscal Year 1979

AGENCY: Department of Housing and Urban Development

ACTION: Proposed Rule.

SUMMARY: The following amendments set forth the Department's requirements applicable to the Fiscal Year 1979 college housing program. The amendments now provide (1) that for applications involving rehabilitation to reduce fuel consumption and/or other operating costs, it is required now that cost savings must equal total development costs within the maximum term of the loan which is 480 months or 40 years, as specified in Section 279.32, to ensure that the primary purpose of the project is to reduce fuel consumption and/or other operating costs, (2) to clarify that only one application for a reservation of funds may be submitted and considered for funding per institution under each category of funding identified in Section 279.30, and (3) Section 279.29 has been changed by inserting a provision which establishes different cost limits for apartment dwelling in college housing. The same cost limits would apply as if the mortgage were insured under Section 221(d)(4) of the National Housing Act, as adjusted by the area high cost percentage, and (4) Section 279.30(b)(2) has been changed by inserting a provision which establishes separate reservations of funds for smaller and larger colleges and universities whose applications are in the category of new construction, acquisition and rehabilitation.

BOSTON COLLEGE

HEARINGS BEFORE THE
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
Chairman, Hon. Edward P. Boland
April 24, 1979

Mr. Chairman and Members of the Committee, I am Frank Mills of Boston College. First, I would like to thank the Committee for continuing the existence of the College Housing Program. In 1977, Boston College filed an application for assistance in construction of a new dormitory and was unsuccessful. In 1978 we filed again, and it is my pleasure to state that on May 3 we shall have a bid opening on our new dormitory and expect to begin construction within the following two weeks.

Because of our own interests we did study the applicant lists for both 1977 and 1978 and believe it is of sufficient importance to note for the record that in 1977, with a $7.5 million new construction limitation for each applicant campus, there were 237 applications filed, for an aggregate of $458 million. Of these, 42 applications totaling $102 million were funded, leaving 195 institutions, and $356 million unfunded.

In 1978, with a limitation of $5 million per campus for new construction, 203 applications were filed totaling $439 million. Of these, 25 were funded at a total of $83 million, and 178 remained unfunded, totaling $356 million.

Thus, after two years the unfunded sum remains the same. I believe that had the maximum amount per campus remained at $7.5 million, the aggregate of 1978 applications and the unfunded amounts would be substantially higher than they now appear to be.

We believe, therefore, that there is still a selected need as was made obvious in the last two years, and that the program should be continued.

An alphabetic digest listing, by state, is attached which demonstrates the funded, unfunded, and total demand represented by the 1978 applications. This dramatizes the continuing need for federal assistance in new construction.

Attachment

46-106 O - 79 - 16

FFM/bz
3/12/79

COLLEGE HOUSING PROGRAM
NEW CONSTRUCTION FOR SEVERE HOUSING SHORTAGE
LISTED BY STATE, FUNDED AND UNFUNDED

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Wisconsin	2	-	6,027	6,027	1.37
Wyoming	-	-	-	-	
National Totals	203	$83,210	$356,213	$439,423	100.00%

TESTIMONY

before the

APPROPRIATIONS SUBCOMMITTEE ON
HUD-INDEPENDENT AGENCIES
UNITED STATES ~~SENATE~~ House of Representatives

April 24, 1979

by

American Association of State Colleges and Universities
American Council on Education
Association of American Universities
Association of Jesuit Colleges and Universities
Association of Physical Plant Administrators
National Association of College and University Business Officers
National Association of Independent Colleges and Universities
National Association of State Universities and Land-Grant Colleges

My name is Steven C. Hychka and I am here on behalf on the major higher education associations noted on the cover sheet of my testimony, to present our views concerning the College Housing Program (CHP) and the revolving account program.

On behalf of higher education I extend to the chairman and the subcommittee our gratitude for your continued support of this program. It is welcomed. It is needed. Higher education thanks you. The improvements in the 1979 program ensure that the smaller institutions will be able to to successfully compete for awards. Although the building boom which CHP played such an important and welcomed role in is over for the forseeable future, higher education finds itself in a new dilemma which is an excellent argument for continuation of the so-called "Revolving Account Program." Significant funding is needed for emergency new start construction and renovation of housing facilities in higher education for energy conservation, compliance with OSHA, Section 504/Architectural Barriers Act and Environmental Protection, federal, state and local laws, as well as remodeling to update outmoded and deteriorating structures. Certain campuses have emergency needs for new facilities because low-income housing in the immediate vicinity is in critically low supply; to some extent solving one need solves both. Another problem is that higher education's dormitories are getting old and in need of substantial remodeling.

The majority of existing housing facilities were erected prior to the enactment of the Occupational Safety and Health Act, the Architectural Barriers Act and Environmental Protection Acts, as well as the present and continuing energy crisis. "Grandfather" clauses allow facilities

existing prior to enactment of new legislation to remain in "as is" condition unless a major renovation is undertaken. A renovation is usually defined as major if the total cost of the effort exceeds $100,000, effects over 25% the structure, or similar language depending on the legislation. However, although nearly all facilities are in compliance with at least the "grandfather" clauses of these socially mandated objectives, two recent developments may require full compliance.

These recent developments, (1) the current and worsening energy crisis and (2) the enactment of the Vocational Rehabilitation Act of 1973 with implementing regulations which require that among other space housing, food service and student union facilities (eligible under CHP) be accessible to handicapped students and employees. A "major" renovation for either handicapped access or sound energy conservation programs would require full building compliance with the acts cited above. (As you know, so-called "504 compliance" is not as rigorous as compliance with the Architectural Barriers Act; but, the catch is that any "major" renovation for compliance with the lesser standard would probably trigger the need to comply with the higher standard and several other standards!)

Certainly one would be hard-pressed to argue against the intent and effect of the laws concerning facilities. Operating facilities that are accessible to all, safe for all and safe for the environment makes good sense. However, as it is wise planning, less expensive and less disruptive to renovate a given building once-for-all purposes rather than on a piecemeal basis, the CHP should clearly indicate that compliance with OSHA, Architectural Barriers and Environmental Protection Acts, federal, state and local, are eligible activities under a FY80 program.

What are the energy conservation concerns?

As most campus facilities were built in an era of cheap fuel, the mechanical and electrical systems and building skins were designed with the lowest possible acquisition cost in mind and never a worry as to the cost of energy required to provide a comfortable environmental. Basic mechanical systems were designed for peak use rather than for average needs with standby capacity for abnormal conditions. The oil embargo, the severe winter of 1976, the coal strike of 1977-78, Iran, and spiraling energy costs have changed the focus.

Colleges and universities are instituting sophisticated plans to conserve energy and therefore hold down the cost of operations. Most have completed the "quick fix" phase, requiring little or no expense; many are in the process of "refit" which requires some expense; and, a few have begun the "systems convert" stage which is very expensive. Intelligent energy conservation can be very cost effective. Returns on investment can be as high as 100% per year although most renovations return 10 to 30% given today's pricing.

Why are colleges and universities holding back if the returns are so good? Generally, there is a capital shortage on college campuses. Needs exist across the board. Many renovations trigger other compliances and the cost of these compliances erode the return on investment to the point where it is cheaper to be "fuelish." Help is needed. Cost of energy has been and will continue to be passed on in part to students in the form of additional fees.

Emergency New Starts

As mentioned previously, there are pockets of college housing

shortages. These shortages appear essentially coincidental with areas of low-income housing deficiencies. Certainly a new college dormitory in such areas would serve two purposes: (a) move students into a dormitory where education research indicates clearly that students' academic performance is improved; and, (b) relieve in large measure the strain on the low-income housing market. This is particularly true in urban areas and becomes more the rule as rural towns reach new popularity with lower income Americans.

What is the demand for these categories of assistance?

During the second year of the revitalized CHP Revolving Account loan programs (FY78) the demand for renovation funding to improve operating efficiencies was $51,496,000 of which $28,045,000 was met. In the area of emergency new start needs, $439,109,000 was applied for and $83,210,000 was awarded. As the numbers indicate, total demand was more than four times the supply in the second year of a program announced and awarded in less than six months with a minimum of prior publicity. Applications for FY79 will exceed $500,000,000 and demand can be predicted to increase even further for at least five years into the future.

Are there other sources of funding for these needs?

The National Energy Conservation Act affords assistance to colleges and universities for energy renovations. Too little is authorized for too many facilities--elementary, secondary and traditional postsecondary institutions and nonprofit health care facilities are all eligible for assistance. Traditional postsecondary institutions comprise the smallest group of those eligible, even though their needs total

approximately $4 billion for energy changes. The Administration is also turning that program into a paperwork exercise; we have but little hope for assistance under that program. Needs in space eligible under CHP are about $1.24 billion.

The Higher Education Facilities Act, HEFA, Title VII Part E now is authorized to provide many of the same features as CHP. Space eligible under HEFA is instructional and research, not housing. These HEFA features are yet to be appropriated.

Is the program being abused?

According to CHP officials, of over 3,230 loans made to date only 5 have been foreclosed. Another 74 are in arrears but are being handled under normal banker/borrower procedures. That means that less than 2% are experiencing difficulties repaying their notes.

What are the benefits in terms of jobs?

According to labor organizations every $1 million of construction yields 65 jobs. Therefore, continuing the revolving account at approximately the $100 million level would create some 6,500 jobs based on normal yardsticks utilized and adjusted for the type of work eligible for funding.

Eligibility for Funding

The needs cited above suggest that Congress instruct the agency to announce a revolving account program for FY80 with the following eligible activities:

(A) Renovation of existing facilities for the purposes of energy and other operating efficiencies, compliance with the Architectural Barriers Act, environmental protection and health and safety programs promulgated by Federal, State or Local law if such requirements were not in

effect at the time such facilities were constructed;

(B) Emergency new construction in areas of critical low cost housing needs; and,

(C) General remodeling of outdated of deteriorating facilities.

Priority Setting Within the Three Categories

For the initial two years of the revolving account program priorities have been established arbitrarily in advance of the proposal period without any real assessment of needs. Funds available ought to be divided between the three categories recommended above by summing the proposals by group and proportioning the funds on that ratio. Such an approach would allow campus needs as evidenced by proposals to determine the priorities.

Summary

The needs of higher education have changed since the building boom of the "1960's." Although there are pockets of emergency needs for new construction in areas of great demand for low cost housing, the new emphasis is in renovation for energy and other operating efficiencies, compliance with societal goals as related to facilities, and generally modernizing shamefully outdated accommodations. The revolving account needs to be continued for at least four years into the future. Priorities ought to be set by demand instead of before the fact. An appropriation of $100 million would not be wasted but we recognize the realities of this year and pray for continuation of the revolving account.

The College Housing Program is an excellent example of how government and higher education can work together to satisfy societal needs.

The program is well run and very necessary.

Thank you on behalf of higher education for your attention to our needs.

Rev. COLLINS. First will be Steve Hychka who represents the colleges and universities of the United States within this organization.

We all want to thank the Committee for keeping this program open, which is vital for the selected needs of the colleges and universities.

Steve?

Mr. BOLAND. I didn't think it was necessary anymore. I have been reading in the last 3 days the stories in the *Washington Post* where the student enrollment is dropping precipitously and you won't have any students in the near future.

Mr. HYCHKA. I doubt that we will have no students in the future.

Mr. BOLAND. All right, please go ahead.

Mr. HYCHKA. I am the director of Management Programs and also of the Energy Task Force for Higher Education.

Today my colleagues have asked me to represent them, eight associations of higher education, which virtually represent all colleges and universities in the country. I won't bore you with the list.

I want to thank you for your past support for the college housing loan program. It is a good program and it is a needed one, and it is important to higher education. Facility is the highest priority problem that we have today, second only to the need to give access to the poor.

3,175 colleges and universities are experiencing severe facility problems. We would like your continued help.

The reason why we need this help, even though you are right that there is a population decline coming in primary education, is because facilities simply wear out and need renovation, such as is taking place right outside in this corridor. We need to replace existing but worn out and unsafe facilities as well as begin the pockets of emergency new starts which are needed in various parts of the country.

The revitalized housing program shows a demand for renovation to improve operating efficiencies of $51,496,000, of which $28 million was met.

In the area of emergency new start needs, $439 million was applied for but $83 million was awarded. As the numbers indicate, total demand is more than four times supply in the second year of the program. No small school was awarded an emergency new start program last year or the year before.

Applications for fiscal year 1979 in my estimate will exceed half a billion dollars, and I think that the demand can be predicted to increase in the future because of inflation and because of the continuing deterioration of the plants.

Serving the energy and renovation needs and emergency new starts really are important to us. We are trying to do as much as we can within our own wherewithal, and that is not easy to do these days.

We are pleased with the 1979 regulations that have just recently been issued in draft form. They are in very good form. The split is good. It recognizes the needs of our smaller schools. It continues to recognize the needs for operating efficiencies. We think that this year will be better than last.

I thank you again.

Mr. BOLAND. Thank you very much.

Rev. COLLINS. In the overall picture, Mr. Boland, first, we would like to point out, as Mr. Mills will reiterate, we ask only for the use of the funds that are paid back by the colleges, borrowed under the program, beneficial borrowing. We only ask for the use of the principal, the principal amount, some $100 to $110 million.

The regulations for this year, which we support, addresses an inequity. The larger colleges benefited from universities under the prior regulations. This year, with the support of all of us, there is a separate section for smaller colleges. Forty percent of the funds will be reserved for smaller colleges and universities. We support that.

Out of the 29 colleges that are Jesuit colleges, about half of them are small colleges—specifically, Scranton University is applying under the small college section.

Likewise, there is a reservation for energy, 25 percent of the funds for energy conservation. We support that strongly. We recommend to the Committee a provision that it will encourage colleges and universities to change from burning gas and oil to burning coal. There is a new capability developed by Department of Energy that makes the buying of coal-burning elements within the range of price under this program, so we want to thank the Committee.

The backlog does show that there are requests unfunded from nearly every Member of this Subcommittee, including Minnesota and Illinois.

Mr. BOLAND. Thank you very much. We appreciate your presence.

Frank, do you have something to add here?

Mr. MILLS. I would like to add first that last year when we filed our application, we were among the few colleges selected for funding. On May 3, Mr. Chairman, we shall open bids for the construction of a new dormitory.

I should reiterate, as Father Collins suggested, that the continuation of the program places no demands on new budget appropriations. The funds to be used are derived from principal repayments of existing loans and no other sources.

We strongly urge the continuation of the program.

Mr. BOLAND. We thank you very much for your presence.

Looking over the number of States listed here in your statement, I see the number of applicants total about 203 throughout the United States with the unfunded total being $356,213,000.

What percentage of those are State universities or colleges?

Mr. MILLS. I could not give you the exact figure, Mr. Chairman. I would make an estimate though that somewhere around 70 percent of those might be State.

Rev. COLLINS. It is between 60 and 70 percent that are State.

Mr. HYCHKA. The numbers are correct, but this program has been more for the private institutions. The reasons are that they are more sophisticated in borrowing finance.

Mr. BOLAND. I would presume it might be a little bit easier for State-supported institutions and colleges to finance dormitory construction than it would be for private colleges?

Mr. HYCHKA. Sir, historically they do not. They are usually self-liquidating and charged to the students and amortized that way. They are generally not purchased with State funds. You are right, they do enjoy the interest subsidy by borrowing in the State, but the State does not fund them in the way that they fund academic admissions.

Mr. BOLAND. What about the decrease in enrollment? Is that decrease taking place in State institutions too, colleges, universities, community colleges?

Mr. HYCHKA. It will probably hit the 4-year public institutions first and hardest.

Rev. COLLINS. However, Mr. Boland, that figure has to be understood. There are about 11 million students in post-secondary education now. The actual number for this year is a little bit more, though, in our statement—this is before HEW's figures came out. It is a little bit higher than last year.

In higher education, you are serving about 30 to 35 percent of the graduates of the high school systems.

Now there are more and more students; that percentage is going up. So it comes down to the prediction: Is there going to be a significant drop in the total number of persons in higher education?

All the institutions are trying to get a higher percentage of the graduates of high school. There will be some decrease, but as we see the drop, it will not be significant.

Mr. HYCHKA. The other point is that they wear out evenly.

Rev. COLLINS. The facilities, that is.

Mr. BOLAND. Thank you very much.

Rev. COLLINS. Thank you. We hope the Committee will give us continued support.

[Additional information submitted for the record follows:]

(To Accompany HUD-No. 78-338)

COLLEGE HOUSING PROGRAM - FUNDED RESERVATIONS FY 1978

	NAME OF APPLICANT	FEDERAL FUNDS (000)	APPLICANT FUNDS (000)	SINGLE STUDENTS	STUDENT FAMILY	DINING
36	Rehabilitation to Conserve Energy					
P	Arkansas Technical College	100				
/	University of Hartford (Conn.)	550				
/	Georgetown University (Wash., D.C.)	883				
/	George Washington University (Wash., D.C.)	557				
/	Taylor University (Ind.)	121				
P	North Iowa Area Cmty College	126				
/	Westmar College (Iowa)	99	99			
/	Kansas Wesleyan University	253				
P	Louisiana State University	1,241				
/	Westbrook College (Maine)	37	40			
/	Loyola College (Md.)	218	52			
/	Brandeis University (Mass.)	977				
/	Merrimack College (Mass.)	189				
/	Springfield College (Mass.)	260				
/	Wheelock College (Mass.)	53				
P	Eastern Michigan University	522				
P	Ferris State College (Mich.)	713	286			
P	University of Michigan	4,980				
/	Macalester College (Minn.)	682				
/	St. John's University (Minn.)	606				
/	New Hampshire College	35	65			
/	Monmouth College (N.J.)	53				
/	Stevens Institute of Technology (N.J.)	167	38			
/	Barnard College (N.Y.)	671				
/	Long Island University (N.Y.)	454	7			
/	Pratt Institute (N.Y.)	572	119			
/	Sarah Lawrence College (N.Y.)	1,582				
/	Syracuse University (N.Y.)	1,477				
/	Catawba College (N.C.)	543				
/	Montreat Anderson College (N.C.)	117	78			
/	St. Mary's College (N.C.)	636	335			
/	Warren Wilson College (N.C.)	78	6			
P	Ohio State University	202				
P	[illegible]	[illegible]				

(To Accompany HUD-No. 78-338)

COLLEGE HOUSING PROGRAM - FUNDED RESERVATIONS FY 1978

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Rehabilitation to Conserve Energy					
University of Pennsylvania	1,731				
St. Vincent College (Penna.)	569	100			
Salve Regina College (R. I.)	128	2			
South Carolina State	1,760				
Augustana College (S.D.)	546				
Southwestern University (Tenn.)	992				
Shenandoah College (Va.)	116				
TOTAL	28,045				
New Construction for severe housing shortage					
University of Alabama	2,342	61	204	36	
University of Montavallo (Ala.)	1,440	64	144		
University of S. California	4,026		300		
California State University	3,838		348		
University of California (San Diego)	5,750	200	600		
University of California (Santa Barbara)	5,500	384	582		
Howard University (Wash., D.C.)	1,072		204		
Georgetown University (Wash., D.C.)	3,432	568	287		
University of Kentucy	4,300	864	600	50	
Northern Kentucky University	4,769	45			
University of Southwestern La.	3,165		400		
Boston College (Mass.)	4,950	3 219	802		600
Northern Michigan University	2,980	581	220		
Oakland University (Mich.)	1,825		192	48	
Michigan State Student Hsg. Corp.	1,165		245		
Jackson State University (Miss.)	4,000	551	500		
Manhattan College (N.Y.)	1,300		100		
New York University	5,000	9,580	473	128	
Columbia University (N.Y.)	5,000	10,601	702		
University of North Carolina	1,569		196		
University of Pittsburgh (Penna.)	2,139	248	268		
Coastal Carolina College (S.C.)	2,790	148	256		
University of South Carolina	[illegible]		432		

WITNESSES

DONALD HOAGLUND, EXECUTIVE DIRECTOR, ILLINOIS HOUSING DEVELOPMENT AUTHORITY; REPRESENTING THE COUNCIL OF STATE HOUSING AGENCIES
CHARLES L. EDSON, GENERAL COUNSEL, LANE AND EDSON, P.C., WASHINGTON, D.C.

Mr. BOLAND. Our next witness is Donald Hoaglund, who is executive director of the Illinois Housing Development Authority, representing the Council of State Housing Agencies.

We understand you appear with reference to the HUD program?

Mr. HOAGLUND. That is correct, Mr. Chairman.

Mr. BOLAND. Why don't you proceed?

Mr. HOAGLUND. Mr. Chairman, my name is Donald W. Hoaglund. I am executive director of the Illinois Housing Development Authority and today I am representing the Council of State Housing Agencies of which IHDA is a member.

The Council currently has 41 member State housing finance agencies as well as over 120 associates including developers, investment bankers, professionals and others involved in the State HFA movement.

I am accompanied today by Charles L. Edson, of Lane and Edson, P.C., Washington, D.C., our general counsel.

Mr. Chairman, copies of this testimony have been filed with the Subcommittee previously, and I would like to summarize it now.

Mr. BOLAND. We will include your statement in full as you have given it to us.

[The statement follows:]

TESTIMONY OF

DONALD W. HOAGLUND
REPRESENTING THE
COUNCIL OF STATE HOUSING AGENCIES

BEFORE THE
HUD-INDEPENDENT AGENCIES SUBCOMMITTEE
APPROPRIATIONS COMMITTEE

U.S. HOUSE OF REPRESENTATIVES

April 24, 1979

Mr. Chairman, my name is Donald W. Hoaglund. I am Executive Director of the Illinois Housing Development Authority and today I am representing the Council of State Housing Agencies of which IHDA is a member. The Council currently has 41 member State housing finance agencies as well as over 120 associates including developers, investment bankers, professionals and others involved in the State HFA movement. I am accompanied today by Charles L. Edson, of Lane and Edson, P.C., Washington, D.C., our general counsel.

Last year we told you that our housing proposal was a simple one -- strong support of Section 8 housing assistance program and equitable treatment under the troubled project operating subsidy program. These concerns continue to be paramount this year.

The Funding Need

We are approaching the fifth anniversary of the passage of the Housing and Community Development Act of 1974. Up until now, the Section 8 program has established itself as a major means of production of rental housing and a reasonable and sound method of providing housing for low and moderate income Americans. Over the course of the program, through the last fiscal year, contract authority for 552,000 new or substantial rehabilitation units has been reserved and 55% of those reached the construction start stage. However, the new construction/substantial rehabilitation reservations decreased in FY '78 from the FY '77 level, and this year's late start and increased regulatory control promise fewer units.

It is imperative, if the program is to survive, to maintain the appropriations at a reasonable level. This is a program which has leveraged the private dollar to great advantage, but to continue to do this we must be able to promise developers and financiers a reasonable level of funding from which they can draw. We strongly urge this Subcommittee to use the level of 326,000 Section 8 and public housing units and $34.5 billion in budget authority approved by the Senate Banking Committee for the first budget resolution as a minimum level and to maintain the same unit mix as in previous years. This is still far below the 400,000 units we have jointly aimed for every year.

We understand the Administration's and the Congress' concern for the increasing size of the federal deficit and the rate of inflation. However, we would like to emphasize again that the housing authority authorized by this Congress for FY '80 will have no immediate impact on outlays. If the President's plan to balance the budget is successful, which we hope it will be, the outlay's impact will come at a time when the federal budget is showing a surplus. What better way can we find to use a small portion of those funds than to provide adequate shelter for those

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Americans who can least afford it?

In addition, a decrease in subsidy will further depress the construction industry which is already experiencing a slow-down in many sections of the nation. The result will be a downturn in the number of jobs produced and wages generated.

The State HFA Record

At this time, Mr. Chairman, I would like to turn to the work of the State housing finance agencies within the Section 8 program. The Council of State Housing Agencies has also just celebrated its fifth anniversary, and in many ways our concerns have run in tandem with those of this Committee and others who were involved in the formation of the Section 8 program. The State housing finance agencies are proud of their record within that program. During the first years we produced an inordinately large percentage of the units, but the program has now hit its stride and leveled off. State HFAs have reserved approximately 35% of the Section 8 new construction/substantial rehabilitation units each year at an average unit level of over 50,000. We now have approximately 30 State HFAs actively financing Section 8 developments.

After the HUD Secretary assured us last year during testimony before you that the level of funding the State HFAs experienced in FY '78 would be maintained, the Administration approved an allocation of 10,000 units less for the HFAs this year. Since our understanding on the point was not fulfilled, we urge the Committee to specify a reasonable level of funding for State HFAs consistent with our past performance. This assurance is necessary as our staffing and our overhead are predicated on a given actively level, assuming a consistent funding level. The efficient mode of operation thereby resulting will reduce the cost of the program.

That leads me to a related issue -- the cost of State HFA-financed Section 8 units. We all realize that the production of multifamily rental housing is expensive in today's world which is why the production of market rate units is down to a dangerously low level. We have heard for years that State HFA-financed units are among the more expensive in the Section 8 program, and we are here today to refute that once again.

Attached to this testimony you will find charts setting forth an analysis of the Section 8 developments financed by State HFAs in FY '78, but I would like to point out a few of the key figures here. Of the almost 30,000 starts, 53% were financed in urban areas and 16% in rural areas. Thirty-nine percent of the units financed in rural areas and 31% of those in urban areas were for families. On the average our construction cost per square foot for new construction was approximately $28 and approximately $27 for substantial rehabilitation. Our average construction cost per unit was well below the capital cost value suggested by the Office of Management and Budget for 1980. As a result, the cost of State HFA units will still be well within OMB's limits even after an inflation factor is added. Further, the average time between the reservation of funds and construction start for the uninsured State-financed units was only 9 months, considerably less than the processing time for FHA insured projects. We would like to be able to give you comparable figures for other portions of the Section 8 program but are still awaiting those from HUD.

Flexible Subsidy

Now I would like to change course and discuss the former multifamily housing program, the Section 236 interest subsidy program. As you know, last year Congress agreed with us that State-financed Section 236 projects should be included in HUD's new troubled project operating subsidy program, now known as the flexible subsidy program. However, we agreed with HUD's reasonable request to delay funding under that program until October 1, 1979 because they lacked the information to make informed funding judgments. The Administration has now proposed to eliminate State-financed projects from the program, in direct opposition to Congress' 1978 decision, then concurred in by HUD. At the same time they are rescinding the rent supplement program, thereby denying State-financed projects any assistance. We stress again, as we did last year, that the owners and tenants in Section 236(b) projects financed by State HFAs face the same inflationary forces as owners and tenants in Section 236(j) projects insured by FHA.

Preliminary figures now show that the average flexible subsidy need per unit in eligible State-financed Section 236 projects is a little over $700 or almost $600 less than the average subsidy need in FHA-insured projects. With a reasonable infusion of funds, the State-financed projects are much more likely to be put on a sound financial basis -- HUD's stated purpose for the program. We urge Congress to defeat the Administration's intention to deny State-financed projects this assistance, and this Committee to appropriate a reasonable amount of funds to assist both FHA insured and State-financed projects.

This covers the issues we wished to bring to the Committee's attention. We strongly urge a reasonable funding level of 400,000 units for the Section 8 and public housing programs with an absolute minimum level of 326,000 units. Further we urge you to designate an adequate level of units for State HFAs and the continued inclusion of State-financed Section 236 projects within the Flexible Subsidy program. I would like to thank the Chairman and the Committee for this opportunity to appear before you and I would be pleased to answer any questions.

TABLE I. DISTRIBUTION OF FY '78
SECTION 8 NEW CONSTRUCTION/SUBSTANTIAL REHABILITATION
HOUSING UNITS FINANCED BY STATE HOUSING FINANCE
AGENCIES

	Rural				Suburban				Urban				Total			
	Elderly	Family	Eld./Fam. Mix	Total	E	F	E/F Mix	Total	E	F	E/F Mix	Total	E	F	E/F Mix	Total
Projects	55	29	16	100	53	23	11	87	79	44	21	144	187	96	48	331
	55%	29%	16%	--	61%	26%	13%	--	55%	31%	15%	--	56%	29%	15%	--
Units	2923	1867	--	4790	6618	2224	--	8842	10741	4814	--	15555	20282	8905	--	29187
	61%	39%	--	--	75%	25%	--	--	69%	31%	--	--	69%	31%	--	--
	(16% of all units)				(30% of all units)				(53% of all units)							

Note 1: Data based upon Council of State Housing Agencies' in-house survey results. The following 21 State HFAs comprised the sample: California, Colorado, Connecticut, Delaware, Idaho, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Montana, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, Vermont, Virginia, and Wisconsin.

Note 2: Data includes insured and uninsured projects.

TABLE II. COST DATA FOR FY 78 SECTION 8 NEW CONSTRUCTION/ SUBSTANTIAL REHABILITATION UNINSURED PROJECTS FINANCED BY STATE HOUSING FINANCE AGENCIES

	Average Mortgage Amount Per Unit	Average Gross Construction Cost Per Unit	Average Gross Construction Cost Per Sq. Ft.
A. 40 Year Projects			
Limited Div. (140)	$31,503	$25,221	$27.15
Non-Profit (32)	$35,595	$28,057	$35.58
B. 30 Year Projects			
Limited Div. (62)	$28,275	$22,301	$27.19
Non-Profit (6)	$34,923	$25,863	$30.96

Note 1: Limited dividend sponsors are restricted to loans up to 90% of total project cost.

Non-profit sponsors may borrow up to 100% of total project cost.

Note 2: The fourteen (14) state sample includes California, Connecticut, Maine, Massachusetts, Michigan, Minnesota, New Jersey, New York, Rhode Island, Vermont, Virginia and Wisconsin and contains costs for eleven (11) special elderly (adult mentally retarded, i.e.) and thirty-eight (38) mixed elderly/family projects.

TABLE III. STATE HOUSING FINANCE AGENCY FY 78 SECTION 8 COST DATA FOR UNINSURED PROJECTS BY MORTGAGE TERM AND TYPE OF CONSTRUCTION: A COMPARISON WITH OMB 1980 CONSTRUCTION COST VALUES

	Average Mtg./Unit	Average Gross Construction Cost/Sq. Ft.	Average Gross Construction Cost/Unit	OMB 1980 Cost Values
A. 40 Year Projects (126)				
1. New Construction (112)	$32,564	$28.86	$26,388	$31,000
2. Substantial Rehab. (14)	$32,910	$25.20	$25,382	$28,000
B. 30 Year Projects (65)				
1. New Construction (52)	$26,817	$26.41	$22,547	$31,000
2. Substantial Rehab. (13)	$29,144	$29.80	$22,244	$28,000
C. All Projects (191)				
1. New Construction (164)	$30,742	$28.08	$25,170	$31,000
2. Substantial Rehab. (27)	$31,097	$27.22	$23,871	$28,000

Note: Special elderly and mixed elderly/family projects have been omitted due to the small number of developments involved and the "skewness" of their costs.

Mr. BOLAND. Please proceed.

Mr. HOAGLUND. Last year we told you that our housing proposal was a simple one—strong support of the Section 8 housing assistance program and equitable treatment under the Troubled Projects Operating Subsidy program. These concerns continue to be paramount this year.

We are approaching the fifth anniversary of the passage of the Housing and Community Development Act of 1974. Up until now, the Section 8 program has established itself as a major means of production of rental housing and a reasonable and sound method of providing housing for low- and moderate-income Americans.

Over the course of the program, through the last fiscal year, contract authority for 552,000 new or substantial rehabilitation units has been reserved and 55 percent of those reached the construction start stage. However, the new construction/substantial rehabilitation reservations decreased in fiscal year 1978 from the fiscal year 1977 level, and this year's late start and increased regulatory control promise fewer units.

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tion units each year to an average unit level of over 50,000. We now have approximately 30 State HFA's actively financing Section 8 developments, one in Massachusetts, Pennsylvania, and in Minnesota.

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Since our understanding on the point was not fulfilled, we urge the Committee to specify a reasonable level of funding for State HFAs consistent with our past performance. This assurance is necessary as our staffing and our overhead are predicated on a given activity level, assuming a consistent funding level. The efficient mode of operation thereby resulting will reduce the cost of the program.

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are rescinding the Rent Supplement program, thereby denying State-financed projects any assistance. We stress again, as we did last year, that the owners and tenants in Section 236(b) projects financed by State HFAs face the same inflationary forces as owners and tenants in Section 236(j) projects insured by FHA.

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We urge Congress to defeat the Administration's intention to deny State-financed projects this assistance, and this Committee to appropriate a reasonable amount of funds to assist both FHA-insured and State-financed projects.

This covers the issues we wished to bring to the Committee's attention. We strongly urge a reasonable funding level of 400,000 units for the Section 8 and public housing programs with an absolute minimum level of 326,000 units.

Further we urge you to designate an adequate level of units for State HFAs and the continued inclusion of State-financed Section 236 projects within the Flexible Subsidy program.

I would like to thank the Chairman and the Committee for this opportunity to appear before you, and I would be pleased to answer any questions.

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

The State housing finance agencies have done a good job in the areas in which they are operating.

How many are there? How many States have them now?

Mr. HOAGLUND. Forty one. Approximately 30 are active in the Section 8 program.

Mr. EDSON. You three gentlemen are from some of our most active States—Pennsylvania, Massachusetts, and Minnesota—one of the oldest and most innovative.

Mr. BOLAND. The one up in Massachusetts is a good one. It has had some problems in the past, not occasioned by any particular activity within the agency, but by the ability to sell bonds. But that was the State's fault and not the agency's fault.

In any event, the one in Massachusetts has done some outstanding work, and has developed some extremely fine units.

Larry?

Mr. COUGHLIN. No. questions, Mr. Chairman.

Mr. BOLAND. Marty?

Mr. HOAGLUND. Mr. Chairman, could I add one thing in response to something you mentioned earlier with respect to the family-elderly mix?

I would point out, at least in the State of Illinois, our mix is roughly 55 percent elderly, 45 percent family, which I think compares favorably with the overall statistics nationwide. In fiscal 1978 and again in fiscal 1979, HUD has directed their allocations towards family, and in 1978 we had 100 percent family allocation.

Mr. BOLAND. You say 55 percent is elderly?

Mr. HOAGLUND. Yes, in the State as a whole.

Mr. BOLAND. And of the 55 percent elderly, how many of those particular projects have been built or developed by private contractors?

Mr. HOAGLUND. I would say probably 80 to 85 percent, a quite high percentage. We have helped, with our construction financing program, a number of not-for-profit developments that have financed under HUD programs with HUD-insured mortgages.

Mr. BOLAND. Thank you very much, Mr. Hoaglund and Mr. Edson. Nice to have you with us.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

TERRY ALLEN PERL, EXECUTIVE DIRECTOR, THE CHIMES, INC., BALTIMORE, MD.

MYRL WEINBERG, ASSISTANT DIRECTOR, GOVERNMENTAL AFFAIRS OFFICE

Mr. COUGHLIN. The next witness is with the Consortium Concerned with the Developmentally Disabled's Task Force on Housing, Mr. Terry Allen Perl.

I notice you have a reasonably extensive statement which we will put in the record.

[The statement follows:]

STATEMENT

on the

FISCAL YEAR 1980 PROPOSED BUDGET

for

THE DEPARTMENT OF HUD

Respectfully Submitted

to

THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

of

THE COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

Presented on Behalf of:

The Consortium Concerned With The
Developmentally Disabled's Task Force on Housing

Witness:

Terry Allen Perl, Executive Director
The Chimes, Inc.
1803 Thornbury Road
Baltimore, Maryland 21209

Tuesday, April 24, 1979

INTRODUCTION: HUD PROGRAMS AND CCDD HOUSING TASK FORCE MEMBER SERVICES TO PERSONS WITH DISABILITIES

The Task Force on Housing of the Consortium Concerned With the Developmentally Disabled (CCDD) is composed of the following national organizations and representatives:

Epilepsy Foundation of America (EFA) Melinda Hatton, Professional Staff Member Governmental Liaison Unit	A voluntary health agency representing 140 state and local chapters.
National Association for Retarded Citizens (NARC) Myrl Weinberg, Assistant Director Governmental Affairs Office	A voluntary health agency representing 1,950 state and local chapters.
National Association of Private Residential Facilities for the Mentally Retarded (NAPRFMR) Joni Fritz, Executive Director	An association of providers representing 467 residential programs.
National Association of State Mental Retardation Program Directors (NASMRPD) Suzanne Turner, Project Coordinator	An association of state government directors.
United Cerebral Palsy Associations, Inc. (UCPA) E. Clarke Ross, Director Governmental Activities Office	A voluntary health agency representing 260 state and local chapters.

This statement is also endorsed by the National Association of State Mental Health Program Directors (NASMHPD).

Each of these national organizations is intensively involved in advocating for or sponsoring housing programs. For example, of the 260 affiliates of UCPA, over 40 sponsor housing programs for persons with disabilities. NAPRFMR is an organization entirely composed of residential programs. And NASMRPD members operate and finance hundreds of residential programs throughout the nation.

CCDD member chapters have been designated as Section 202 sponsors for housing for the disabled as follows:

	1976	1977	1978
Total Number of Section 202 Projects Specifically for the Disabled	17	24	99
Sponsors Associated with NAPRFMR	6	3	4
Sponsors Associated with NARC	6	8	25
Sponsors Associated with UCPA	3	2	2

SUMMARY OF THE CONSORTIUM CONCERNED
WITH THE DEVELOPMENTALLY DISABLED'S (CCDD)
TASK FORCE ON HOUSING'S RECOMMENDATIONS
FOR HUD FISCAL YEAR 1980 APPROPRIATIONS

WITNESS:
Terry Allen Perl,
Executive Director
The Chimes, Inc.
1803 Thornbury Road
Baltimore, Maryland 21209

PROGRAM	CCDD TASK FORCE ON HOUSING'S RECOMMENDATIONS FOR F.Y. 1980 APPROPRIATIONS (in millions)
Section 202 Direct Loan for Elderly and Handicapped	$875.0
	with a permanent set-aside of at least 20 percent for housing for non-elderly handicapped persons
Congregate Housing Services	$25.0
	with a permanent set-aside of at least 20% for the non-elderly handicapped
Section 8 Rent Subsidy	$26,517.9
Section 106 (b) Seed Money	$8.9

The Consortium Concerned with the Developmentally Disabled's Task Force on Housing is pleased to have this opportunity to express its concerns relative to fiscal year 1980 appropriations for HUD supported or financed housing programs serving handicapped persons. As recently as six years ago, federal housing agencies played an almost negligible role in financing community housing for non-elderly, handicapped persons. However, in the past few years Congress and the Department of Housing and Urban Development have acted to open up new avenues of federal support for housing for handicapped people living in the community. The Housing Task Force would like to focus its remarks on the four housing programs within HUD which, through legislative amendments and regulatory revisions, have been, or potentially are, the most responsive to the housing needs of handicapped persons. These programs are: the Section 202 Direct Loan program for housing for elderly and handicapped persons, the Congregate Housing Services program, the Section 8 Rent Subsidy program, and the 106 (b) Seed Money Loan program. The Task Force appropriations recommendations in these four areas reflect and support the iniatives contained in the report titled "Housing for Developmentally Disabled Citizens: An Analysis of Policy Issues" which was completed by the National Association of State Mental Retardation Program Directors. The Advisory Board for this HEW funded project was comprised primarily of the organizations represented on the CCDD Housing Task Force. A copy of the "Summary of Recommendations" from the report is attached to our testimony for the Subcommittee's perusal.

Section 202 Direct Loan Program

The CCDD Task Force on Housing recommends a fiscal year 1980 appropriation of $875 million for the Section 202 program with a set-aside of $175 million (20 percent of the available funds) for non-elderly handicapped projects.

An appropriation of $875 million for fiscal year 1980 is consistent with the appropriations level contained in H.R. 3253 introduced on March 27, 1979, by Representative Stanley N. Lundine. This amount is the minimum amount necessary to maintain current levels of production under the Section 202 program. The need for community housing for elderly or handicapped persons is far from being filled as reflected by the number of applicants and selected sponsors for Section 202 housing each year. In 1977 there were 1,300 Section 202 applicants. Only 200 applicants received funding. In 1978, 288 sponsors were selected from almost 900 applicants. The 1978 requests for funding totaled $2.2 billion to fund more than 74,000 housing units. Only 19,200 units received funding.

The wide gap between the demand for Section 202 loan funds and the dollars actually made available for both elderly and handicapped projects has resulted in fierce competition. The late

arrival of sponsors for handicapped housing and their relative inexperience compared to elderly housing sponsors has resulted in fiscal year 1979 and fiscal year 1980 minimum set-asides of $50 million for non-elderly handicapped projects (6.2% of $800 million). However, the number of Section 202 applicants wishing to sponsor housing for the non-elderly handicapped is growing rapidly. Of the 1,300 Section 202 applications in 1977, 71 were for the non-elderly handicapped (5%). This proportion dramatically changed in 1978; of 878 Section 202 applications, 178 were for the non-elderly handicapped (22%).

A substantial number of chronically disabled persons requiring long-term care services (defined as including skilled nursing facilities, intermediate care facilities, sheltered living arrangements, and home health services) are under the age of 64. According to the February, 1977 Congressional Budget Office study, Long-Term Care for the Elderly and Disabled, of the 5.5 to 9.9 million functionally disabled persons in the United States in 1975, 1.4 to 4.7 million of these are between the ages of 18 and 64. Of all these persons, only 1.9 to 2.7 million persons can be identified as receiving assistance under formal programs. This same study estimated that 1.2 to 3.9% of the population aged 18-64 is estimated to be functionally disabled while 11.8 to 16.8% of the elderly population is so estimated.

Over the years, handicapped citizens have established their right to live and participate in neighborhoods and communities. To avoid institutionalizing these persons, emphasis has been placed on normal, homelike residences for handicapped individuals. This movement continues to gain momentum (as evidenced by the jump in 202 applicants for handicapped housing from 5% of total applicants in 1977 to 22% in 1978). As a consequence, more and more state and community agencies and organizations are investigating available federal resources to support the construction, renovation and operation of such residences. The Section 202 program (with its link to Section 8 rent subsidies) is a major resource available to meet the growing needs for community housing for non-elderly handicapped people.

Therefore, the CCDD Task Force recommends a fiscal year 1980 set-aside of $175 million (20 percent of $875 million) of Section 202 appropriations for housing projects for non-elderly handicapped persons.

Congregate Housing Services

The CCDD Task Force on Housing urges Congress to fund this program at the full $25 million authorized in P.L. 95-557 for fiscal year 1980. Congress' intent for this program is clearly

stated in Section 402 of the law which recognizes that this housing services approach "offers an innovative, proven, and cost-effective means..." to maintaining dignity and independence, while avoiding institutionalization. Despite this Congressional intent, HUD has proposed a one year "limited pilot demonstration."

P.L. 95-557 and its legislative history clearly documented the inadequacy of existing service programs in financially supporting necessary congregate housing. Without the congregate housing services program of P.L. 95-557, the inseparable link between shelter and services will continue to be a programmatic objective recognized by all as desireable which remains unfulfilled. The CCDD Task Force on Housing is extremely distressed with budget recommendations which would curtail any effective development of the Congregate Housing Services program. Therefore, we recommend the following steps be taken:

(a) That Congress appropriate $25 million for the program in FY 1980; and

(b) That Congress mandate a permanent set-aside of at least 20% for the non-elderly handicapped.

Section 8 Rent Subsidies

The CCDD Housing Task Force supports the National Low Income Housing Coalition's appropriation recommendation of $26.518 billion for the Section 8 program for fiscal year 1980. The Administration's proposed reduction of over $5 billion (from $25.367 billion to $20.045 billion) in the Section 8 program would seriously undermine the responsiveness of the program to the housing needs of the non-elderly handicapped. We are dismayed at HUD's weakened commitment to this program.

The Section 8 Rent Subsidy program is a major resource for non-elderly handicapped persons seeking appropriate community housing. Increasingly, state housing agencies are working with state disability agencies in developing specialized housing for this population. Yet, the National Governor's Association states: "It is expected that the number of Section 8 rental assistance housing units allocated to state housing finance agencies will be reduced from 53,000 for FY 1979 to 40,000 for FY 1980," if the President's budget recommendation is enacted.

During the last year several developments relative to HUD's Section 8 program have fostered increased recognition of, and responsiveness to, the housing needs of non-elderly handicapped people. On December 29, 1978,HUD published final regulations specifically establishing Independent Group Residences as an eligible type of housing for elderly, handicapped and disabled

individuals residing in group residences where supportive services are provided. These regulations modified previous rules for congregate housing which were too restrictive when applied to group homes for handicapped persons. In addition, the Housing and Community Development Amendments Act of 1978 provided for HUD's proposed "moderate rehabilitation" Section 8 program. One of the major goals of community residential programs for handicapped persons is to "normalize" the residents' living environment. A question which has arisen in the past is: how much remodeling or renovation of an existing structure is required to have the project qualify as "substantial rehabilitation." Many existing structures need only minor or moderate rehabilitation to meet the specialized housing needs of handicapped individuals. Thus, the moderate rehabilitation program potentially could fill a gap in the provision of appropriate existing housing for our handicapped population.

Given the above new initiatives, the Administration's proposed reduction in the Section 8 program seems contradictory and counterproductive. A more consistent,rational budget recommendation is the $26.518 billion figure endorsed by the National Low Income Housing Coalition, the CCDD Housing Task Force and other national organizations,which represents an overall increase of only 4 percent for the Section 8 program.

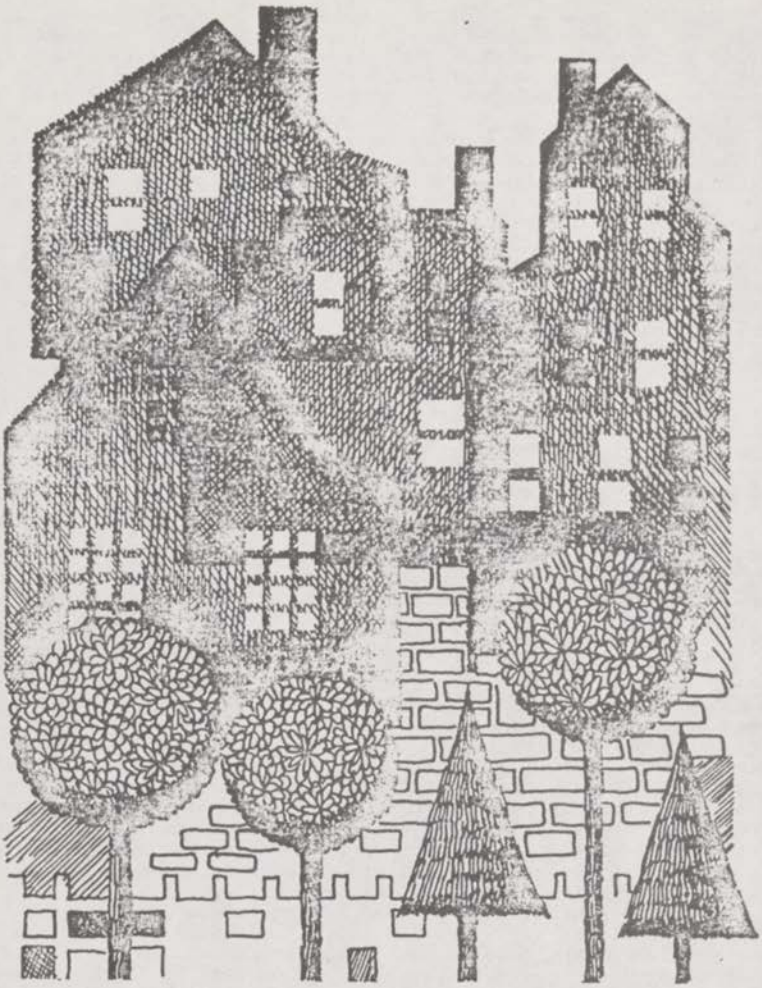
Section 106 (b) Seed Money Program

The CCDD Housing Task Force supports a fiscal year 1980 appropriation of $8.9 million for the 106 (b) Seed Money program.

The 106 (b) program provides interest-free start-up or seed money loans to private, non-profit organizations preparing to construct housing for low and moderate income people. These seed money loans for planning and other preconstruction costs are extremely important for sponsors of housing for non-elderly handicapped persons. As stated earlier, private, non-profit agencies wishing to sponsor housing for this population often lack the resources and expertise needed to implement a housing project. The provision of start-up funds for legal fees, land options and housing consultant fees is often the decisive factor relative to the success or failure of such a housing project.

The Administration's proposed reduction in 106 (b) funding from a fiscal year 1979 level of $5.750 million to $3.550 million is appalling. The CCDD Housing Task Forces' recommendation of $8.9 million is equivalent to a mere 1 percent of the Section 202 loan amount. This figure is the same as that contained in HUD's initial request to the Office of Management and Budget.

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HOUSING
FOR
DEVELOPMENTALLY DISABLED CITIZENS

AN ANALYSIS OF POLICY ISSUES

NATIONAL ASSOCIATION OF STATE MENTAL RETARDATION PROGRAM DIRECTORS, INC.

SUMMARY OF RECOMMENDATIONS

I RENT SUBSIDIES (Chapter III)

- Throughout the Section 8 program, HUD should address the non-elderly handicapped as a separate, identifiable population. This distinction should be reflected in all Departmental rules, handbooks, policy and procedural instructions, contracts, data collection and application forms, and reports concerning the Section 8 program. (p. 21)

- HUD should issue personnel and procedural instructions specifying the duties of the Elderly/Handicapped Coordinator, stipulating that the coordinator's role is a full-time position, and describing the coordinator's specific responsibilities within the HUD Section 8 program. (p. 23)

- An intensive training program should be launched to familiarize HUD personnel with the various types of handicapping conditions, the specific housing and programmatic (supportive service) needs of distinctive sub-groups within the handicapped population, and the applicability of HUD's programs in meeting these needs. This training effort should be jointly developed and sponsored by HUD and HEW. (p. 24)

- HUD should make provision for rental agents in PHA's who are specially trained and equipped to assist individuals with developmental disabilities to exercise their housing options or subsidize selected human service agencies, so they can add such trained personnel to their staff. (p. 25)

- Beginning in FY 1979 HUD should require PHA's to target a portion of their outreach and client services specifically toward persons with handicapping conditions. (p. 25-26)

- Beginning in FY 1979 HUD should require PHA's to promote the rental of housing units to handicapped persons. (p. 26)

- HUD should eliminate the Rent Reasonableness Determination requirement for all new construction/substantial rehabilitation projects for handicapped individuals and base rents on factors of cost. (p. 27)

- Fair Market Rents for units housing handicapped individuals should be established in a manner which will insure their economic feasibility. As an interim step in this direction, the Secretary of Housing and Urban Development should revise the current Fair Market Rent structure to base FMR's for each handicapped individual residing in a group living arrangement on a percent of the Fair Market Rent for an efficiency apartment unit. This percentage should be so established that sufficient funds are available to the sponsor to cover all shelter, maintenance and unit management costs. It is especially important that this policy be reflected in the Department's final regulations on Independent Group Residences.

  Meanwhile, the Secretary of Housing and Urban Development should establish a study group to investigate alternative approaches to setting rent subsidy levels, including more equitable methods of assuring that the full continuum of living environments needed by persons with various types and degrees of handicapping conditions are available. (p. 29)

- The Department of Housing and Urban Development should implement, in conjunction with the Department of Health, Education and Welfare, a cross program analysis of the interaction between housing and income maintenance programs and the specific impact of various policies on persons eligible for benefits under both programs. (p. 29)

- HUD should modify its regulations to allow a sufficient time period (i.e., 60 days) during which a vacancy in an independent group residence can be filled without financial penalty or moving requirements being imposed on the remaining residents. In addition, PHA's should be offered incentives to reserve a revolving pool of Section 8

certificates for non-elderly handicapped persons so newly eligible residents can be assured rental assistance in housing projects designed for such persons. (p. 29)

- HUD's Lower Income Housing Assistance program should be continued, expanded and modified to meet the housing needs of handicapped persons. More specifically, Section 8 subsidies should be increased and a portion of each state's allotment should be earmarked for the construction, renovation and acquisition of housing for the non-elderly handicapped individuals. (p. 32)

II. HOUSING LOANS (Chapter IV)

- The special FY 1979 set-aside for non-elderly handicapped projects, contained in recently enacted Congressional legislation, should be retained in subsequent fiscal years and the amount increased in accordance with escalating demand for such assistance. (p. 41)

- Congress should review carefully the advantages and disadvantages of establishing a separate direct loan program to encourage the development of housing for non-elderly handicapped persons. (p. 44)

- HUD should modify its current criteria for funding Section 202 projects to make it clear that a variety of types of community-based housing for the developmentally disabled, in addition to group homes, can be supported through the Elderly/Handicapped Direct Loan program, provided the existing size and dispersal criteria are followed. (p. 46)

- HUD should establish criteria for approving substantial rehabilitation projects under Section 202 which will encourage potential sponsors to acquire structurally sound, single family homes in desirable neighborhoods and convert them to group homes for developmentally disabled individuals. (p. 47)

- A joint HUD-HEW task force should be appointed to determine the most appropriate and feasible method(s) for assuring that both capital construction and ongoing operating funds are available to potential sponsors of community residential facilities serving developmentally disabled persons. (p. 48)

- HUD should re-examine the question of who may sponsor 202 loan projects and determine if the existing restrictions on public and limited dividend sponsors should be lifted (and if so, under what circumstances) in light of the Nation's current and projected goals for meeting the housing needs of developmentally disabled individuals. (p. 48)

- HUD should modify its current consultant criteria and fee scale in order to enable applicants to obtain a housing consultant when needed. (p. 49)

- An ongoing HUD-HEW task force should be established (and expanded, as necessary, to include representation from other appropriate federal agencies) to facilitate improved working relations between housing agencies/sponsors and agencies serving handicapped persons at the state and local levels. (p. 50)

- HUD should require each sponsor of a 202-financed housing project for developmentally disabled persons to sign a statement assuring that each resident requires the type of housing provided by the project and is enrolled in a daytime program appropriate to his or her needs, as specified in his/her individualized habilitation plan. (p. 50)

- The Secretary of Housing and Urban Development should commission a broad ranging study of ways in which HUD field offices can provide improved technical assistance to applicants and sponsors of 202 housing projects. (p. 51)

- HUD should implement the provisions of Section 210(c) of P.L. 93-383 by requesting comments from the appropriate state mental retardation/developmental disabilities agency and the state DD planning council on each Section 202 loan application which involves a housing project designed exclusively or primarily to serve developmentally disabled persons. (p. 54)

III. COMMUNITY DEVELOPMENT BLOCK GRANTS (Chapter V)

- HUD should develop a plan which incorporates alternative methods of public notification concerning the availability of Title I funds and encourage localties to implement a variety of such methods. (p. 62)

- HUD management information systems should be modified to provide relevant information concerning the use of CDBG funds on behalf of handicapped persons. (p. 64)

- For reporting purposes, HUD should separate elderly and non-elderly handicapped activities funded in whole or part with federal CDBG funds. All current references to "elderly and handicapped" in HUD manuals and reporting forms should be changed to reflect two distinct populations. (p. 65)

- The HAP reporting format should place elderly and non-elderly handicapped groups into two separate categories. (p. 65)

- HUD should develop clear guidelines for identifying the housing needs of handicapped persons to support the required narrative statement of needs in the local Housing Assistance Plan. These guidelines should include:
  (a) alternative methods for involving handicapped persons and advocacy groups;
  (b) techniques for maintaining a census of existing units for handicapped persons;
  (c) methods for projecting the short and long term demand for such housing (e.g., as a function of deinstitutionalization efforts within the state or region); and
  (d) an identification of critical variables influencing the location of housing for handicapped persons, such as access to services and transportation.

  Given the complexity of the issues which must be considered, HUD should award a grant or contract under Section 107(a)(4) of the Housing and Community Development Act of 1974 or Section 507 of the Housing and Urban Development Act of 1970 to support the development of such guidelines. (p. 66)

- HUD should develop guidelines for housing needs surveys for the handicapped population utilizing CDBG funds, Section 701 planning grants, and other available sources in order to support proposed HAP revisions. Such surveys should encompass all handicapping conditions and actively involve local provider agencies and advocacy organizations. (p. 67)

- HUD should require that applicants for CDBG funds develop an open housing action plan as part of their Housing Assistance Plan and report regularly on steps which have been taken to implement the plan. Such an open housing plan should require the revision of local zoning ordinances to accommodate a variety of alternative community living arrangements for the developmentally disabled and other handicapped groups. (p. 67)

IV. RURAL HOUSING (Chapter VI)

- To insure that national, state and county staff are responsive to the housing needs of handicapped people living in rural areas, the Administrator of the Farmers Home Administration should establish a "Desk for the Handicapped" in the central office and have well-trained staff, familiar with the housing needs of handicapped persons at the state, and ultimately, the county levels. (p. 79)

- HUD and USDA should establish goals for the development of housing for the handicapped in rural areas and commit substantial resources toward meeting those goals. (p. 82)

- Congress should amend P.L. 95-128 to correct the inadvertent omission of "autism" from the definition of a developmental disability and, in other respects, make the definition of the term contained in the Housing and Community Development Act of 1977 conform to the provisions of the Developmental Disabilities Services and Facilities Construction Act, as amended. (p. 83)

- The proposed "Desk for the Handicapped" (see Recommendation on p. 79) should communicate with relevant consumer and provider organizations as an initial step toward the development of an agency-wide plan for serving the handicapped. (p. 85)

- The Farmers Home Administration should make private foreclosed properties more readily available to sponsors of handicapped housing. Care should be exercised in the selection of such properties, however, to assure that the handicapped residents receive an appropriate living environment which is accessible to the services and recreation/social opportunities they require. (p. 86)

- The Farmers Home Administration should, as a matter of policy, permit the use of Section 504 rural rental loans for making housing accessible and usable by handicapped persons. (p. 87)

- Congress should extend eligibility for Section 504 grants to handicapped persons. (p. 87)

- The Farmers Home Administration should liberalize its policy on assured income to recognize as reliable sources of support the following general categories of household income (assuming there is no contravening evidence of instability): annual renewable contracts with public funding sources, ongoing public and private grants, tenant earnings and income transfer programs such as Social Security, Supplemental Security Income (SSI), veterans and railroad retirement benefits. (p. 89)

- USDA and HUD should cooperate to insure parity between their respective rental assistance programs, eligibility criteria and administration, with special attention to the unique needs of the handicapped person. (p. 91)

- The Farmers Home Administration should conduct a survey of projects for handicapped persons funded under the Rural Development Loan program, and use the results to train its national, state and county staff on effective use of this program to benefit disabled persons living in rural areas. In addition, information about handicapped projects should be made an integral part of FmHA's ongoing reporting system so realistic national goals and priorities can be established and monitored. (p. 92)

V. THE ROLE OF STATE AND LOCAL HOUSING AGENCIES (Chapter VII)

A variety of alternative approaches are available to states and localities interested in mounting a specialized housing program for developmentally disabled persons, including: (a) state level use of Section 8 existing housing; (b) state level use of new construction and/or substantial rehabilitation projects; (c) local use of Section 8 existing housing; (d) locally initiated new construction/substantial rehabilitation projects; (e) public housing projects; and (f) Community Development Block Grant funds.

States which elect to use Section 8 existing housing should observe the following guidelines (p. 109-110):

- Local mental retardation/developmental disabilities and other human service agencies should be designated for purposes of outreach, identification of eligible individuals, and provision of support services.

- Use of existing living arrangements should be tied to the provision of self-help, vocational, and other skills training in order to ensure that clients are successful in independent and semi-independent living arrangements.

- Where feasible, LHA's should be used as the distribution point for certificates for developmentally disabled persons since local housing authority personnel are most familiar with local circumstances, housing patterns and landlords.

- The state housing agency, in conjunction with local housing agencies, should conduct a statewide survey to identify existing housing that is accessible to physically handicapped individuals. Where such housing exists, but is above the local Fair Market Rent, the state should explore the various FMR waiver provisions that can be utilized to secure increases.

- If possible, all other options available through the state housing agency and its allocation of Section 8 should be explored before developing an existing Section 8 program within the mental retardation/developmental disabilities agency.

- If the state housing agency is unwilling or unable to develop an existing Section 8 program for developmentally disabled persons, the state should request that the housing agency sub-allocate a portion of its certificates to the state mental retardation/developmental disabilities authority for distribution.

- If the state housing agency does not want to participate in any type of partnership with the State mental retardation/developmental disabilities agency, the state should ask HUD to designate the developmental disability authority as a public housing agency for purposes of receiving a specific allocation of existing Section 8 contract authority.

- A thorough investigation of all possible changes that would be necessary before the state mental retardation/developmental disabilities authority could be designated as a public housing agency (e.g., changes in state laws, administrative regulations, etc.) should be completed prior to submission of the request.

- HUD should fund the state mental retardation/developmental disabilities authority on a pilot basis in order to test the feasibility of such an approach.

- A specific plan or strategy should accompany the request for designation including the number of units to be distributed, the type of clients who would benefit from the Section 8 subsidies, the kinds of residential arrangements the subsidies would be used for and the location of the planned residences.

- Unless there is available housing expertise within the state mental retardation/developmental disabilities agency, a liaison should be established with HUD, including the possible assignment of a HUD staff person, through the Intergovernmental Personnel Act, to help design and administer the Section 8 program for the State (as is the case, for example, in Colorado).

- In designing an overall management and operating plan for the Section 8 program, consideration should be given to the way in which certificates will be distributed—i.e., should the state administer the program directly or allocate certificates through local mental retardation/developmental disability planning units or through local housing authorities.

States which choose to initiate new construction/substantial rehabilitation programs for developmentally disabled citizens should observe the following guidelines (p. 125-126):

- If possible, three financing mechanisms for sponsors developing community based housing for handicapped persons should be available, including seed money, interim construction and permanent long term financing.

- Appropriate standards for the new construction program, which are based on the principles of normalization and integration of handicapped persons into the community should be developed. These standards should include specific criteria for site selection, architectural design and other relevant requirements.

- Housing finance agencies, in cooperation with HUD and/or other state agencies, should consider financing a demonstration or pilot project which would involve a variety of residential models that could be designed for handicapped persons.

- Adequate monitoring mechanisms at each stage of the housing development process should be incorporated in order to ensure eventual compliance with all appropriate federal, state and local building and fire safety codes.

- The possible combination of housing finance agency capabilities with other federal and/or state programs, including Title XIX, Farmer's Home Administration, and Section 231, should be explored.

- Prototypical architectural plans for various size congregate living arrangements should be developed and made available to local sponsors for a nominal fee.

- Technical assistance materials should be prepared including a "how to" manual for potential sponsors that

details each facet of the building process (e.g., financing, site selection, design elements and types of support services). Responsibilities of both the sponsor and the housing agency in meeting the requirements of the program should also be clearly delineated.

- Prototypical budgets should be prepared in order to determine the optimal size of the housing project to be built; such budgets should be based on a normal, home-like setting for the particular disabled individuals to be served.

- Specific criteria for the selection of potential community sponsors should be spelled out, emphasizing the agency's ties and experience with other local agencies in the provision of residential and/or support services to developmentally disabled persons.

- Where possible, the new construction program for developmentally disabled persons should be integrated with other generic and/or specialized housing programs available at the state and local levels.

- HFA administered new construction programs for developmentally disabled persons in other states should be examined and, if possible, site visits to such states should be arranged.

- Housing finance agencies should provide technical assistance to sponsors in such areas as: assembling members of the project development team; reviewing and obtaining site control; and processing the various loans and subsidies for the project(s).

- An overall management and operational plan for the statewide housing construction program for developmentally disabled persons should be developed.

- If feasible, increases of up to 126 percent of the Fair Market Rent for new construction/substantial rehabilitation should be obtained in order to provide sufficient subsidy to make small home-like facilities economically viable.

- Some local review mechanism should be developed to ensure that construction proposals are consistent with local needs and the availability of necessary support services.

- Since most of the ICF/MR facilities constructed using Title XIX will have to receive a "certificate of need" from the State Health Coordinating Council, materials should be prepared by the state/local mental retardation/developmental disabilities agency explaining the justification for ICF/MR facilities, the types of clients to be served and the functions of the planned facility. Materials should be distributed to housing finance agencies serving the area and State Health Coordinating Council members.

- A certain degree of flexibility should be built into the development of ICF/MR's to ensure that projects are not ultimately defeated or slowed down by overly rigid adherence to specifications not directly relevant to ultimate Title XIX certification.

- The state mental retardation/developmental disabilities agency should explore alternative funding sources for housing development (SSI, Title XX, etc.) in order to avoid over-reliance on Title XIX funding.

- In cases where new construction of ICF/MR's is funded by commercial sources, housing proposals should be screened by the state mental retardation/developmental disabilities agency and the state Medicaid agency prior to submission to a private lender so that the agency can assure the provider that Title XIX funding is potentially available upon completion of the facility(s). The mental retardation/developmental disabilities agency should also encourage providers to develop multiple facilities (within some limitation) in order to ensure the receptivity of commercial lenders.

Individuals and groups seeking Section 8 existing housing certificates through **local** *housing agencies should observe the following guidelines (pp. 131-132):*

- **In areas where it is difficult to secure adequate and/or accessible housing for developmentally disabled persons within the Fair Market Rent structure, local housing authorities should explore the possibility of applying to HUD for higher FMR's under the provisions of Section 882.120. This section enables public housing agencies to request authority from HUD to use higher rates in "recently constructed" housing when:**

  ". . . the housing needs of one or more particular household types (e.g., elderly/handicapped family, large family) cannot be addressed utilizing the supply of Existing Housing at or below the rent authorized under §882.106 because of lack of availability of appropriate units."

- **LHA's, in cooperation with State housing agencies, should prepare and distribute educational brochures to potential landlords describing the virtues of the Section 8 program and the affirmative reasons for renting to handicapped individuals.**

- **LHA's use of Section 8 in existing housing for developmentally disabled persons should be conducted in conjunction with responsible local human and health service agencies in order to ensure the availability of support services.**

- **Where feasible, LHA's should designate specific staff to be responsible for assisting developmentally disabled persons to apply for Section 8 certificates and to secure appropriate housing.**

Individuals and agencies interested in instituting ***locally*** *financed or sponsored new construction/substantial rehabilitation projects should observe the following guidelines (p. 134):*

- **If necessary, local housing authorities should amend their enabling legislation to include the possibility of financing new construction or substantial rehabilitation projects for developmentally disabled persons.**

- **LHA's should explore the feasibility of financing projects under Section 11(b) of the Housing and Community Development Act of 1974 to generate developments that can either directly or indirectly benefit handicapped individuals.**

- **Where possible, new construction or substantial rehabilitation projects sponsored and/or financed by the LHA should incorporate the principles of normalization and avoid the development of large, segregated high-rise facilities which serve only disabled residents.**

- **If a local housing authority has financed or is considering the development of new construction or rehabilitation projects for the elderly or other low and moderate income groups, the percentage of units that are designed to be barrier-free should be reserved for physically handicapped persons, including both the elderly with severe mobility limitations and non-elderly physically handicapped persons.**

- **If the allocation of Section 8 subsidies for new construction/substantial rehabilitation is insufficient to produce new or rehabilitated housing for disabled persons, a LHA should consider requesting from HUD or from the state housing finance agency additional units (i.e., if the HFA can, in fact, sub-allocate unused Section 8 new construction/substantial rehabilitation subsidies to the local housing authority), specifically earmarked for handicapped clients.**

Agencies and advocates interested in accessing ***public housing*** *for developmentally disabled persons should observe the following guidelines (p. 136):*

- **Local housing authorities should explore the availability of modernization money for use in retrofitting existing public housing projects so they are accessible to and usable by physically handicapped individuals.**

- **In planning for new housing projects, LHA's should canvass the needs of handicapped individuals in the community to assure that at least some of the planned units are built and located in ways that guarantee maximum use by this target group.**

- Local housing authorities should explore alternative uses of public housing units for non-residential purposes such as day activity programs, vocational training and so forth.

- LHA's should explore the use of federal public housing support for the construction of individual family units that can be made available to developmentally disabled persons for group living arrangements.

- Local housing authorities should explore the possibility of sub-leasing all or portions of public housing facilities for use by non-profit sponsors of residential and daytime habilitative services for developmentally disabled persons.

Individuals or groups seeking local ***Community Development Block Grant funds*** *should observe the following guidelines (p. 139):*

- Local mental retardation/developmental disabilities agencies should be encouraged to work with umbrella organizations such as community development coalitions in order to reduce duplication of requests and investments of staff time in the community development planning process.

- Adequate information and technical assistance should be provided by the local housing authority to agencies that have been awarded community development funds.

- Before an LHA makes a Community Development Block Grant award to a local agency serving developmentally disabled persons, a review and analysis of the particular project should be conducted in order to determine that the integration of handicapped citizens into community life is being reinforced instead of thwarted as a result of the planned activity.

- Specific information on deinstitutionalization efforts affecting the local area should be provided by either the local or state mental retardation/developmental disabilities agency and included in the community's HAP.

Regardless of whether they elect to use Section 8 existing housing, new construction/substantial rehabilitation projects or public housing, local housing authorities should observe the following general guidelines (p. 139):

- LHA staff should develop formal and informal interagency relationships with local public and private developmental disabilities (and other human services) agencies to assure appropriate referrals and the provision of support services for Section 8 certificate holders and other developmentally disabled persons who may be residents of LHA-controlled and financed facilities.

- Local housing authorities should seek housing counseling center funds from HUD for purposes of establishing a unit within the agency to work directly with developmentally disabled clients and their families.

- Units within existing LHA-managed housing units, as well as in any newly constructed housing sponsored by the local housing authority, should be held in reserve for developmentally disabled persons.

- LHA's should explore ways in which they can directly finance the development of new projects designed either exclusively or in part for developmentally disabled individuals.

VI. DISCRIMINATION AS A BARRIER TO HOUSING (Chapter VIII)

- The federal government should use its leverage to encourage all states to enact and enforce statutes which will permit the establishment of small, community residences and other home-like living opportunities for developmentally disabled persons in appropriate residential neighborhoods by: (a) providing technical assistance to develop and implement such statutes; (b) supporting pending Congressional legislation that would include the handicapped as a protected class and increase federal enforcement authority under the Fair Housing Act; (c) by taking an aggressive role in carrying out the Act's mandate; and (d) requiring Housing Assistance

Plans under the Community Development Block Grant program to include an assessment of local zoning practices. (p. 145)

- Congress should enact legislation that will: (1) provide broad protection for handicapped persons under Title VIII of the Civil Rights Act of 1968; (2) grant greater enforcement power under the Act to HUD and other federal agencies; and, (3) prevent local authorities from enacting zoning ordinances intended to exclude handicapped persons. (p. 148)

- HUD should expand the goals of the existing areawide Housing Opportunity Planning program to include the provision of increased and dispersed community housing for developmentally disabled and other handicapped individuals. (pp. 149-150)

- No waivers or exemptions should be allowed for newly constructed facilities under HUD's Section 504 regulations. (p. 150)

- HUD should narrow its definition of the term "small provider" so that it will apply only to those programs which would have to sustain an undue hardship to comply with the rules. (p. 151)

- HUD should review and modify reporting requirements associated with Section 504 compliance in order to simplify and substantially reduce the amount of paperwork which Section 8 landlords must complete to participate in the rent subsidy program. (p. 151)

- The general waiver of site selection accessibility requirements should be eliminated from HUD's final Section 504 regulations. (p. 152)

- The Federal Insurance Administration should develop a national strategy to combat discriminatory insurance practices and increase public awareness of insurance issues, especially among sponsors of group homes and other community residences for developmentally disabled persons. (p. 153)

VII. HOUSING STANDARDS AND CODES (Chapter IX)

- Using the findings and conclusions of the National Bureau of Standards' study, HEW and HUD should adopt common policies for determining the life safety provisions to be applied in various types of community housing for developmentally disabled persons. (p. 161)

- The Syracuse revision of the ANSI 117.1 Standard on accessibility should be modified to include special design considerations related to mentally and neurologically handicapped persons, as well as the physically disabled. (p. 163)

- Congress and the Carter Administration should move expeditiously to strengthen the enforcement capabilities of the Architectural and Transportation Barriers Compliance Board. (p. 165)

- A&TBCB should give increased attention to the removal of environmental barriers to participation/utilization by disabled individuals who are ambulatory but, nonetheless, require specific adaptations in their physical environment. (p. 165)

- The Department of Housing and Urban Development should move with all deliberate speed to strengthen the accessibility requirements contained in the Minimum Property Standards. In those instances where the draft revisions to the ANSI A117.1 Standard are imprecise or incomplete, steps should be taken immediately to initiate further research and development activities under Section 507 of the Housing and Urban Development Act of 1970, as amended. (p. 165)

- Based on a careful analysis of the findings and recommendations of its Task Force on Housing Costs, HUD, in collaboration with other interested federal agencies, should move expeditiously to curb the inflationary

costs of constructing federally assisted housing and encourage new and innovative building techniques throughout the housing industry, including techniques which will minimize costs without sacrificing quality and diversity in living environments for handicapped Americans. (p. 167)

- HUD should earmark a portion of the so-called moderate rehabilitation funds, authorized under the Housing and Urban Development Amendments of 1978, for assisting local communities to make a portion of Section 8 existing units accessible to and usable by physically handicapped persons. (p. 168)

Mr. COUGHLIN. We would appreciate it if you would summarize it.

Mr. PERL. I am here representing the Consortium Concerned with the Developmentally Disabled's Task Force on Housing.

My name is Terry Perl, the president of the National Association for Private Facilities for the Mentally Retarded and an operator of community residential services for mentally disabled persons in Maryland.

I am accompanied by Myrl Weinberg, assistant director for the Governmental Affairs Office of the National Association for Retarded Citizens.

It is interesting to note that the five organizations which comprise the Task Force on Housing, the Epilepsy Foundation of America, the National Association for Retarded Citizens, the National Association of Private Residential Facilties for the Mentally Retarded, the National Association of State Mental Retardation Program Directors, and the United Cerebral Palsy Associations represent 2,700 community agencies in 50 States.

In addition, there are 13 other member organizations of the entire Consortium and a substantial number of these five organizations' local affiliates are involved in the housing issue.

In the material which is distributed is a summary of our request. Specifically we are addressing Section 202 direct loan program for elderly and handicapped. We requesting an appropriation of $875 million for the permanent set-aside of at least 20 percent for housing for nonelderly developmentally disabled persons. We are requesting $25 million with that same set-aside provision of at least 20 percent for the same population under the Congregate Housing program.

We are asking your support for the Section 8 rent subsidy appropriation in the amount of $26,517,900, and additionally we are asking your support in Section 106(b) seed money area in the amount of $8.9 million.

With respect to that set-aside provision that I have mentioned, it is interesting to note that a study by the Congressional Budget Office has indicated that substantially greater than 20 percent of the persons who might be eligible for these services, that is, persons who are chronically disabled, requiring long-term care services, under the age of 65, fall between 18 years of age and 64 years of age.

In order to avoid, in the Section 202 arena, competition between elderly and handicapped citizens for support which they require to live dignified and normal, or as normal as possible lives, we are asking for this set-aside provision.

There has been, and we anticipate that there will continue to be, an increased use of the Section 202 provisions by persons who are handicapped or organizations which are sponsoring programs for these persons. The specific reference as to statistics are included in the document.

The Congregate Housing program we believe is an important link in the package of rent subsidization and service provisions. Take an individual—and I am speaking now as a provider—who has resided in a more costly more restricted kind of living environment, such as a State institution; to remove that person from the State institution, which in fact reduces cost, and plop them down

in the community without resource services is not only a disservice to the community but a disservice to the individual. This increases reentry into institutions and ultimately increases cost factors. So we are strongly encouraging continuation and a set-aside under the Congregate Services living provisions.

The Section 8 rent subsidy provision is being utilized to foster independent group residences for handicapped persons in an increasing number. In Pennsylvania, I am sure you are familiar with the utilization of services for the handicapped, many of whom are receiving Section 8 subsidies. Without such subsidization these individuals would be unable to continue to live in the communities.

We are urging the implementation of moderate rehabilitation in order that providers, many of whom are not concerned with organizations and are unable to stand some of the costs of making modifications to conform with codes and various barrier modifications necessary for handicapped people, also be included.

Also, we are asking the continuation and funding of 106(b) so that seed money can be available to some of these same nonprofit organizations to implement the programs under Section 202.

Mr. COUGHLIN. As I understand it, the authorizing committee has provided 850,000 units. Of $800 million, $50 million would be for handicapped.

Mr. PERL. That has been the historical authorization and in fact represents approximately 6.2 percent of the authorization. In fact, the studies which have been done by the Congressional Budget Office indicate that approximately 50 percent of the people who are in need of long-term services fall between the ages of 18 and 64. Consequently there is certainly a substantial number of people, substantially greater than the amount which has been set aside for this population, who are in need of these services. So we feel that some allocation demonstrating recognition would be a fair and equitable system for the developmentally disabled persons in this country.

Ms. WEINBERG. That $50 million was set-aside last year. In fact, the housing for the handicapped amounted to $67 million last year. Two years ago our percentage of the applications that came into the Section 202 program was 5 percent; last year it was 22 percent. The sponsors of housing for the handicapped have just begun to get the expertise and the resources together to go after the housing that they have always needed. We exceeded that $50 million by about $17 million last year, and the elderly groups have met with us, and we have all agreed that we do need a percentage set-aside that will grow with the ceiling under the Section 202 program as it goes up.

Mr. COUGHLIN. You are familiar with the Urban Development Action Grant program?

Ms. WEINBERG. Yes.

Mr. COUGHLIN. Would you recommend that we take the extra $275 million that is being asked for in the Urban Development Action Grant program and apply it to this program?

Ms. WEINBERG. I would rather not take a stance on that. The Urban Development Action Grant program is not the most appropriate resource for housing for handicapped persons. That program

is oriented toward different needs in providing housing for handicapped persons.

Mr. COUGHLIN. I guess we are constantly struggling in this Committee to try and get impressions of orders of priorities from the witnesses that come before us.

Ms. WEINBERG. Our priority is for other programs than that, of course.

Mr. COUGHLIN. So when I ask you if you would prefer to see the $275 million come out of UDAG for this program, I am trying to get what your priorities would be.

Ms. WEINBERG. Our priority is for other programs than that, of course.

Mr. COUGHLIN. So when I ask you, would you prefer to see the $275 million come out of UDAG for this program, I am trying to get what your priorities would be.

Ms. WEINBERG. Our priority would be with the other programs.

Mr. COUGHLIN. Not with UDAG?

Ms. WEINBERG. Right.

Mr. COUGHLIN. The Congregate Services program is a relatively new program, and I guess is of concern at least to this Member of the Committee, because I see the beginning of a program with almost an unlimited growth potential.

Do you feel that way?

Ms. WEINBERG. There is certainly a potential for a large amount of growth, because other programs are not meeting the needs now. I can't make a prediction of exactly how large that program will grow. I know that for us that is the answer to a huge gap in services. There is no question about it. There are limitations, however, in that it is only in home services. In other words, you can't do community-type services. It is just the very basic minimum services that are provided inside the house, so there is that limitation, but it does meet a big need that we have and have had for years.

Mr. COUGHLIN. Do you envision that as becoming a substitute for services that are currently provided in other ways?

Ms. WEINBERG. Not in any way, no. Those services just are not being met by other Federal programs right now. There is a gap. We have housing projects that cannot open because they cannot get a commitment for services dollars.

Mr. COUGHLIN. Food stamps and things like that?

Ms. WEINBERG. For instance, group homes. They are not applicable to our population really. Concerning group homes for handicapped persons in the community, we just met with the food stamp people last week and these people are ineligible for food stamps. We do not get them; not one State has managed to obtain food stamps. That is not a resource for us.

Mr. COUGHLIN. Meals on Wheels is not a resource?

Ms. WEINBERG. Not to any great extent that I am aware of.

Mr. PERL. Our population has not been eligible because of their age or because of their level or type of handicap.

Mr. COUGHLIN. Thank you very much.

Mr. PERL. Thank you for your time, sir.

NATIONAL COUNCIL OF SENIOR CITIZENS

WITNESS

JAMES N. BRODER, NATIONAL COUNCIL OF SENIOR CITIZENS

[The statement follows:]

REMARKS OF

JAMES N. BRODER

LAW OFFICES

MILLMAN BRODER AND CURTIS, P.C.

SPECIAL HOUSING COUNSEL

NATIONAL COUNCIL OF SENIOR CITIZENS

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES

APRIL 24, 1979

46-106 O - 79 - 19

Mr. Chairman, members of the Subcommittee, it is again our pleasure to appear before you on behalf of the National Council of Senior Citizens in supporting the continuation and the strengthening of housing programs to meet the needs of the elderly and handicapped. We appreciate the opportunity to make our views known and to participate with you in this important endeavor.

Our firm is attorney and consultant on over 30 Section 202 projects nation-wide under the new 202 program. This includes experience in nearly every HUD region and with most, though not all, of the Area Offices. Similarly, our experience covers the breadth of housing types from scattered single story cluster developments to high rise developments and from urban to rural areas. Based upon our experience, we feel that the Section 202 program is the most successful HUD housing program yet created and that it is the best vehicle for providing housing for the elderly.

Our message today really has two themes. The first theme relates to the commitment that the Congress has repeatedly made to provide sufficient funding for an adequate supply of specialized housing for the elderly. The second is the necessity to use the limited resources that are available as effectively and efficiently as possible to produce the maximum numbers of housing units without sacrificing quality.

AS THE NEEDS INCREASE -- HUD PRODUCTION DROPS

One of the facts that we face in America today is an ever increasing proportion of older persons. By the year 2000, over thirty million people will be over 65. It is indeed a sad fact that many of this nation's elderly poor were not poor until they got old. Many of the elderly are thrust into poverty once they lose the ability or the opportunity to work. As the proportion of elderly increases our relative commitment to meet their housing needs is decreasing.

The Section 202 program repeatedly cited by Congress as the "primary vehicle" for meeting the housing needs of this nation's elderly, has steadily decreased in the numbers of units reserved. The initial level in excess of 25,000 units in 1976 has dropped to approximately 19,000 units reserved from fiscal 1978 funds. The proposed level for fiscal 1980 is only 17,400 units. Mr. Chairman, we believe that a program level of at least 30,000 units per annum should be established. This would require lending authority to the Department of an additional $1.2 billion.

Although the Section 202 program appears in the budget as an outlay, it must be remembered that these funds are secured by the projects themselves and are repaid with interest at the same rate

at which the funds were borrowed by the government. Therefore, whatever funding level is established, these are not irretrievable outlays by the federal government, but rather investments which, historically have been and will be fully repaid.

We recognize the need of all groups to tighten their belts and absorb a proportional share of budget cuts. But, Mr. Chairman, given the higher costs required to build this years unit next year, a stand pat budge represents a deep cut. When the growing proportion of the elderly in the population is considered, the cuts go well beyond the equitable share one group should be expected to bear. Moreover, new non-202 Section 8 development for the elderly is at a virtual standstill. In Fiscal Year 1979 only 15 Notifications of Fund Availability for elderly housing projects of over 100 units were advertised. Therefore, the 202 program is not only the major vehicle, but virtually the only vehicle active in producing elderly housing today.

STRENGTHENING THE 202/8 TIE

In the Housing and Community Development Act of 1974, the 202 program was restructured to remove the subsidy from the interest rate (from 3% to the government borrowing rate) and to provide for Section 8 assistance to newly constructed 202 projects.

(12 USC 1701 g) Section 8(g) provides:

> "(g) Notwithstanding any other provision of this Act, assistance payments under this section may be provided, in accordance with regulations prescribed by the Secretary, with respect to some or all of the units in any project approved pursuant to section 202 of the Housing Act of 1959."

This tie is critical to the success of the new 202 program and its ability to meet the needs of the low-income elderly and handicapped.

In the Report of the Senate Appropriations Committee (94-974) accompanying the 1977 HUD Appropriations Bill, the Committee expressed its concerns as follows:

> "The Committee recognizes, however, that rent supplementation is vital to the successful operation of those units once constructed. The Committee is concerned that limitations on Section 8 contract authority for new construction may have an adverse affect on the above mentioned 30,000 unit goal. Therefore, notwithstanding any set-asides or limitations on the use of Section 8 authority for new construction or substantial rehabilitation contained in this act of in HUD regulations, it is the intention of this Committee that sufficient Section 8 contract authority be made available in fiscal 1977 for 100 percent of the Section 202 units contemplated." (Emphasis supplied.)

Moreover, a statutory set-aside was established in the Housing and Community Development Act of 1977 to accomplish this goal. The language of the Senate Housing Committee is instructive:

> "While current statutory language makes clear the Congressional intent that Section 8 operating subsidies shall be made available for Section 202 units, the Committee finds that the Department of Housing and Urban Development has not implemented the Section 202/8 program in a manner that fully implements the Congressional intent, expressed in successive

> Senate Appropriations Committee directives, that the Department provide Section 8 assistance for 100 percent of newly constructed Section 202 units. The Committee believes that the set-aside provided in this bill is necessary to ensure that Congressional intent is not thwarted. The Committee also believes that Section 8 assistance should be made available, if necessary, to Section 202 project authorized in Fiscal Years 1976 and 1977, but not yet constructed." (Emphasis supplied.)

In response to these and other Congressional mandates, HUD has now combined the processing under the Section 202 and Section 8 programs into one integrated process whereby at the initial stage a successful applicant has mortgage and subsidy funds reserved simultaneously.

Any waiver from a commitment to provide 100% Section 8 coverage for all 202 units reserved would have two very harmful effects.

First: It would discourage applications from non-profit sponsors dedicated to serving low-income persons and;

Second: It would require a restructuring of the entire HUD processing mechanism which now relies on the combined 202/8 process.

Therefore, in the face of the probable cuts in Section 8 funding in this year's Bill, this Committee should express its commitment to providing sufficient Section 8 authority for 100% of the Section 202 units contemplated.

There is Committee precedent for such an action. I cite page 48 of House Report 95-68, concerning Fiscal Year 1977 supplemental appropriations wherein this committee in cutting an administration supplemental request stated:

> "none of the reduction is intended to be applied to...Section 202 Housing for the Elderly commitments."

GETTING THE MOST BANG FOR THE BUCK

I would now like to address the second important theme of this testimony -- efficiency. It was recently reported that fiscal 1979 outlays under the 202 Program have experienced a shortfall of $561 million -- 80% below government projections.

A shortfall in outlays of this magnitude is unconscionable. I must say that at the end of fiscal 1978 with unprecedented pressure and support from HUD Central, the field offices produced projects at a total level for the year of approximately 25,000 units. Once the fiscal year ended the pressure was off and the field offices simply went back to sleep waiting for next September's crisis. Meanwhile, as costs escalate, projects become significantly more expensive, to the detriment of the government, and the sponsor.

Let me add one additional statistic. In today's highly inflationary setting, a delay of one day increases costs in a typical 202 project some $2,000. That is to say, that the typical Section 8 annual subsidy cost for one unit is matched by a two-day

processing delay by HUD. And as delays continue and costs escalate, projects reach and many times exceed the limits of feasibility established under program guidelines. Yet program limits have not been increased in over two years! These regulatory limits are theoretically to be adjusted to reflect actual costs in an area. However, because of pressure from above to keep overall project costs down, the local high cost factors have not been adjusted for over two years in many areas.

We understand that it is very difficult for an executive department to walk the tightrope between the cost constraints imposed by Congress and OMB, and the actual costs of quality housing. Perhaps it simply costs too much to do it right the first time, but one would hope that new construction supported by Federal dollars will become a long-term part of the housing stock rather than future slums.

TECHNICAL ASSISTANCE TO SPONSORS

We believe it is important to provide a mechanism for additional technical assistance to sponsors. The 202 Program as it existed from 1959 to 1969 was operated with three pages of regulations and a dedicated and highly trained HUD Regional Office staff. However, the annual production of this program was approximately one-fifth of what it is today. As a result of the enormous complexity of the new program as well as the lack of availability of HUD staff, sponsors who do not carry housing

development staffs of their own need to have expert assistance. Minority sponsors feel this need even more than some of the established non-profits who have been in the field for many years.

Given the fact that the 202 program is a non profit program and in order to assure participation by all qualified 202 non profit organizations, it is imperative that the use of housing consultants be continued and encouraged. In recent years, the number of qualified housing consultants in the field has dropped. Not surprisingly, inexperienced and unqualified consultants have moved in to fill this gap. One major factor which reduces the number of qualified consultants willing to enter the 202 program is lack of adequate compensation.

At the same time, standards for qualifications as a consultant should be promulgated. We feel that this would aid the quality of housing, increase the program's rate of success in converting fund reservations to housing starts and reduce the processing time from fund reservation to construction start.

At present, no meaningful financial help is available to non-profit sponsors until well into the development process when many financial commitments have alreay been required. In fact, no significant reimbursement of expenses under the 106(b) Seed Money Loan Program is available until Conditional Commitment has been granted.

While HUD's desire to minimize the risk factor in these loans is understandable, as currently administered, any element of risk is gone and virtually the entire financial burden has fallen on the sponsors.

We would also suggest that this Committee consider providing funding under the 106(a) program for grants to private organizations to provide technical assistance to sponsors.

OPENING UP 202 TO PUBLIC HOUSING AGENCIES AND PROFIT MOTIVATED DEVELOPERS

Although authorized, 202 has never been open to anyone but non-profit sponsors. This policy has been enunciated by appropriations committees annually since the program was re-instituted in 1974.

The demand for the program among non-profit sponsors alone has been enormous. In the previous three years, HUD has received just under 4,000 applications. Of the fundable applications, less than 1/3 have received fund reservations.

Non-profits flock to the 202 program because it is a program designed for them and because they simply have no alternative means of funding. If the program were opened up to public agencies and profit motivated development, the non-profit sponsor would very quickly lose out in the competition to the better financed public

housing authorities or limited dividend sponsor and the entire non-profit motivation would be lost. In addition, the increase in the number of applicants for scarce funds would tax HUD staffs beyond their limits.

Non-profits understand and are thankful that the 202 program provides them with an interest rate pegged at government borrowing and a guarantee of subsidization through Section 8 for the project. Given this assistance, the non-profits can develop this housing for the lowest actual cost, by which I mean the lowest Section 8 cost.

Most 202 projects receive some sort of property tax abatement from local jurisdictions. This would be lost on profit-motivated projects thereby increasing the overall program cost. The profit motivated developers would also receive an additional cash flow for a profit, further increasing program costs. Finally, still another income tax shelter will unnecessarily be created -- unnecessarily, because non-profits are ready, willing, and able to build this housing at no additional cost to the government. Thus, the program would provide a profit motivated developer with a subsidized interest rate, 100% subsidy, cash flow, and income tax shelter. Given the alternative means of financing available to profit motivated development and to public agencies, it is unnecessary, inequitable and uneconomic for the government to provide this kind of additional support to them.

While 202 is intended to be the primary vehicle for providing low-income elderly and handicapped housing, Section 8 serves a broader tenant base. There is a large unfulfilled need to produce

family housing. Broadening the base of 202 sponsors to include profit motivated developers will create another disincentive for private developers and public agencies to meet the need for family housing.

The exclusion of public bodies and profit motivated developers from the program should apply in both urban and rural areas. If there is a shortage of 202 fund reservations granted to rural areas, it probably derives from lack of notice or HUD prejudice against rural developments rather than from a lack of qualified sponsors. Merely opening 202 sponsorships to public bodies will not correct the problem.

When a particular rural locale has no interested or qualified non-profit organization, HUD need merely look on a larger geographic scale. Many county wide or multi-county organizations would make excellent 202 sponsors. At times, even state-wide organizations might be needed to sponsor rural projects. Alternatively, local rural organizations can be encouraged to co-sponsor projects with state-wide or national organizations. Moreover, the Farmers Home Administration already provides an alternative housing source for rural projects which can be sponsored by public bodies. An additional or broader program for such areas is not really needed.

CONGREGATE SERVICES

One aspect of 202 housing which has been ignored until recent times is the social service package necessary for operating a successful Section 202 housing development. This includes meal programs, transportation programs, and other such services. The Congregate Services Act passed last year will go a long way to assuring that these necessary ancillary services are provided to Section 202 tenants. Unfortunately, the budget for this program was cut in another economizing move by the Administration. We think it is imperative that the congregate service program be funded to the extent of its authorization to assure that all possible 202 projects are geared to provide necessary services to their tenants.

Mr. Chairman, I have appreciated the opportunity to appear before you today and will be glad to answer any questions that you or any other members of the Committee might have. Thank you.

Mr. BOLAND. Mr. Broder, you represent the National Council of Senior Citizens?

Mr. BRODER. Yes, sir.

Mr. BOLAND. I assume you appear in reference to the HUD budget?

Mr. BRODER. Yes, sir.

Mr. BOLAND. You may proceed.

Mr. BRODER. Thank you, Mr. Chairman, Mr. Coughlin.

Mr. Chairman, Members of the Subcommittee, it is again our pleasure to appear before you on behalf of the National Council of Senior Citizens in support of the continuation and the strengthening of housing programs to meet the needs of the elderly and handicapped. We appreciate the opportunity to make our views known and to participate with you in this important endeavor.

Our firm is attorney and consultant on over 30 Section 202 projects nationwide under the new Section 202 program. This includes experience in nearly every HUD region and with most, though not all, of the area offices. Similarly, our experience covers the breadth of housing types from scattered single-story cluster developments to high-rise developments, and from urban to rural areas. Based upon our experience, we feel that the Section 202 program is the most successful HUD housing program yet created, and that it is the best vehicle for providing housing for the elderly.

Our message today really has two themes. The first theme relates to the commitment that the Congress has repeatedly made to provide sufficient funding for an adequate supply of specialized housing for the elderly. The second is the necessity to use the limited resources that are available as effectively and efficiently as possible to produce the maximum numbers of housing units without sacrificing quality.

One of the facts that we face in America today is an ever-increasing proportion of older persons. By the year 2000, over 30 million people will be over 65. As the proportion of elderly increases, our relative commitment to meet their housing needs is decreasing.

The Section 202 program, repeatedly cited by Congress as the primary vehicle for meeting the housing needs of this nation's elderly, has steadily decreased in the number of units reserved. The initial level in excess of 25,000 units in 1976 has dropped to approximately 19,000 units reserved with fiscal 1978 funds. The proposed Administration level for fiscal 1980 is only 17,400 units. Mr. Chairman, we believe that a program level of at least 30,000 units per annum should be established. This would require lending authority to the Department of an additional $1.2 billion.

Although the Section 202 program appears in the budget as an outlay, it must be remembered that these funds are secured by the projects themselves and are repaid with interest at the same rate at which the funds were borrowed by the Government. Therefore, whatever funding level is established, these are not irretrievable outlays of the Federal Government, but rather investments which historically have been and will be fully repaid.

We recognize the need of all groups to tighten their belts and absorb a proportional share of budget cuts. But, Mr. Chairman, given the higher costs required to build this year's unit next year,

a stand-pat budget represents a deep cut. When the growing proportion of the elderly in the population is considered, the cuts go well beyond the equitable share one group should be expected to bear. Earlier witnesses have spoken of the number of non-Section 202 units that benefit the elderly. However, if you examine the current year's availability, the elderly housing portion of non-202 Section 8 has come to a virtual standstill. Only 15 such notifications for projects of over 100 units were advertised this year, nationwide.

There were smaller units of 10 to 40, but in substantial units, only 15. Therefore, the 202 program is not only the major vehicle, but virtually the only vehicle active in producing elderly housing today.

In the Housing and Community Development Act of 1974, the 202 program was restructured to remove the subsidy from the interest rate, from 3 percent to the Government borrowing rate, and to provide for Section 8 assistance to newly constructed 202 projects.

This tie is critical to the success of the new 202 program and its ability to meet the needs of the low-income elderly and handicapped persons.

Any waiver from a commitment to provide 100-percent Section 8 coverage for all 202 units reserved would have two very harmful effects.

First: It would discourage applications from nonprofit sponsors dedicated to serving the low-income spectrum; and

Second: It would require a restructuring of the entire HUD processing mechanism which now relies on the combined 202/8 process.

Therefore, in the face of the probable cuts in Section 8 funding in this year's bill, this Committee should express its commitment to providing sufficient Section 8 authority for 100 percent of the total Section 202 units contemplated.

There is Committee precedent for such an action. I cite page 48 of House Report 95-68 concerning fiscal year 1977 supplemental appropriations, wherein this Committee, in cutting an Administration supplemental request stated:

"None of the reduction is intended to be applied to Section 202 housing for the elderly commitments."

I would now like to address the second important theme of this testimony—efficiency. It was recently reported that fiscal 1979 outlays under the 202 program have experienced a shortfall of $561 million—80 percent below Government projections.

A shortfall in outlays of this magnitude is simply unconscionable. I must say that at the end of fiscal 1978 with unprecedented pressure and support from HUD central office, the field offices produced projects at a total level for the year of approximately 25,000 units. Once the fiscal year ended, the pressure was off and the field offices simply went back to sleep waiting for next September's crisis. Meanwhile, as costs escalate, projects become significantly more expensive, to the detriment of the Government and the sponsor.

Let me add one additional statistic. In today's highly inflationary setting, a delay of 1 day increases costs in a typical 202 project by $2,000. That is to say, that the typical Section 8 annual subsidy

cost for one unit is matched by a 2-day processing delay by HUD. And as delays continue and costs escalate, projects reach and many times exceed the limits of feasibility established under program guidelines. The limits have not been increased in over 2 years, yet these regulatory limits are theoretically to be adjusted to reflect actual costs in an area. However, because of pressure from above to keep overall project costs down, the local high-cost factors have not been adjusted, again, for over 2 years in many areas.

We understand that it is very difficult for an Executive department to walk the tightrope between the cost constraints imposed by Congress and OMB, and the actual costs of quality housing. Perhaps it simply costs too much to do it right the first time, but one hopes that new construction supported by Federal dollars will become a long-term part of the housing stock rather than future slums, and that requires quality construction now.

I would like to skip over to the most important topic—opening up 202 to public housing agencies and profit motivated developers.

Although authorized, 202 has never been open to anyone but nonprofit sponsors. This policy has been enunciated by appropriations committees annually since the program was reinstituted in 1974.

The demand for the program among nonprofit sponsors alone has been enormous. In the previous 3 years, HUD has received just under 4,000 applications. Of the fundable applications, less than one-third have received fund reservations.

Nonprofits flock to the 202 program because it is a program designed for them and because they simply have no alternative means of funding. If the program were opened up to public agencies and profit-motivated development, the nonprofit sponsor would very quickly lose out in the competition to the better-financed public housing authorities or limited dividend sponsor. The entire nonprofit motivation would be lost. A previous witness talked about combining the dollars of Government and industry to provide seed money for future development. She said we manage subject to the fiscal concerns. That says to me that we do not run the shop, that design considerations which would provide amenities, profit, becomes the motivation.

Nonprofits understand and are thankful that the 202 program provides them with an interest rate pegged at Government borrowing and a guarantee of subsidization through Section 8 for the project. Given this assistance, the nonprofits can develop this housing for the lowest actual cost, by which I mean the lowest Section 8 cost.

Most 202 projects receive some sort of property tax abatement from local jurisdictions. This would be lost on profit-motivated projects, thereby increasing the overall program cost. The profit-motivated developers would also receive an additional cash flow for a profit, further increasing program costs. Finally, still another income tax shelter will unnecessarily be created—unnecessarily, because nonprofits are ready, willing, and able to build this housing at no additional cost to the Government. Thus, the program would provide a profit-motivated developer with a subsidized interest rate, 100-percent subsidy, cash flow, and income tax shelter. Given the alternative means of financing available to profit-moti-

vated development and to public agencies, it is unnecessary, inequitable, and simply uneconomical for a Government to provide this kind of additional support to them.

While 202 is intended to be the primary vehicle for providing low-income elderly and handicapped housing, Section 8 serves a broader tenant base. As you indicated, Mr. Chairman, there is a large unfulfilled need to produce family housing. Broadening the base of 202 sponsors to include profit-motivated developers will create another disincentive for private developers and public agencies to meet the need for family housing.

The exclusion of public bodies and profit-motivated developers from the program should apply in both urban and rural areas. If there is a shortage of 202 fund reservations granted to rural areas, it probably derives from lack of notice or HUD prejudice against rural developments rather than from a lack of qualified sponsors. Merely opening 202 sponsorships to public bodies will not correct the problem.

When a particular rural locale has no interested or qualified nonprofit organization, HUD need merely look on a larger geographic scale. Many county-wide or multi-county organizations would make excellent 202 sponsors. At times, even state-wide organizations could be utilized. Alternatively, local rural organizations can be encouraged to co-sponsor projects with state-wide or national organizations. Moreover, the Farmers Home Administration already provides an alternative housing source for rural projects which can be sponsored by public bodies. An additional or broader program for such areas is not really needed.

Finally, Mr. Chairman, on the Congregate Services program, one aspect of 202 housing which has been ignored until recent times is the social service package necessary for operating a successful Section 202 housing development. This includes meal programs, transportation programs, and other such services. The Congregate Services Act passed last year will go a long way to assuring that these necessary ancillary services are provided to Section 202 tenants. Unfortunately, the budget for this program was cut in another economizing move by the Administration. We think it is imperative that the Congregate Service program be funded to the extent of its authorization to assure that all possible 202 projects are geared to provide necessary services to their tenants.

Mr. Chairman, I have appreciated the opportunity to appear before you today and will be glad to answer any questions that you or any other Members of the Committee might have. Thank you.

Mr. BOLAND. Thank you very much, Mr. Broder. I think you make a good point with respect to the sponsorship of these programs.

Mr. Coughlin?

Mr. COUGHLIN. I have a message you might take back to the National Council. I take second place to no one in my concern for our senior citizens, but every year your organization puts out a rating of various Members of Congress based on many issues which have no relationship to senior citizens and which completely ignores one of the very, very harshest effects on senior citizens, and that is inflation.

I think you should look at that rating system sometime and really make it relate to senior citizens instead of continuing to put out a biased and fallacious kind of rating.

Mr. BRODER. I will be glad to take that message back.

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

AMERICAN ASSOCIATION OF HOMES FOR THE AGING

WITNESSES

DAVID C. CROWLEY, EXECUTIVE VICE PRESIDENT, AMERICAN ASSOCIATION OF HOMES FOR THE AGING
THOMAS HERMAN

Mr. BOLAND. Now we will turn to the American Association of Homes for the Aging, represented by David C. Crowley. And we understand you are here as to the HUD budget.

Mr. CROWLEY. Yes, and accompanying me is Mr. Thomas Herman.

We have submitted a fairly extensive statement and if it is all right with you, I would like to highlight some of the issues.

Mr. BOLAND. All right.

[The statement follows:]

TESTIMONY OF

DAVID C. CROWLEY

EXECUTIVE VICE PRESIDENT

OF THE

AMERICAN ASSOCIATION OF HOMES

FOR THE AGING

PRESENTED TO THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

HOUSE APPROPRIATIONS COMMITTEE

REGARDING

HUD APPROPRIATIONS FOR HOUSING

AND SERVICES FOR THE ELDERLY

APRIL 24, 1979

Mr. Chairman:

I am David C. Crowley, Executive Vice President of the American Association of Homes for the Aging (AAHA). AAHA represents over 1,600 nonprofit, community-sponsored housing, homes for the aging, and health-related facilities throughout the United States. About 300,000 older Americans live in AAHA member homes which are sponsored by various religious, fraternal, labor, civic, and county organizations.

While our Association has a broad range of interests with respect to meeting the housing and long term care needs of the elderly, I shall concentrate my remarks this afternoon on five specific areas of concern to our members and their residents.

1) the establishment of adequate lending authority for the Section 202 direct loan program for the elderly and handicapped.

2) a continued Committee limitation of funding under the Section 202 program to qualified nonprofit sponsors.

3) a continued linkage of Section 8 set-asides for Section 202 fund reservations.

4) the appropriation of adequate funding for the congregate housing services program.

5) the appropriation of adequate funding to maintain existing levels of Section 8 and public housing programs.

At the outset, Mr. Chairman, please allow me to emphasize certain facts about our aging population:

-- By the year 2000, 30.6 million people will be age 65, or one in eight Americans. This constitutes a 35 per cent increase (eight million persons) over the current population.

-- In 1900, of those classified as elderly, 29 per cent were over the age 75 and 3.9 per cent were over 65. By 1975, 38 per cent were over the age of 75, and 8.4 per cent were over the age of 85.

-- In 1975, four-fifths of all older persons living alone or with non-relatives had annual incomes under $6,000, while less than one-half of non-elderly individuals are in that income category. Combining "poor" and "near poor" categories, we find 25 per cent of all elderly in this category versus 17 per cent for the non-elderly.

These statistics illustrate an ever-increasing aging population, with those over age 85 more than doubling in number. It is clear that our elderly population is becoming increasingly vulnerable to social, health, and economic burdens, and a supportive and specialized living environment is needed by a large number of older persons in order to remain self-sufficient and independent in our society.

With respect to the specific housing problems of the elderly, the following facts are significant:

-- Five million of the 15 million households identified by HUD as in need of housing assistance are elderly. Their problems include both physically-deficient housing -- a potential threat to health -- and housing that costs more than they can afford.

-- Elderly households comprise 17 per cent of all renter households, but they account for 35 per cent of those with incomes below $3,000. In 1976, 1.4 million elderly renters were at this very low income level. Similarly, elderly households are 22 per cent of all owners, but 53 per cent of owners with incomes below $3,000. In 1976, there were 1.6 million elderly owners with incomes below $3,000.

-- Housing is the number one financial expenditure for the elderly. It accounts for over one-third of their budget. The very old -- age 75 and over -- pay 48 per cent of their income for housing.

These facts argue persuasively for the continued development of a specialized and supportive housing environment for elderly persons. If the acute housing needs of the elderly are going to be recognized and addressed, then there must be a continued governmental commitment to a housing program geared specifically to the needs of the elderly. The Section 202 program, one of the primary housing initiatives of the Federal government, has funded the development of these special living arrangements. We believe this program requires continued Congressional commitment in order to meet the growing needs of our elderly population.

From a fiscal standpoint, it is salient to point out that because of inadequate housing, the burden of meeting the needs of the elderly has fallen increasingly on expensive governmental health policies. The third-party payment procedures of the Medicare and Medicaid programs, in conjunction with the lack of housing alternatives, have contributed to an inherent bias toward institutionalization of the elderly. A commitment to a quality housing program for older Americans is needed to lessen the demand on medical facilities, as well as give the elderly an opportunity to remain independent and active in their communities. Furthermore, a continued Federal involvement in providing specialized housing for the elderly can be viewed as an extremely cost-effective way of meeting the overall needs of our elderly population by preventing premature or inappropriate institutionalization.

The Section 202 Direct Loan Program for Elderly and Handicapped Housing

The Section 202 program was established to provide direct 40-year loans for the construction of specialized housing for the elderly and handicapped. This program has been one of the finest Congressional initiatives to address the desperate housing shortages confronting the elderly and handicapped.

We solicit the Subcommittee's approval of lending authority for the program in order to maintain at least its current level of production. Legislation has been introduced and it is being considered by the authorizing Committee for extending the amount of lending authority for the Section 202 program. H. R. 3253 recommends to allocate $875 million for FY 1980, thus continuing the production of approximately 21,000 units, roughly equivalent to projected 1979 levels. The legislative authorization is a request for approval of lending authority. These funds will be returned to the U. S. Treasury with interest. The interest rate for Section 202 sponsors is "the average interest rate on all interest-bearing obligations of the United States then forming a part of the public debt. . ."

Thus, Section 202 loans are repaid at the same rate paid by the government to holders of U. S. bonds. Congress, therefore, is not committing any funds to the Section 202 program that will not ultimately be returned to the U. S. Treasury.

The Administration is proposing that the lending authority for the Section 202 program be continued at the FY 1979 level -- $800 million. HUD is predicting that this will allow for the production of approximately 19,700 units in FY 1980, a decrease of 1,500 units. However, we wish to point out that even this proposed 7 per cent decrease in Federal commitment to the Section 202 program is overly optimistic, since HUD has used an inflation factor of only 4 per cent in making its calculations. Therefore, using the true rate of inflation, it is estimated that only 17,400 units could be funded by the requested $800 million in lending authority. We strongly urge that program production be maintained at its current level, and that the Administration's proposal of $800 million be viewed as too restrictive to meet the housing needs of the elderly and handicapped. In order to sustain the present production levels under the Section 202 program, it will be necessary to approve an $875 million lending authority for FY 1980.

Operation of the Section 202 Program

The Section 202 direct loan program has become the primary Federal financing mechanism for developing housing for the elderly under the auspices of nonprofit, community-based sponsors. Unfortunately, the program has not reached production levels consistent with Congressional expectations. Although this Subcommittee projected the construction of 26,000 units in FY 1978, only 19,973 units were funded. In 1979, the level rose to 21,200 units. These levels have clearly been inadequate to meet the overwhelming needs of the elderly. An indication of this need has been the number of applications for funding submitted to HUD. In the

first operational year of the program, HUD was flooded with over 1,500 applications for Section 202 loans to construct more than 200,000 housing units. In the second year, 1,200 applications to build 180,000 units were received by HUD. Unfortunately, only 200 projects per year could be funded. Clearly, there is a vital need for a continued and sustained funding of the Section 202 direct loan program.

HUD recently conducted an evaluation of the Section 202 program. The Department's overall findings were that the program had produced "good quality, cost-effective and financially viable housing projects for elderly persons." HUD in its report, Housing for the Elderly and Handicapped: The Experience of the Section 202 Program from 1959 to 1977, concludes that:

The program's basic strengths are:

-- it produced highly sought-after housing projects which are generally acceptable to tenants and to the communities in which they are located and which had very low default and foreclosure rates.

-- its projects tend to be sponsored by capable nonprofit organizations which located the buildings in stable and convenient residential neighborhoods and which employed qualified project administrators and managers; and

-- it has provided these resources at a cost which compares favorably with other elderly housing programs and in a manner which efficiently translates the Federal subsidy into below-market rents."

These findings clearly illustrate the positive aspects of the Section 202 program and argue persuasively for a continued Congressional commitment to the program.

Nonprofit Sponsors

The Subcommittee has limited eligibility for Section 202 funding to nonprofit sponsors in order to "ensure that funds will be available to those organizations that can best meet the needs of elderly and handicapped people." We strongly encourage the Subcommittee to continue this restriction.

This limitation has enabled the Section 202 program to become one of HUD's most successful programs to date. In its evaluation, HUD found that "elderly housing projects financed with direct loans under the Section 202 program have shown a high degree of financial viability over the life of the program." This has been due in large part to Section 202 project sponsorship by responsible nonprofit organizations. HUD concluded that ". . . most sponsoring institutions have made many forms of in-kind contributions to their Section 202 projects; about half have given some financial support, and a few make regular financial contributions. Nonprofit sponsors have also assured a community involvement and responsiveness in the development and operation of Section 202 housing."

The nonprofit board of a Section 202 project has a fiduciary relationship with the housing project and the residents served and may be viewed as the community agent ultimately responsible for the overall operation of the project and the well-being of the residents. This community presence is necessary to ensure "accountability" and that appropriate services are rendered to elderly and handicapped residents. The Section 202 program's success may be attributed to a great degree to the fact that nonprofit sponsors have made a long-term commitment to providing housing and services to elderly and handicapped individuals. In order to ensure that this record is continued, and that government funds are utilized in the best way possible, we would encourage the Subcommittee to continue the limitation of eligibility to nonprofit sponsors. The large number of nonprofit organizations which have not been able to construct Section 202 projects because of the limited funding in the past certainly would justify a continuation of the policy of limiting program performance to those who are willing to make a commitment of resources to meet the housing and other needs of the elderly and handicapped without making a profit.

We seek continued Subcommittee commitment to ensure that there is community involvement and responsibility in the development and operation of Section 202-funded housing for the elderly and handicapped.

Linkage with Section 8 Funding

In order to ensure that the Section 202 program serves the elderly and handicapped who are most in need, we would urge a strengthened Subcommittee mandate to linkage of the Section 202 program with the Section 8 housing assistance payment program.

In order to provide a deep subsidy to target the revitalized Section 202 program to the most needy elderly and handicapped, Congress recommended in P. L. 93-383 that the Section 202 program should be linked to the Section 8 housing assistance program, designed to provide housing to low-income individuals. One of the most serious problems threatening the continued success of the Section 202 program in serving the most needy elderly and handicapped is a weakened HUD commitment to providing sufficient Section 8 housing assistance program support. The linkage of Section 8 to the Section 202 program has resulted in making this specialized housing available to many elderly persons who would otherwise not be able to afford such housing. Recent studies have shown that these low income elderly need access to adequate and appropriate housing more than most; many living in substandard and dilapidated structures. Therefore, in order to ensure that the Section 202 program is focused on meeting the housing needs of the most needy, the low income elderly, there must be a continued earmarking of sufficient units of Section 8 for Section 202 housing. We urge the Subcommittee's attention to strengthening the tenuous linkage which presently exists between the Section 8 program and the Section 202 program.

Congregate Housing Services Program

Last year Congress took an historic step in recognizing that congregate services are an essential part of housing serving the elderly and handicapped. By enacting Title IV, The Congregate Housing Services Act, as a part of the Housing and Community Development Amendments of 1978, Congress attempted to ensure that public and Section 202-sponsored housing serving the elderly and handicapped is truly responsive to the needs of these individuals.

There is a desperate need for congregate services in housing in which elderly and handicapped persons reside. A recent study by the International Center for Social Gerontology found that of the over three million elderly persons in need of "assisted living arrangements," almost 2-1/2 million could benefit from congregate housing with accompanying medical and social services. In spite of the fact that various programs have been developed for meeting the housing needs of elderly persons, only an extremely limited number of projects have incorporated congregate services, due to the lack of government funding. This lack of funding has severely hampered the effectiveness of housing programs to meet the range of living needs of elderly persons.

It has been demonstrated that special housing planned and designed for elderly persons, with appropriate supportive services, can prevent premature or inappropriate institutionalization of elderly persons. However, to meet this objective, a variety of health, social, nutritional, and other supportive services must be considered as an integral and essential part of housing for the elderly.

The Congressional Budget Office concluded that "many persons are given intensive institutional care who either need lower levels of institutional care or who might be better off in less formal community settings" if they were available. The Report in concluding that an estimated 1.3 to 1.7 million persons are in need of congregate housing services goes on to state that:

> "Perhaps the single largest factor behind the lack of adequate or appropriate long term care for a large number of the chronically disabled is the general lack of formal alternatives to institutional care."

We believe that government programs for assisting and developing housing for the elderly can effectively fill this void if adequate funding is provided for congregate services. HUD programs could be instrumental in meeting the spectrum of needs of the elderly if they were broadened to incorporate basic congregate services in housing serving the elderly and handicapped.

HUD's Evaluation of the Effectiveness of Congregate Housing for the Elderly favorably concluded that housing with congregate services could effectively meet the needs of elderly residents. The study concluded that facilities with congregate services

> ". . . improve the quality of life (of the elderly) by helping to counteract their social isolation, by providing improved housing for a low income section, by staving off unnecessary and premature institutionalization, and by providing a humane environment in which to grow old."

While the need for congregate housing is overwhelming, and the viability of such living arrangements clearly documented, the lack of consistent funding has stymied the development of housing for the elderly and handicapped, which is more than a roof and four walls. If public housing and Section 202 housing is truly going to serve the elderly and handicapped, then adequate and consistent funding must be made available for incorporating congregate services. HUD in its evaluation of

the Section 202 program found that the average age of residents in 202 projects has "steadily increased," resulting in an increasing need for the provision of specialized services. Coupling this with the fact that over 40 per cent of the residents in public housing are elderly or handicapped, it becomes increasingly clear that congregate housing services must be provided if these individuals are going to continue to remain independent in their homes.

One of the primary arguments in favor of providing congregate services is that such services will enable many elderly persons to avoid inappropriate or premature institutionalization, often at governmental expense. In addition to the social and psychological benefits of keeping elderly persons in their own homes, ". . . congregate sites with medium to high levels of service are less costly than most nursing home alternatives." (Congregate Housing-Shelter With Services, a Report by the Wisconsin Board on Aging) A comparison of costs in various types of facilities serving the elderly indicates that the cost in 1974-1975 of congregate housing with a medium service level was 53 per cent of the national nursing home care cost. It was from 14 to 27 per cent lower than intermediate nursing care cost, and from 65 to 96 per cent below skilled nursing care costs in 1971-1972. (Evaluation of the Effectiveness of Congregate Housing for the Elderly, prepared for HUD by Urban Systems Research and Engineering, October 1976) Thus, it is certainly cost-effective to provide congregate services rather than have elderly persons institutionalized because no care alternatives exist.

Additionally, comparative cost estimates by the Social Security Administration and the International Center for Social Gerontology have indicated that the annual Medicaid cost of maintaining an individual in a nursing home is 5.5 times greater than the cost of providing social services within congregate housing. The provision of congregate services could have a most positive impact on reducing public Medicaid expenditures which are presently over $4.4 billion. (Long Term Actuarial Estimates, Congressional Budget Office, February 1977) In view of the current Congressional debate over controlling escalating health care costs, it certainly seems desirable to consider the development of a much less costly care program which will allow elderly residents in public and Section 202-financed housing to receive congregate services while remaining in their own homes.

Inadequacy of Existing Social Services Programs

The argument has been raised that congregate services can be provided through existing governmental programs and therefore, it is not necessary to implement a new program for providing these services. Unfortunately, this is not the case. Existing programs have not been able to fill the void due to competing priorities and procedural limitations.

A recent survey of public housing projects revealed that in only isolated cases are comprehensive social services being provided to elderly residents. Of the approximately 1,700 public housing projects around the country which are intended to serve elderly persons, only 400 of these facilities provide a nutrition program, funded under Title IV of the Older Americans Act. (Administration on Aging testimony, Senate Special Committee on Aging hearing on Adequacy of Federal Response to Housing Needs of Older Americans) Additionally, while there are approximately 2,700 local housing authorities across the nation, and over 750

with 200 or more units under their management, only one-third of these 750 public housing authorities provide social services under Title III of the Older Americans Act. Also, less than one-tenth of them have executed contracts for the provision of social services under Title XX of the Social Security Act. (Congregate Housing for Older Americans, DHEW Publication OHD 77020284)

The lack of social services in housing serving the elderly is due primarily to limited funding and program variances resulting from shared administrative responsibility among federal, state, and local agencies. Older Americans Act programs only reach a limited number of elderly persons due to the fiscal restraints imposed by current Congressional authorizations. The Title XX program is designed to support a full range of social services needed by all low income persons. Thus, due to the insufficiency of funds necessary to ensure adequate social services for all persons in need, receipt of benefits cannot be guaranteed to frail elderly persons residing in public or Section 202-financed housing.

The Congregate Housing Services Act authorized funding for five years; $25 million for FY 1980. It provided for the awarding of three to five-year contracts to public housing and Section 202 sponsors for the delivery of congregate housing services. Although HUD has delayed in developing the program, we have been assured by the Deputy Assistant Secretary for Public Housing that HUD is projecting that "grants for selected projects (will) be assigned before the 1979 fiscal year expires, utilizing the $1.8 million appropriation for 1979." Thus, HUD has assured us that they plan on operationalizing the program and start funding congregate services in public and Section 202-sponsored housing.

In view of the overwhelming need and demonstrated effectiveness of congregate services, and the fact that existing service programs are not meeting the needs of the elderly and handicapped residing in public and Section 202-sponsored housing, we solicit Subcommittee approval of funding, consistent with the authorizing legislation, for the congregate housing services program in FY 1980. We feel that it is clear that more than a "limited pilot program" was envisioned by Congress in passing the legislation, and if housing is going to provide more than "bricks and mortar" to elderly and handicapped residents, then a more encompassing program should be considered by this Subcommittee.

Section 8 and Public Housing Funding

Finally, we ask this Subcommittee to consider the impact on the elderly of changes in Section 8 and public housing appropriations. At least 45 per cent of public housing's 1,173,000 dwelling units, or 528,000 units are occupied by elderly households. According to HUD, the proportion of elderly households in Section 8 is similar to that in public housing. Thus, at least 300,000 of the 666,603 occupied Section 8 units at the end of 1978 can be assumed to be serving elderly people. When linked with the severe housing needs of the elderly, it is clear that any changes in the funding of the Section 8 and public housing programs will have a profound impact on the elderly, those most vulnerable and most in need of assistance.

We are extremely concerned by the Administration's proposed decrease in funding for housing assistance for low income people. In contrast to the 400,000 units requested by the Administration for 1979 and the 360,000 units which HUD expects to provide, the 1980 budget calls for a decrease to 300,000 units of public housing and Section 8. This decrease will have a disastrous impact on the elderly who are heavily dependent on these programs. We ask for your consideration of the plight of elderly individuals who rely on these housing programs when considering appropriations for these programs.

It has been recommended that the Section 8 new/existing housing mix be changed to 50 per cent new/50 per cent existing. This will have a serious impact upon the elderly. According to HUD, out of the 1.2 million people who have received Section 8 assistance, 500,000 have been elderly or handicapped. Out of the Section 8 funds going for new construction, approximately 360,000 elderly individuals have received assistance, out of a total of 550,000 people, or 60 per cent. Out of the Section 8 funds going for existing housing, only 20 per cent of the 700,000 units were inhabited by elderly persons. Looking at these figures in the context of the 1979 allocation, if there was a mandated 50 per cent new/50 per cent existing Section 8 allocation, there would be a significant reduction of units available to the elderly. Thus, a shift in the mix of the Section 8 allocation could have a most significant impact on the elderly.

It has also been suggested that the present restriction that no more than 25 per cent of a person's income be spent on housing costs be raised to 30 per cent. Today, the majority of elderly persons receiving Section 8 assistance are on fixed incomes, and any increase in their housing costs would cause them undue hardship. Many are already paying in excess of 25 per cent of their income for housing costs when the drastic rise in utility costs is considered. Therefore, any proposal to change the rent-income ratio should be closely considered before it is implemented.

With respect to other aspects of the appropriations for housing during the coming fiscal year, we wish to be associated with the recommendations advanced by the National Coalition for Low and Moderate Income Housing. Without a continued Federal presence in the production of housing and without a continued Federal role in assisting community-responsive involvement in the development of housing, there will be a shifting of fiscal responsibility to more costly alternatives.

In conclusion, I want to mention that we are conscious of the difficult trade-offs being forced on government in order to meet the increasing demands for decent shelter from competing segments of the population. Such needs can be overcome only by a greater Congressional commitment to the national housing goal of suitable housing for every American. However, within this context, it must be recognized that a supportive and specialized living environment is needed by an ever-increasing percentage of our elderly population in order to remain self-sufficient and independent.

A national program focused on meeting the housing needs of the elderly and handicapped must be flexible, both in the types of housing and funding sources that are maee available and in the income eligibility requirements. Housing for older persons must take into consideration the special living environment needs of elderly persons, among the most important of which are medical attention, protective services and social services. The elderly require more than a "bricks

and mortar" approach to housing.

Therefore, we solicit a continued Congressional commitment to the availability of the Section 202 direct loan program for elderly and handicapped housing as the primary Federal financing mechanism for developing housing under the auspices of nonprofit, community-based sponsors. We strongly urge a continued Congressional commitment to present 202 production levels, necessitating a loan authority of approximately $875 million. Additionally, we urge a continued Subcommittee restriction to nonprofit sponsor participation in the Section 202 program and a strengthening of the linkage to the Section 8 housing assistance program. Finally, we urge the appropriation of funding to operationalize the Congregate Housing Services program.

I thank you for the opportunity to testify before this Subcommittee, and would be happy to answer any questions you might have.

Mr. CROWLEY. I am David C. Crowley, executive vice president of the American Association of Homes for the Aging (AAHA). AAHA represents over 1,600 nonprofit, community-sponsored housing, homes for the aging, and health-related facilities throughout the United States. About 300,000 older Americans live in AAHA member homes which are sponsored by various religious, fraternal, labor, civic, and county organizations.

While our association has a broad range of interests with respect to meeting the housing and long-term-care needs of the elderly, I shall concentrate my remarks this afternoon on five specific areas of concern to our members and their residents:

One, the establishment of adequate lending authority for the Section 202 direct loan program for the elderly and handicapped.

Two, a continued Committee limitation of funding under the Section 202 program to qualified nonprofit sponsors.

Three, a continued linkage of Section 8 set-asides for Section 202 fund reservations.

Four, the appropriation of adequate funding for the Congregate Services program; and

Five, the appropriation of adequate funding to maintain existing levels of Section 8 and public housing programs.

We have in our testimony specific salient statistics. These facts argue for support for elderly persons.

From a fiscal standpoint, it is salient to point out that because of inadequate housing, the burden of meeting the needs of the elderly has fallen increasingly on expensive governmental health policies. The third-party payment procedures of the medicare and medicaid programs, in conjunction with the lack of housing alternatives, have contributed to an inherent bias toward institutionalization of the elderly. A commitment to a quality housing program for older Americans is needed to lessen the demand on medical facilities, as well as give the elderly an opportunity to remain independent and active in their communities. Furthermore, a continued Federal involvement in providing specialized housing for the elderly can be viewed as an extremely cost-effective way of meeting the overall needs of our elderly population by preventing premature or inappropriate institutionalization.

The Section 202 program was established to provide direct 40-year loans for the construction of specialized housing for the elderly and handicapped. This program has been one of the finest Congressional initiatives to address the desperate housing shortages confronting the elderly and handicapped.

We solicit the Subcommittee's approval of lending authority for the program in order to maintain at least its current level of production. Legislation has been introduced and it is being considered by the authorizing committee for extending the amount of lending authority for the Section 202 program. H.R. 3253 recommends the allocation of $875 million for fiscal year 1980, thus continuing the production of approximately 21,000 units, roughly equivalent to projected 1979 levels. The legislative authorization is a request for approval of lending authority. These funds will be returned to the U.S. Treasury with interest.

The Administration is proposing that the lending authority for the Section 202 program be continued at the fiscal year 1979

level—$800 million. HUD is predicting that this will allow for the production of approximately 19,700 units in fiscal year 1980, a decrease of 1,500 units. However, we wish to point out that even this proposed 7-percent decrease in Federal commitment to the Section 202 program is overly optimistic, since HUD has used an inflation factor of only 4 percent in making its calculations. In order to sustain the present production levels under the Section 202 program, it will be necessary to approve an $875 million lending authority for fiscal year 1980.

Our second point concerns maintenance of nonprofit sponsors. The Subcommittee has limited eligibility for Section 202 funding to nonprofit sponsors in order to, "Ensure that funds will be available to those organizations that can best meet the needs of elderly and handicapped people."

We strongly encourage the Subcommittee to continue this restriction.

This limitation has enabled the Section 202 program to become one of HUD's most successful programs to date. In its evaluation, HUD found that, "Elderly housing projects financed with direct loans under the Section 202 program have shown a high degree of financial viability over the life of the program."

This has been due in large part to Section 202 project sponsorship by responsible nonprofit organizations. HUD concluded that,

"Most sponsoring institutions have made many forms of in-kind contributions to their Section 202 projects; about half have given some financial support, and a few make regular financial contributions. Nonprofit sponsors have also assured a community involvement and responsiveness in the development and operation of Section 202 housing."

Our third point is linkage with Section 8 funding. In order to ensure that the Section 202 program serves the elderly and handicapped who are most in need, we would urge a strengthened Subcommittee mandate to linkage of the Section 202 program with the Section 8 housing assistance payment program.

In order to provide a subsidy to target the revitalized Section 202 program to the most needy elderly and handicapped, Congress recommended in Public Law 93-383 that the Section 202 program should be linked to the Section 8 housing assistance program, designed to provide housing to low-income individuals. Therefore, in order to ensure that the Section 202 program is focused on meeting the housing needs of the most needy, the low-income elderly, there must be a continued earmarking of sufficient units of Section 8 for Section 202 housing. We urge the Subcommittee's attention to strengthening the tenuous linkage which presently exists between the Section 8 program and the Section 202 program.

Our fourth point concerns Congregate Housing Services program. Last year Congress took an historic step in recognizing that Congregate Services are an essential part of housing serving the elderly and handicapped. By enacting title IV, the Congregate Housing Services Act, as a part of the Housing and Community Development Amendments of 1978, Congress attempted to ensure that public and section 202-sponsored housing serving the elderly and handicapped is truly responsive to the needs of these individuals.

It has been demonstrated that special housing planned and designed for elderly persons, with appropriate supportive services,

can prevent premature or inappropriate institutionalization of elderly persons. However, to meet this objective, a variety of health, social, nutritional, and other supportive services must be considered as an integral and essential part of housing for the elderly.

The Congressional Budget Office concluded that, "Many persons are given intensive institutional care who either need lower levels of institutional care or who might be better off in less formal community settings."

The report concluded that an estimated 1.3 to 1.7 million persons are in need of Congregate Housing Services program.

While the need for congregate housing is overwhelming, and the viability of such living arrangements clearly documented, the lack of consistent funding has stymied the development of housing for the elderly and handicapped, which is more than a roof and four walls. If public housing and Section 202 housing is truly going to serve the elderly and handicapped, then adequate and consistent funding must be made available for incorporating congregate services.

Additionally, comparative cost estimates by the Social Security Administration and the International Center for Social Gerontology have indicated that the annual Medicaid cost of maintaining an individual in a nursing home is 5.5 times greater than the cost of providing social services within congregate housing. In view of the current Congressional debate over controlling escalating health care costs, it certainly seems desirable to consider the development of a much less costly care program which will allow elderly residents in public and Section 202-financed housing to receive congregate services while remaining in their own homes.

Our fifth point, Mr. Chairman, concerns Section 8 and public housing funding. Finally, we ask this Subcommittee to consider the impact on the elderly of changes in Section 8 and public housing appropriations. At least 45 percent of public housing's units, are occupied by elderly households. According to HUD, the proportion of elderly households in Section 8 is similar to that in public housing. Thus, at least 300,000 of the 666,603 occupied Section 8 units at the end of 1978 can be assumed to be serving elderly people.

It has been recommended that the Section 8 new/existing housing mix be changed to 50 percent new/50 percent existing. This will have a serious impact upon the elderly. If there was a mandated 50 percent new/50 percent existing Section 8 allocation, there would be a significant reduction of units available to the elderly. Thus, a shift in the mix of the Section 8 allocation could have a most significant negative impact on the elderly.

In conclusion, I want to mention that we are conscious of the difficult trade-offs being forced on Government in order to meet the increasing demands for decent shelter from competing segments of the population. Such needs can be overcome only by a greater Congressional commitment to the national housing goal of suitable housing for every American. However, within this context, it must be recognized that a supportive and specialized living environment is needed by an ever-increasing percentage of our elderly population in order to maintain self-sufficiency and independence.

We are aware of your commitment and we appreciate your efforts.

Mr. BOLAND. Thank you very much for your statement. It is full and complete.

NATIONAL CENTER FOR URBAN ETHNIC AFFAIRS

WITNESS

JOHN KROMKOWSKI, NATIONAL CENTER FOR URBAN ETHNIC AFFAIRS

Mr. BOLAND. Our next witness for the day is Dr. John Kromkowski, National Center for Urban Ethnic Affairs.

Where are you based?

Dr. KROMKOWSKI. Washington, D.C.

Mr. BOLAND. We will include your statement in the record as you have given it to us. Why don't you highlight it for us?

[The statement follows:]

Testimony

by

Dr. John A. Kromkowski

President

The National Center for Urban Ethnic Affairs

on

Neighborhood Self-Help, Liveable Cities and Consumer Cooperative Bank

Before: HUD-Independent Agency Committee
Honorable Edward P. Boland, Chairman

U.S. Capitol
H-143

April 24, 1979

The National Center for Urban Ethnic Affairs (NCUEA) welcomes and appreciates the opportunity to express our views on three items included in the urban policy: The National Consumer Cooperative Bank, Liveable Cities and Neighborhood Self-Help.

Appropriating sufficient resources for these programs is essential to the vision of a new urban policy which advocates the cooperative efforts of our government, the private sector, and the community sector.

Because these three items, more than any other actions or regulations, are the particularly needed vehicles for an effective community sector, a sector all too often stifled by unrealistic recipies for success, low- and working-class neighborhood associations and organizations across this land support initiatives which enable them to help themselves - The National Consumer Cooperative Bank, Liveable Cities and Neighborhood Self-Help. Prior to an explicit formulation of these initiatives, NCUEA argued that our understanding of the city must be reoriented. Cities are placed where people reside. Too often we have ignored this obvious fact and concentrated our concerns upon the macro economic role played by cities. Recently cities have begun to see this lopsided error. Cities have begun to examine their function in light of the 1960's and 1970's. Both the economic function and the residential function of cities are fundamental. Ultimately, one must ask whether this latter role can be played if a city -- any city -- looses a significant portion of its standard residential neighborhoods. If it does, will the city be able to perform the former role?

All older American cities are faced with neighborhood decay. More importantly, this decay is spreading in ever wider circles. It can be stopped. But to stop it demands a positive, forceful neighborhood support system. It demands neighborhood initiatives that give highest priority to economic development and civic development. To do this, we must reorient our perception of the city by rediscovering an ancient ideal and unashamedly proclaiming that the city, a cluster of neighborhoods, is the cradle of our traditions and our civilization.

The American Revolution which gave birth to our country was fashioned and fought in the cities and towns from Boston to New Orleans. The great American experiment -- liberty and justice for all -- was first experienced by millions of Americans who came to the cities and there developed the rich mixture of human spirit which characterizes the form and style of a fully human life -- an urban civilization. Only cities offer the possibility for the continuation of this full human life through the enhancement of urban fellowship and social development. Only the city can aggregate the fiscal and human resources which enable persons to enjoy their life and work in a framework of civic amenities: well tended lakes and rivers, green areas and parks, distinguished buildings, great universities, libraries and museums, outstanding restaurants, fine music, exciting shops, theater, fountains, art in the streets, opportunities for participatory recreation and spectator sports, signs of the past, historic squares and healthy neighborhoods with diverse traditions, styles and tones of life, and finally articulations of these realities in public institutions through accountable and responsive governments which are attuned and wholly dedicated to the importance of enhancing these civic amenities and the full flowering of the human spirit.

The fact remains, however, that over the decades and even today we have callously abandoned neighborhoods and have thoughtlessly espoused a Candide-like posture of pessimism, anti-urban privatism and self-centered familialism. Until recently, our national urban policy neglected neighborhoods, but since the advent of the neighborhood movement, supported by NCUEA, our cities in modest respects have begun fulfilling their special and unique capacity to enliven the human spirit. However, without organized neighborhoods our cities will not produce the civilizing influences of work, education, art, music, and fellowship that, of necessity, must be located and developed in urban settings.

These problems are often discussed and much research has been directed towards eliminating the urban crisis. Regretably, a recently published HUD study on neighborhood affairs, Methods of Urban Impact Analysis Neighborhood Self-Help Development, suffers from massive experiential ignorance of the importance of neighborhood-based organizations and the plethora of information and recommendations drawn from the field. Let me refer you to the Executive Summary of the Presidential Commission on Neighborhood and apprize you of the existence of as yet unpublished case studies which demonstrate the significant importance of neighborhood groups and institutions to the revitalization effort. These data are needed as a corrective to the pseudo-scientific claims of the HUD study which is laced with Mork and Mindy acronyms, full of abstract, detached and aprioristic reasoning and tragically speaks from the same mentality which produced the bankruptcy of urban programs we suffered in the 1960's. It is time for the national government to support neighborhood groups which have records of initial organizing success, of demonstrable local support, of the rudimentary capacity to deliver urban services and to move toward neighborhood development. It's time to begin transfering our knowledge about successful self-help efforts. It's time to fund, again, The Neighborhood Self-Help Program and to appropriate resources for wider and complimentary activities, i.e., the Consumer Cooperative Bank and Liveable Cities.

Perhaps the failure and frustration of revitalization analysis can be traced to a lack of focus on the ancient distinction between urbs and civitas -- two words which, while they are both translated "city," they were not synonymous for the ancients nor are they synonymous today. Urbs was the place of assembly, the dwelling-place, a sanctuary of the civitas. Civitas was the religious and political association of families and tribes -- the people bound together in civic association. These ancient distinctions are important today because urban research of the ilk cited previously are bankrupt because of their lack of attention to the civitas -- their lack of attention to civic renewal and civic development. By focusing on macro concerns and micro concerns to the exclusion of civic concerns our national urban analysis continues to ignore and by implication continues to destroy the civitas -- the various levels of human scale neighborhood associations which make urban life possible.

Let me speak at this point to the Liveable Cities Program.

Without the Liveable Cities Program our national urban policy will ignore and neglect a basic dimension of community life -- the civitas has been forgotten and nearly has been eclipsed. Of course we cannot deny that neighborhoods have external, physical aspects which need attention. However serious consequences, perhaps fatal results, derive from urban strategies that fail

to recognize that a neighborhood possesses -- in fact is primarily a "little world of meaning." A neighborhood is illuminated with purpose by organized human beings who continuously create this "little world of meaning" through religious and secular symbols, shared experiences, traditions. Further, this "little world of meaning" is not merely an accident or a convenience, but it is the locus of fundamental expereinces which establish our humanity -- our arts, our identity, our historical sense, our cultures. In sum, our urban policy must be rethought and refashioned into a civic policy -- a policy which in broadest outline is cognizant of our civic life and supportive of two preeminent features of civic life which have been thoughtlessly squandered -- our rich variety of human cultural associations and their sustaining structures within our urban neighborhoods. Liveable Cities and Neighborhood Self-Help address this gap and redress the error by supporting neighborhood development.

The fondest of family and community traditions of diverse populations have been nurtured and protected in our urban neighborhoods. The urban neighborhoods have produced civility, order, stability. They were sustained by a delicate network of interpersonal, family, ethnic, cultural, economic, religious, and political relationships. In fact, a good measure of a healthy city is the health and vitality of its various neighborhoods. Liveable Cities and Neighborhood Self-Help address this reality.

The rationale for this position can be simply stated, but it must be examined more carefully, The referent points of the city for most residents can be classified at two levels, a city-wide affiliation, and the neighborhood living experience. The great institutions of the cities with which most people identify are usually of great scale; stadiums, concert halls, museums, universities, and exposition halls. The functions and meaning of these large scale institutions are well known; they are shaped to a large degree by mass media, and frequently the product of specialized studies which have attempted to relate form to function and frequently they are supported by NEA.

The more human scale institutional referent points of the neighborhood are churches, schools, political or fraternal clubs, labor halls, unique ethnic commercial facilities, community centers and the neighborhood organizations. These human scale institutions still need the support of governmental resources and the support of foundations and religious groups. There is a remarkable growth of knowledge and understanding of these vital institutions. We are beginning to grasp the dynamics of neighborhood reality. Liveable Cities Grants would meet these needs.

The cultural dimensions of urban life, which hold large numbers in the embattled neighborhoods who are economically able to leave recently have been seriously examined. We believe a most useful way to begin to understand and enhance urban neighborhood culture is to support the evolution of its institutional life by the development and support of its organic culture, its history, identity and arts. This activity constitutes a new mission area -- a new arena for the incarnation of liberty and justice for all and the Liveable Cities Program and The Neighborhood Self-Help program -- speak to this need. What we don't need is another round of dream-world expectations. We need national initiatives which support efforts of groups on the threshold of revitalization. What NCUEA sees in the low-income and working-class organized neighborhoods is the need for support which enables neighborhood organizations to leverage municipal support and private sector investment. What we need are programs which help us help ourselves.

This brings us squarely to the Consumer Cooperative Bank. This institution, like NCUEA experience with Community Development Credit Unions (CDCU), speaks to the need of neighborhoods to develop their economic capacity. NCUEA is particularly hopeful that the CCB follows our recommendations concerning technical assistance and training.

We at the Community Development Credit Union Institute (CDCU), directed by R. Benjamin Johnson, believe that the success of CDCU's is directly related to training and good solid credit union orientation. Many CDCU's funded during the late 1960's by the Office of Economic Opportunity (OEO) collapsed because of the lack of comprehensive training and orientation for the Official Family (Board of Directors, Credit Committee, Supervisory Committee and Staff). Statistics revealed that those CDCU's which were successful had access to comprehensive training and technical assistance. Those CDCU's which are either struggling to stay solvent or have been liquidated received little or no support. The OEO CDCU experience proves a very interesting point -- that no matter how much grant money is made available to a CDCU, it takes sound management and proper training to make it into a successful neighborhood financial institution.

Although there are training programs aimed at credit unions in general (especially to employee-types which are the largest and most numerous) CDCU's have limited training and technical assistance available to address their specific problems. There are five broad categories of issues common to CDCU's.

- Delinquency rates are high;
- Office procedures are outdated;
- Community development orientation and the field of membership are neither clearly understood nor seen as a resource for the CDCU;
- Goals and objectives have not been established; and,
- Nonmember deposits are not fully understoood and are under-utilized.

CDCU's are uniquely set up to offer payroll deductions to employees within their field of membership, but many are not familiar with the techniques necessary to fully engage in payroll deduction activity. Payroll deductions play an important role in the success of all credit unions, but even more so with CDCU's. Payroll deductions allow for systematic savings to flow into the CDCU's from numerous employers, and unlike employee-type credit unions, they are not adversely affected by temporary layoffs in a given company. Equally important is the fact that CDCU's are able to make credit union services available to companies who, because of their size, are restricted from forming their own credit union (minimum requirement for obtaining an employee credit union charter is 200 employees).

There is certainly nothing mystical about operating a successful credit union. There are techniques, if applied correctly, that make it run smoothly and there are problems which occur, that if left unattended, will destroy the operation.

The Co-Op Bank, through the Office of Self-Help Development and Technical Assistance, has the potential to solidify CDCU's and insure that

they become viable neighborhood financial institutions.

To do this, the Co-Op Bank must be prepared to do its homework to determine how it can supplement the training and technical assistance that is already available.

The fact that credit unions are excluded from participating in all areas of the Co-Op Bank should not and must not be interpreted to mean a lower priority for this type co-op.

Credit unions in many instances, have been the only financial institutions available to co-ops. In fact, some credit unions have directed their portfolios to include special purchase arrangements (i.e., food, appliances, etc.) from co-ops. These special arrangements have generated tremendous savings to their communities by reducing the outlay of capital for higher interest rates. In my opinion, all co-ops would be better served if they had access to a credit union.

In summation, the CDCU Institute proposes the following:

(1) That the Office of Self-Help Development and Technical Assistance give a high priority to credit unions.

(2) That the Office of Self-Help Development and Technical Assistance have, on staff, a person or persons with credit union expertise.

(3) That the Office of Self-Help Development and Technical Assistance form a partnership with existing credit union organizations to determine the technical assistance needs of U.S. credit unions.

(4) That the Office of Self-Help Development and Technical Assistance explore the possibility of establishing a two-week credit union school for credit union managers.

(5) That the Office of Self-Help Development and Technical Assistance serves as a clearinghouse for information involving federal initiatives that impact on neighborhoods (i.e., SBA, guaranteed loans, block grants, housing counseling, rehabilitation programs, etc.).

Finally, the Co-Op Bank can be a breath of fresh air for U.S. consumers. Hopefully, through these hearings, a mechanism will evolve utilizing bonafide expertise that can assist consumers in gaining control over their economic resources. Credit unions have met, and will continue to meet, the financial needs of neighborhoods long abandoned by traditional financial institutions. With the advent of the Co-Op Bank, credit unions can fill the gap and become the cornerstone financial institution for neighborhoods.

In sum, the CCB, Liveable Cities, and Neighborhood Self-Help are investment in neighborhood groups which have begun the process of revitalization. They are workable strategies because they demand a level of committment and expertise which has grown and is growing among neighborhood organizations. What these ventures will not do is to transform forty

years of urban neglect and malaise into instant health and happiness, but these ventures we speak to all neighborhoods that the tasks of revitalization demand their participation and that future urban policy will begin with a careful review of these effects and a systematic examination what the National Neighborhood Commission reported to the President and Congress. At bottom -- neighborhoods are the building blocks of our cities and healthy neighborhoods should be the goal of the national government initiatives. Neighborhood organizations are beginning to do their part; it's time for the national government to help people to help themselves. Appropriating resources for Neighborhood Self-Help, Liveable Cities and the Consumer Cooperative Bank are signs of the accountable and responsive governance this nation needs and desires.

Dr. KROMKOWSKI. It is a pleasure to address you.

It is particularly interesting for me, since I am a relatively new person to this town, and this is the first occasion for me to raise those issues for a constituency which this organization represents.

Our concern is that the experience of the 1960's and 1970's has brought to light a whole new range of neighborhood organizations in the American urban situations. These neighborhood organizations and associations are not the type of organizations which simply organize, and move after mayors and merchants in their communities making charges and creating disruption. Now those organizations have moved to the ability to, in fact, join in the partnership that the national urban policy proclaims, the partnership between our government, the private, and community sectors.

All older urban cities are faced with neighborhood decay. This is spreading in wider circles. It seems to me this is an appropriate time for us to reorient our perception by proclaiming the city which is a cluster of neighborhoods is the cradle of our civilization.

In my text I make an argument which attempts to flesh this out. For far too long we have callously abandoned neighborhoods and have thoughtlessly espoused a Candide-like posture of pessimism, anti-urban privatism, and self-centered familialism. Until recently, our national urban policy neglected neighborhoods, but since the advent of the neighborhood movement, supported by NCUEA, our cities have begun fulfilling their special and unique capacity to enliven the human spirit. However, without organized neighborhoods our cities will not produce the civilizing influences of work, education, art, music, and fellowship that, of necessity, must be located and developed in urban settings.

These problems are often discussed and much research has been directed towards eliminating the urban crisis. Regrettably, a recently published HUD study on neighborhood affairs, *Methods of Urban Impact: Analysis of Neighborhood Self-Help Development,* suffers from massive experiential ignorance of the importance of neighborhood-based organizations and the plethora of information and recommendations drawn from the field. Let me refer you to the *Executive Summary of the Presidential Commission on Neighborhoods* and apprise you of the existence of as yet unpublished case studies which demonstrate the significant importance of neighborhood groups and institutions to the revitalization effort. These data are needed as a corrective to the pseudo-scientific claims of the HUD study which is laced with "Mork and Mindy" acronyms, full of abstract, detached and aprioristic reasoning which tragically speaks from the same mentality which produced the bankruptcy of urban programs we suffered in the 1960's. It is time for the national government to support neighborhood groups which have records of initial organizing success, demonstrable local support, and the rudimentary capacity to deliver urban services and to move toward neighborhood development.

By focusing on macro concerns and micro concerns to the exclusion of civic concerns, our national urban analysis continues to ignore, and by implication continues to destroy, the civitas—the various levels of human scale neighborhood associations which make urban life possible.

Let me speak at this point regarding the Livable Cities program.

Without the Livable Cities program, our national urban policy will ignore and neglect a basic dimension of community life. The civitas has been forgotten and nearly has been eclipsed.

Of course we cannot deny that neighborhoods have external, physical aspects which need attention. However, serious consequences and perhaps fatal results, derive from urban strategies that fail to recognize that the neighborhood is primarily a "little world of meaning."

A neighborhood is illuminated with purpose by organized human beings who continuously create this little world of meaning through religious and secular symbols, shared experiences, traditions.

Further, this little world of meaning is not merely an accident or a convenience, but it is the locus of fundamental experiences which establish our humanity, our arts, our identity, our historical sense, our cultures.

In sum, our urban policy must be rethought and refashioned into a civic policy—a policy which in broadest outline is cognizant of our civic life and supportive of two preeminent features of civic life which have been thoughtlessly squandered—our rich variety of human cultural associations and their sustaining structures within our urban neighborhoods. Livable Cities and Neighborhood Self-Help address this gap and readdress the error by supporting neighborhood development.

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The rationale for this position can be simply stated, but it must be examined more carefully. The referent points of the city for most residents can be classified at two levels, a city-wide affiliation, and the neighborhood living experience. The great institutions of the cities with which most people identify are usually of great scale—stadiums, concert halls, museums, universities, and exposition halls.

The functions and meaning of these large-scale institutions are well known; they are shaped to a large degree by mass media, and frequently the product of specialized studies which have attempted to relate form to function.

The more human scale institutional referent points of the neighborhood are churches, schools, political or fraternal clubs, labor halls, unique ethnic commercial facilities, community centers and the neighborhood organizations. These human scale institutions still need the support of governmental resources and the support of foundations and religious groups. There is a remarkable growth of knowledge and understanding of these vital institutions. We are beginning to grasp the dynamics of neighborhood reality. Livable Cities grants would meet these needs.

The cultural dimensions of urban life, which hold large numbers in the embattled neighborhoods who are economically able to leave

recently have been seriously examined. We believe a most useful way to begin to understand and enhance urban neighborhood culture is to support the evolution of its institutional life by the development and support of its organic culture, its history, identity and arts.

This activity constitutes a new mission area—a new arena for the incarnation of liberty and justice for all—and the Livable Cities program and the Neighborhood Self-Help program speak to this need.

What we don't need is another round of dream world expectations. We need national initiatives which support efforts of groups on the threshold of revitalization. What NCUEA sees in the low income and working class organized neighborhoods is the need for support which enables neighborhood organizations to leverage municipal support and private sector investment. What we need are programs which help us help ourselves.

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Although there are training programs aimed at credit unions in general—especially to employee types which are the largest and most numerous—CDCUs have limited training and technical assistance available to address their specific problems. There are five broad categories of issues common to CDCUs: Delinquency rates are high; office procedures are outdated; community development orientation and the field of membership are neither clearly understood nor seen as a resource for the CDCU; goals and objectives have not been established; and, nonmember deposits are not fully understood and are under-utilized.

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The Co-Op Bank, through the Office of Self-Help Development and Technical Assistance, has the potential to solidify CDCUs and ensure that they become viable neighborhood financial institutions.

To do this, the Co-Op Bank must be prepared to do its homework to determine how it can supplement the training and technical assistance that is already available.

The fact that credit unions are excluded from participating in all areas of the Co-Op Bank should not and must not be interpreted to mean a lower priority for this type co-op.

Credit unions in many instances have been the only financial institutions available to co-ops. In fact, some credit unions have directed their loan portfolios to include special purchase arrangements—i.e., food, appliances, et cetera—from co-ops. These special arrangements have generated tremendous savings to their communities by reducing the outlay of capital for higher interest rates. In my opinion all co-ops would be better served if they had access to a credit union.

In summation, the CDCU Institute proposes the following:

One, that the Office of Self-Help Development and Technical Assistance give a high priority to credit unions.

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Three, that the Office of Self-Help Development and Technical Assistance form a partnership with existing credit union organizations to determine the technical assistance needs of U.S. credit unions.

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In sum, the CCB, Livable Cities, and Neighborhood Self-Help are investments in neighborhood groups which have begun the process of revitalization. They are workable strategies because they demand a level of commitment and expertise which has grown and is growing among neighborhood organizations.

What these ventures will not do is to transform 40 years of urban neglect and malaise into instant health and happiness, but these ventures will speak to all neighborhoods that the tasks of revitalization demand their participation, and that future urban policy will begin with a careful review of these effects, and a systematic examination of what the National Neighborhood Commission reported to the President and Congress. Neighborhoods are the building blocks of our cities, and healthy neighborhoods should be the goal of the national governmental initiatives.

Neighborhood organizations are beginning to do their part; it's time for the national government to help people to help themselves.

Appropriating resources for Neighborhood Self-Help, Livable Cities and Consumer Cooperative Bank are signs of the accountable and responsive governance this nation needs and desires.

Mr. BOLAND. Thank you very much, Dr. Kromkowski, for a rather full and complete statement.

That will finish the hearings for today.

The Committee will adjourn until 10 o'clock tomorrow morning.

Thank you very much.

WEDNESDAY, APRIL 25, 1979.

BUDGET REQUEST FOR THE SELECTIVE SERVICE SYSTEM

WITNESS

HON. ROBIN L. BEARD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. BOLAND. The Committee will come to order.

We are delighted to have with us this morning our colleague from the State of Tennessee, the Honorable Robin Beard, who appears here with reference to the budget request for the Selective Service System.

I want to welcome you, Robin, and I also want to congratulate you on starting the conversation and some controversy, too, in this area. I think, more than anything else, you have started people on the Hill talking about the Selective Service System, and where it ought to go, and where it is headed.

You serve, of course, as a distinguished Member of the Armed Services Committee. Perhaps the real problem is there rather than here, except for funding particular activities that the SSS is now engaged in.

We will be very pleased to hear you at this time.

Mr. BEARD. Mr. Chairman, you are very kind for those most gracious remarks. I appreciate them and appreciate working with you in the past and look forward to it in the future.

I have a short statement.

I would like to ask unanimous consent to have a copy of my prepared statement for today as well as the statement I made before the Armed Services Committee on Military Personnel submitted for the record.

Mr. BOLAND. It will be included in the record as you present it to us.

[The statements follow:]

TESTIMONY OF THE HONORABLE ROBIN L. BEARD BEFORE THE HOUSE APPROPRIATIONS COMMITTEE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

April 25, 1979

Mr. Chairman, I appreciate the opportunity to appear before this Subcommittee to express my support for increased funding levels for the Selective Service system. The need for upgrading the Selective Service's capability to provide the Armed Forces with sufficient manpower within required time limits is well documented. A comparison of present call-up capability with Department of Defense estimates of requirements reveals tremendous shortcomings.

I firmly believe that classification and registration of eligible individuals is needed at this time. However, I consider the Selective Service's request for an additional $1.735 million in supplemental funds and $9.825 million for FY'80 to be a bare-minimum requirement. Studies of our requirements in a NATO war scenario conclude that in the Army alone, we would be 500,000 trained men short at M-day, and close to 1,000,000 short at M+90.

In contrast, a recent GAO report on present Selective Service capabilities stated that the system could provide the first inductee at M+85; 100,000 inductees at M+125; and 480,000 inductees at M+205. Selective Service officials believe that their present budget request would shorten the time in all three of these categories. With the requested funding, the first inductee would come in at M+30, and we could have 100,000 at M+60, and 650,000 at M+180.

Mr. Chairman, I would like to supplement this brief comparison of requirements versus capabilities with a statement which I recently presented before the House Armed Services Committee Personnel Subcommittee. This statement goes into further detail on our established wartime requirements, and I request that it be included in the record of these hearings.

Again, I contend there can be no question that providing increased funding to bring the Selective Service system out of "deep standby" is a badly needed first step in providing for an adequate military manpower defense policy. I urge this Subcommittee to appropriate these funds accordingly.

Thank you.

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Congress of the United States
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STATEMENT OF REP. ROBIN BEARD
before the
HOUSE ARMED SERVICES COMMITTEE
Subcommittee on Military Personnel
April 9, 1979

Last April -- after six months of intensive research -- I released the results of an independent study I commissioned documenting serious manpower shortages in the all-volunteer Army. The study used the Army's own manpower figures and projections. There was no attempt to second-guess the Defense Department on whether their wartime assumptions were adequate for our nation's defense needs. It was the first major study to deal with the all-volunteer force question from a readiness perspective.

The study documented what many of us suspected for a long time: that the manpower shortages were far more critical than the Army or DOD were willing to admit; that the shortages were having a serious detrimental effect on the readiness of our all-volunteer Army; and that the Army and DOD were literally lying to Congress and the American people about the true state of our defense manpower system.

The Army and DOD chose to consistently dispute the report. When questioned by the press, they claimed it was unfair criticism. When questioned by this Committee, they acknowledged some minor problems, and continued to maintain that by the mid-1980's, new incentive programs they developed would solve those manpower shortages.

And then came "Nifty Nugget" -- the Army's 1978 mobilization exercise. "Nifty Nugget" confirmed what my Report had pointed out at least eight months earlier -- that in a matter of a couple of months after the outbreak of hostilities in Europe, the U.S. Army would have a desperate shortage of manpower. And "Nifty Nugget" came up with those results under the most optimal conditions.

For example "Nifty Nugget" assumed all of the resources the Army expects to be available are, in fact, available. It assumed every single body now listed among Army personnel

would be fully trained to perform its MOS. It assumes 95% of its Reserve forces would report for active duty, that 70% of the Individual Ready Reserve would show up and 50% of the Standby Reserve would report. In my opinion, these figures are somewhat inflated. The Army has agreed.

But the most incredible aspect of the "Nifty Nugget" exercise is that there was absolutely no attempt to match the manpower replacement pool with the demand for specific job skills. In effect, the net results of "Nifty Nugget" were meaningless.

When we were briefed on the "Nifty Nugget" exercise, Congressman Sam Stratton and I requested that the figures used for "Nifty Nugget" be expanded for a 90-day war, that the Army count only its trained manpower (i.e. ready for deployment on M-Day), and that the manpower pool be matched to the demand for critical skills.

Again, that information was prepared specifically at our request and was presented to some of the members of this subcommittee on January 25. The results were devastating.

Ninety days into a conflict, we could be more than one million personnel short. But even more critical are the desperate shortages of soldiers in the infantry, armor, artillery and combat specialties. In some critical skill areas, our combat units would have no more than 30% of the trained manpower necessary 90 days into a war.

This would all be compounded by a severe shortage of medical specialists. As you are all aware, the situation is already so critical in this field that the Army cannot provide adequate health care for the peacetime Army now, nor could it provide effective support and evacuation of casualties in time of war.

Ninety days into a war, we'd have less than 40% of the doctors needed, less than 25% of the nurses and less than half of the enlisted medics. In short, the system of military medical care is literally on the verge of collapse. And in a conflict, thousands of American youths would die needlessly because of our lack of preparedness.

What does all this mean?

-- It means that the U.S. military capability to fight a sustained, conventional war is dangerously weak.

-- It means the Selected Reserve and Army National Guard are only marginally effective and could not be mobilized for a timely response to an intense war with little warning. More alarming, both the Selected Reserve and National Guard are getting worse, not better.

-- It means that if we are attacked by major conventional forces, our only alternative would be the use of nuclear weapons -- an irresponsible and dangerous national policy, in my opinion.

The greatest travesty of all is that members of the Armed Services Committee were briefed on these new manpower figures before the Secretary of Defense and Secretary of the Army made their posture reports to Congress. While vague references to the "Nifty Nugget" exercise were buried in the back pages of their reports, there wasn't even an acknowledgement that these new -- much more devastating -- figures existed. When finally confronted with them directly, the Army Secretary absolutely refused to discuss them with the excuse that they are classified. Yet, he did not offer to brief the Committee members in closed session. Why?

I have always respected our classification system. But this is a flagrant abuse of the system and does not serve the national interest. The manner in which this information has been handled is nothing short of a coverup of a national defense scandal.

I had hoped that stonewalling was a word we could have dropped from our vocabulary. But time and again over the past several months we have tried to get the Executive branch to be forthright in stating the actual status of our armed forces. Time and again this challenge has been answered by word games.

As with the budget of any other Federal agency, the American people have a right to know they're not getting

what they think they're getting -- a national defense system capable of meeting its commitments in case of conflict at home and abroad.

Instead, they're getting a "peacetime army" -- a phrase that is nothing more than a euphemism for an army "operating on the brink of defeat."

I do not blame the Army for the state of its readiness. I do blame the OMB and DOD analysts who have operated silently, like an invisible colony of termites, slowly boring away at our defense budget and seriously compromising the readiness of our armed forces in exchange for cost efficiency.

All this has been allowed to happen, of course, because no one in the Administration has had the guts to say we made a mistake. Congress embraced the all-volunteer army after a tragic period in our history. We all wanted it to work, and for the last several years obvious trends were ignored because it was hoped they could be turned around. And we cannot continue to make decisions for our future based on atoning for our mistakes of the past.

The overwhelming evidence of a seriously compromised defense posture and DOD's failure to address the problems has led me to the conclusion that a non-partisan confrontation with DOD is absolutely imperative.

I have introduced legislation calling for the establishment of a Joint Select Committee to conduct a complete analysis of our military manpower system and to make recommendations for solving our critical problems.

Finally, I want to emphasize this is not a call for a return to the draft as we knew it. Rather, this is a call for a thorough examination of many alternatives to the all-volunteer system.

I do not share the Administration's view that abandoning the all-volunteer concept will be political suicide. I believe it may take some educating, but I see increasing evidence that the more the American people know about the situation, the more willing they are to do whatever is necessary to maintain the integrity of our armed services.

Mr. BEARD. I do appreciate the opportunity to appear before this Subcommittee to express my support for increased funding levels for the Selective Service System.

The need for upgrading the Selective Service's capability to provide the Armed Forces with sufficient manpower within required time limits is well documented. A comparison of present call-up capability with Department of Defense estimates of requirements reveals tremendous shortcomings.

I firmly believe that classification and registration of eligible individuals is needed at this time. However, I consider the Selective Service's request for an additional $1.735 million in supplemental funds and $9.825 million for fiscal year 1980 to be a bare minimum requirement.

Studies of our requirements in a NATO war scenario conclude that in the Army alone we would be 500,000 trained men short at M-day, and close to 1,000,000 short at M-plus 90.

In contrast, a recent GAO report on present Selective Service capabilities stated that the system could provide the first inductee at M-plus 85; 100,000 inductees at M-plus 125; and 480,000 inductees at M-plus 205.

Selective Service officials believe that their present budget request would shorten the time in all three of these categories. With the requested funding, the first inductee would come in at M-plus 30, and we could have 100,000 at M-plus 60, and 650,000 at M-plus 180.

Again, I contend there can be no question that providing increased funding to bring the Selective Service system out of deep standby is a badly needed first step in providing for an adequate military manpower defense policy.

I urge this Subcommittee to appropriate these funds accordingly.

Thank you very much.

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

There is certainly no disagreement on this Subcommittee with reference to bringing the Selective Service System out of deep standby.

Last year, as you will recall, the Selective Service requested increase gave us some problem because we felt that increase would be lost without a commitment to registration.

This year, as you have indicated, the Selective Service System is back with a supplemental of approximately $2 million.

We still have some questions, at least I do, with reference to the supplemental; is it truly needed unless we have a Presidential commitment for registration?

That, of course, is within the power of the President. Registration doesn't require any Congressional action. In any event, the money requested for the fiscal 1980 budget, $9,825,000, would bring the Selective Service System out of deep standby.

However, in the hearing with the Selective Service System, it was indicated that the increase above the 1979 budget would give them the opportunity to update and improve their computer system. Without that, it is impossible to run any kind of a Selective Service System.

Mr. BEARD. The Chairman's remarks are very perceptive and to the point when he states that he is somewhat ill at ease about

appropriating dollars without having a commitment by the Administration to go to registration. I appreciate those remarks.

I must say that I share that same information. I am disappointed inasmuch as the Secretary of Defense, Harold Brown, last year before the Armed Services Committee, stated that he would support re-establishing the Selective Service System's capability to begin registration.

He felt it was necessary because of the total lack of ability to bring in enough required people and there was a feeling that by registering that maybe we could at least start recruiting some of these individuals by having them go sign their name.

For no apparent reason I have noticed a fall-back by the Administration on this. I would hope that as we see the problems in the all volunteer service increase that the Members of Congress will place more emphasis and more pressure on the Administration to make a decision on which way to go.

Mr. BOLAND. Is the position of the Department of Defense the same this year as it was last year?

Mr. BEARD. It is very difficult, and I say this representing most of the majority of the Members of the Armed Services Committee. You have every Chief of Staff in the military coming out in the last month and a half and stating that, for the first time, especially in the Air Force, we have not made our numbers.

The Army has had critical problems. Every Chief of Staff stated we need to go back to registration and classification. They are even discussing some form of draft whether it be for reserves, individuals, or whatever. That is one aspect of it.

Then you have Clifford Alexander, the Secretary of the Army, continuing to say it is working and working well, which is just beyond my belief.

The last we have heard, the Secretary of Defense stated that he would support some form of registration. That was last year, but now we hear he doesn't feel that way, that maybe we could have names available from some other computerized list, whether it be Internal Revenue Service or whatever.

Mr. BOLAND. Even if the volunteer service was working well, wouldn't registration be a necessity in order to meet some of the targets?

Mr. BEARD. Without any question. Now we literally don't know where the people are. There is no requirement for registration. We don't know where they are, what their addresses are, or who is capable. I think it is a very irresponsible position.

Mr. BOLAND. Would this funding of $9,825,000 really enable the Selective Service System to bring the first inductees on line with M-plus 30 and 100,000 by M-plus 60?

Mr. BEARD. I think that is being absolutely totally optimistic. They have been between a rock and a hard place. They have been given a mission which they have continuously testified that they cannot accomplish of providing the manpower levels at a given time to the military.

I think it has been very unfair to the Selective Service people and the Director, Mr. Shuck, that we say you will do this and not give them the resources. I think Mr. Shuck and some of the individuals are being somewhat optimistic by saying with this small

budget they would be able to cut the first inductee time down from M-plus 35 to M-plus 30.

Mr. COUGHLIN. I want to welcome Mr. Beard, a fellow Marine, who has much expertise in the field of our Armed Services and on whose advice I rely very heavily.

I am concerned about what you are saying. The concern the Chairman expressed is the same I have had, which is unless we get some guidance from the Administration whether we are going to go to registration or not should we be putting money into this system?

That does indeed put us between a rock and a hard place in terms of where the Selective Service System is going to go. Barring any guidance from the Administration, will they go to registration or not?

Mr. BEARD. I would welcome the way and I have offered a way and I don't know if it would work or not, but the issue or the point that you make is so well taken and the Chairman's point is so well taken.

Here you are, one Subcommittee, and here other subcommittees that are involved, and then you have the Senate side involved and everybody has their own responsibilities and interests and everybody is going off on this tangent and that.

It seems to me that the one way we are going to get this situation resolved is through a joint select committee with people like Congressman Boland, the Chairman of a Committee which is responsible for funding, looking at the whole volunteer concept.

How do we demand? Can we get the Secretary of Defense down here to say what is going to be the policy of the Administration?

I think he owes it to the Chairman before you appropriate the money, in any case. We need to know are we just throwing money out where they are not going to use it effectively? What is the policy? I don't know.

Mr. COUGHLIN. There have been reports we have received in this Committee that the operation of the Selective Service Office consists of a group of people sitting around and shuffling papers at this time because they have no guidance.

Mr. BEARD. That is all they can do. They are a stepchild and they have been treated as one. It is not politically expedient to ever discuss re-initiating the Selective Service. They have been put in a corner and forgotten. But now that the facts are coming out about the all volunteer service, people are starting to look a little more closely.

Mr. COUGHLIN. There have been a number of proposals, as you know, for a universal service program with a number of options that young people could take at this particular period in their lives when they become subject to a universal service program.

Is that being considered actively by your Committee and, if it is, what is your reaction?

Mr. BEARD. It is not being considered actively. It has been referred to our Committee and I think two other Subcommittees on the House side. This points out another reason why I feel, when it comes down to the point of looking for alternatives to the all volunteer service, it is going to have to be done by a joint select committee because there are so many committees that can be involved in universal service.

I think that is definitely one alternative to consider. There could be some problems. The main reason I co-sponsored it is because I am trying to create a forum for debate on the status of the all volunteer service. Alternatives could possibly be the draft for the individual ready reserve, or the draft for reserves only, or a lottery draft with no exemptions for active duty.

I don't know what the solution is but the first step is to get the Department of Defense to acknowledge there is a critical problem.

Mr. COUGHLIN. You feel convinced in your own mind that this additional funding for the Selective Service System could be well used at this time?

Mr. BEARD. Knowing of Mr. Shuck's frustration from the conversations I have had with him, if the Administration did not tie his hands he would get the best return on the dollar. I am not convinced that this piecemeal approach is the best approach, but it is something more than what they have had.

They definitely have needed more, but in all honesty I cannot put out of my mind the concern that has been expressed by you and the Chairman:

Is this premature? Do we need to get a commitment from the Administration on what their policy is going to be?

Mr. COUGHLIN. Thank you.

Mr. BOLAND. Ben?

Mr. STEWART. Mr. Chairman, I am certainly happy to hear Mr. Beard and the rest of you discussing this because it has been a continuing problem. I find this Committee is willing to face the issues and to appropriate what monies are necessary to carry out the solution to any problem.

Nevertheless, everybody wants additional money for their pet projects. I am not referring to you specifically. But with all the various departments asking for more tax dollars, when we come into a meeting of this kind with a request for additional funds and there seems to be no definite direction in which we are going, if we appropriate this money and the money is washed down the drainpipe, so to speak, then we are not discharging our responsibility. We cannot come in here and appropriate money that is not needed.

If we do not appropriate the money and find ourselves short then we are certainly criticized on that. It is really unfair to this Subcommittee, I think, for the various departments which have the responsibility for running these programs to come to us with a less than concrete proposal.

I have no problem with the appropriation, but it does trouble me to take a vote to support a program when no one seems to know where it is going.

Mr. BEARD. I can appreciate the gentleman's concern and frustration. I can identify with that having been on the Armed Services Committee and appropriated hundreds of millions of dollars in research and development of a B-1 bomber and having seen it unilaterally eliminated without getting anything in return. I know the frustration that you would experience and I, as a Member, have experienced that also.

The Director, Mr. Shuck, has testified before this Subcommittee and laid out specific plans for us. I think one of the specific areas would be in the procurement of a computer system that would

allow him, in case of an emergency, to bring recruits on-line or to draft people through the Selective Service System at a much quicker pace. I cannot question that.

Also, it would give him some additional personnel to help implement these programs. He is not just coming in and asking for these additional dollars to do with what they may decide at a later date; he has laid out a plan before this Subcommittee, if I am not mistaken, as to how the dollars will be spent.

Mr. BOLAND. That is true; he has. As you have indicated, most of that increase over last year would be in the area of upgrading computers. I must say that I think the Subcommittee was impressed by Mr. Shuck's testimony when he appeared here in behalf of the budget request.

Robin, thank you very much. It is always a delight to have you.

Mr. BEARD. Thank you very much, Mr. Chairman.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

CAL SUDWEEKS, PRESIDENT, ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS, AND DIRECTOR OF UTAH'S BUREAU OF WATER QUALITY
HAROLD RHODES, ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS
ROBBI SAVAGE, ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS
DICK WHITTINGTON, ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS

Mr. BOLAND. Our next witnesses are all interested in the EPA budget.

We are delighted to welcome Cal Sudweeks, Harold Rhodes, Robbi Savage, and Dick Whittington, representing the Association of State and Interstate Water Pollution Control Administrators.

Mr. SUDWEEKS. I would like to submit my complete statement for the record and summarize it now.

[The statement follows:]

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM CALVIN SUDWEEKS, PRESIDENT OF THE ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS AND DIRECTOR OF UTAH'S BUREAU OF WATER QUALITY.

ON BEHALF OF THE ASSOCIATION (ASIWPCA), WE THANK YOU FOR ALLOWING US TO APPEAR BEFORE YOU THIS MORNING. I WOULD LIKE TO OPEN WITH A STATEMENT FROM GOVERNOR MATHESON, CHAIRMAN OF THE NATIONAL GOVERNORS' ASSOCIATION'S SUB-COMMITTEE ON WATER MANAGEMENT AND GOVERNOR OF THE STATE OF UTAH.

"I AM AWARE THAT THE HOUSE APPROPRIATIONS COMMITTEE IS GIVING SERIOUS CONSIDERATION TO REDUCING THE FY 80 APPROPRIATIONS FOR THE EPA CONSTRUCTION GRANTS PROGRAM BELOW THE $3.8 BILLION LEVEL PROPOSED IN THE PRESIDENT'S BUDGET. ANY REDUCTION FROM WHAT THE PRESIDENT HAS PROPOSED WILL HAVE AN ADVERSE IMPACT UPON UTAH'S CONSTRUCTION GRANTS PROGRAM."

"I RECOGNIZE THAT CONGRESS MUST TRIM THE FEDERAL BUDGET AND THAT THE EPA CONSTRUCTION GRANTS PROGRAM SHOULD NOT BE EXEMPT. HOWEVER, THE PRESIDENT'S PROPOSAL OF $3.8 BILLION ALREADY REFLECTS A 10% CUT FROM THE FY 79 APPROPRIATION OF $4.2 BILLION AND A 24% REDUCTION FROM THE $5 BILLION WHICH CONGRESS AUTHORIZED IN THE CLEAN WATER ACT OF 1977. WHEN INFLATION IS CONSIDERED, THE ACTUAL AMOUNT OF CONSTRUCTION ACTIVITY FUNDABLE AT THE $3.8 BILLION LEVEL WILL BE NEARLY 20% LESS THAN THAT FUNDABLE WITH THE CURRENT YEAR'S APPROPRIATION AND OVER 30% LESS THAN THAT FUNDABLE AT THE AUTHORIZATION LEVEL. TO CUT THIS

PROGRAM BEYOND WHAT HAS BEEN PROPOSED BY THE PRESIDENT WOULD BE TO PLACE DISPROPORTIONATELY HIGH CUTS ON THE NATION'S CLEAN WATER PROGRAM."

A ZERO APPROPRIATION, AS PROPOSED BY THE HOUSE APPROPRIATIONS COMMITTEE SURVEY AND INVESTIGATIONS STAFF, WOULD CAUSE A DELAY OF 6 MAJOR MUNICIPAL SEWAGE TREATMENT PROJECTS IN UTAH ALONE AND WOULD DELAY MANY HUNDREDS OF PROJECTS THROUGHOUT THE COUNTRY. THE PROJECTS IN UTAH WOULD INCLUDE THE LARGE CENTRAL JORDAN REGIONAL PLANT, BEAR LAKE WEST SHORE SEWER DISTRICT, CASTLE VALLEY SEWER DISTRICT, SALT LAKE COUNTY-COTTONWOOD DISTRICT (INTERIM UPGRADING), HURRICANE, AND SPRINGVILLE. WITH THE $3.8 BILLION APPROPRIATION AS PROPOSED IN THE PRESIDENT'S BUDGET ALL OF THESE PROJECTS COULD BE FULLY FUNDED. ANY SIGNIFICANT DECREASES BELOW $3.8 BILLION WOULD RESULT IN DELAYS FOR THE MAJORITY OF THESE PROJECTS. FOR EXAMPLE, SHOULD THE APPROPRIATIONS BE REDUCED TO $3 BILLION ALL OF THE LISTED PROJECTS EXCEPT THE CENTRAL JORDAN REGIONAL PLANT WOULD BE DELAYED. REDUCTIONS BELOW $3 BILLION WOULD RESULT IN ONLY PARTIAL FUNDING OF THE CENTRAL JORDAN REGIONAL PLANT. IT SHOULD BE OBVIOUS THAT SUCH DELAYS WILL RESULT IN VIOLATION OF COMPLIANCE DEADLINES AND CONTINUATION OF LOCAL WATER POLLUTION PROBLEMS. IT ALSO MEANS THAT LOCAL TAXPAYERS WILL HAVE TO PAY MORE FOR THEIR PROJECTS WHEN THEY ARE BUILT DUE TO INFLATIONARY INCREASES ASSOCIATED WITH THE DELAYS.

WE ARE HOPEFUL THAT IN FULFILLING THE CRITICAL AND NECESSARY TASK OF TRIMMING THE FEDERAL BUDGET, CONGRESS WILL NOT

IMPOSE ANY FURTHER CUTS THAN THOSE PROPOSED IN THE PRESIDENT'S BUDGET REQUEST. THE CONSTRUCTION GRANTS PROGRAM HAS BOTH STRONG ENVIRONMENTAL AND ECONOMIC BENEFITS NATIONWIDE AND DELAYS IN THIS PROGRAM COST RATHER THAN SAVE MONEY.

IN THE NAME OF ASIWPCA, I WOULD LIKE TO SUBMIT FOR THE RECORD, AN INFORMATION DOCUMENT PREPARED BY OUR CONSTRUCTION GRANTS TASK FORCE. THIS DOCUMENT OUTLINES THE PROBABLE IMPACTS ON STATES IF THERE IS A REDUCTION IN THE APPROPRIATION FOR THE CONSTRUCTION GRANTS PROGRAM BELOW THE PRESIDENT'S $3.8 BILLION LEVEL.

I THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE COMMITTEE AND I WOULD NOW LIKE TO INTRODUCE HOWARD RHODES FROM THE STATE OF FLORIDA.

Mr. Chairman and Members of the Committee, I am Calvin Sudweeks, President of the Association of State and Interstate Water Pollution Control Administrators and Director of Utah's Bureau of Water Quality.

Mr. BOLAND. How is the water quality in Utah?

Mr. SUDWEEKS. We are working on it.

Mr. BOLAND. Is it getting better?

Mr. SUDWEEKS. Yes, sir; we don't have enough water; that is the major problem.

I would like first of all to open with a statement from Governor Matheson, Chairman of the National Governors' Association's Subcommittee on Water Management, and Governor of the State of Utah:

"I am aware that the House Appropriations Committee is giving serious consideration to reducing the fiscal year 1980 appropriations for the EPA construction grants program below the $3.8 billion level proposed in the President's budget. Any reduction from what the President has proposed will have an adverse impact upon Utah's construction grants program.

I recognize that Congress must trim the Federal budget and that the EPA construction grants program should not be exempt. However, the President's proposal of $3.8 billion already reflects a 10 percent decrease from the fiscal year 1979 appropriation of $4.2 billion and a 24 percent reduction from the $5 billion which Congress authorized in the Clean Water Act of 1977.

When inflation is considered, the actual amount of construction activity fundable at the $3.8 billion level will be nearly 20 percent less than that fundable with the current year's appropriation and over 30 percent less than that fundable at the authorization level. To cut this program beyond what has been proposed by the President would be to place disproportionately high cuts on the Nation's clean water program."

A zero appropriation, as proposed by the House Appropriation Committee Survey and Investigations Staff, would cause a delay of 6 major municipal sewage treatment projects in Utah alone and would delay many hundreds of projects throughout the country.

The projects in Utah would include the large Central Jordan Regional Plant, Bear Lake West Shore Sewer District, Castle Valley Sewer District, Salt Lake County-Cottonwood District (interim upgrading), Hurricane, and Springville. With the $3.8 billion appropriation as proposed in the President's budget all of these projects could be fully funded. Any significant decreases below $3.8 billion would result in delays for the majority of these projects.

For example, should the appropriations be reduced to $3 billion all of the listed projects except the Central Jordan Regional Plant would be delayed. Reductions below $3 billion would result in only partial funding of the Central Jordan Regional Plant.

It should be obvious that such delays will result in violation of compliance deadlines and continuation of local water pollution problems. It also means that local taxpayers will have to pay more for their projects when they are built due to inflationary increases associated with the delays.

We are hopeful that in fulfilling the critical and necessary task of trimming the Federal budget, Congress will not impose any further cuts than those proposed in the President's budget request. The construction grants program has both strong environmental and economic benefits nation-wide and delays in this program cost rather than save money.

In the name of ASIWPCA, I would like to submit for the record an information document prepared by our Construction Grants Task Force. This document outlines the probable impacts on States if there is a reduction in the appropriation for the construction grants program below the President's $3.8 billion level.

[The information follows:]

Association of State and Interstate Water Pollution Control Administrators

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INFORMATION DOCUMENT

FY 1980 APPROPRIATION FOR MUNICIPAL SEWAGE TREATMENT WORKS CONSTRUCTION GRANT PROGRAM

In 1972, Congress passed the Water Pollution Control Act Amendments and committed itself to a massive program to eliminate water pollution and clean up the nation's waters. In 1977, this commitment was re-affirmed with passage of the Clean Water Act.

In the Clean Water Act, Congress authorized $24.5 billion over a 5-year period towards 75 percent grants to municipalities for construction of new or upgraded sewage treatment works. It was envisioned that this would be the first part of a $50 billion, ten-year program to bring about municipal compliance with the goals of the Act.

Actual congressional appropriations, however, have lagged authorizations. Appropriations have gone from $4.5 billion in FY 1978 to $4.2 billion in FY 1979, and the proposal in the President's FY 1980 Budget is to reduce the appropriation to $3.8 billion.

These appropriation levels, without consideration of inflation, would indicate reductions in construction activity of 16% in FY 1979 ($4.2 billion) and 24% in FY 1980 ($3.8 billion), compared to the amount of construction activity authorized in 1977 ($5 billion per year).

The actual reductions in construction activity, considering inflation are 24% in FY 1979 and a proposed 38% in FY 1980. In other words, the President's proposed budget for construction grants will provide for 38% less construction activity towards national clean water goals than was contemplated by Congress when they approved the Clean Water Act in 1977 (see Table 1).

April 20, 1979

STATE OF UTAH

CONSTRUCTION GRANTS

Estimated Number of Projects Funded at Various FY80

Construction Grant Appropriation Levels

National Appropriation (Billions)		Projects Funded	Step	Est. Grant Amount
3.0*	1.	Central Jordan Regional Plant	3	14,000,000
	2.	Bear Lake West Shore Sewer Dist.	3	1,200,000
	3.	Castle Valley SSD	3	500,000
	4.	Salt Lake County - Cottonwood	3	300,000
	5.	Hurricane	3	1,500,000
3.8	6.	Springville	3	750,000
	7.	Magna (Plant)	3	40,000
	8.	Magna I/I	3	100,000
	9.	North Logan	3	800,000
	10.	Mapleton	3	200,000
	11.	Smithfield	3	650,000
4.2	12.	Spanish Valley	3	400,000
4.5	13.	Spanish Fork	3	1,500,000
	14.	Washington	3	1,500,000
5.0	15.	Green River	3	1,000,000

*A national appropriation below 3 billion dollars would allow only partial funding of this project.

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Further cause for concern arises when it is realized that pressures to reduce the nation's budget may cause the already reduced $3.8 billion proposed by the President to be reduced even lower. The staff of the House Appropriations Committee, for example, has recommended that no appropriation be made in FY 1980 for the construction grants program.

The question must be asked: "Is Congress abandoning the national commitment to clean water and the 10-year program that was envisioned when the Clean Water Act was passed?"

The answer to this question will certainly be yes, whether deliberate or not, if the program is continually decelerated by reduced appropriations. The diversion of manpower, interest and enthusiasm which results from lack of adequate federal funding is as effective a way of abandoning the clean water effort as revising the Act.

Continued reduction of appropriated funding levels below those authorized for municipal facilities construction has the following adverse impacts:

- It further delays elimination of water pollution and compliance with the goals of the Clean Water Act. At a $3.8 billion appropriation level approximately 900 projects throughout the country would be delayed due to lack of funds. With a $3.0 billion appropriation, the number of projects delayed would increase to about 1350. If no appropriations were made, some 4,550 projects would be delayed (see Tables 2 and 3). Table 4 shows the impact of various appropriations levels upon each state in relation to the estimated needs of that state to comply with the goals of the Act.

- It increases the total cost of the program. These projects were mandated by the Clean Water Act because they are essential to our national well being. They have to be built eventually. If they are delayed, even greater expenditures will be required when they are built, because of inflationary cost increases. This adversely impacts both the taxpayers in the municipalities where projects are delayed and the nation's taxpayers who contribute 75 percent of the costs of these projects.

- It slows the momentum that has been building since 1972 in the construction, manufacturing and engineering activities associated with the program. This is one of the nation's largest public works programs. Once slowed, it will take years to reestablish the momentum that now exists and achievement of the nation's clean water goals will be delayed even further.

- It delays needed jobs. At an appropriation level of $3.8 billion, some 54,000 jobs will be lost (compared to a $5.0 billion appropriation) and if the appropriation were to drop to $3.0 billion, 90,000 jobs would be lost. Without any appropriation, 225,000 jobs would be lost (see Table 5).

One of the rationalizations offered for reducing the construction grant appropriations is that local planning and design work on grant projects is lagging and if Congress appropriated more money, it would not be expended. The history of the program, however, clearly demonstrates that the amount of money appropriated drives the program. It drives local municipalities and their consultants and State and Federal grant project reviewers towards a goal. It forces them to expedite their activities, and to make tough decisions quickly rather than procrastinate: No one wants to be responsible for losing available Federal funds. A reduction in the appropriation level in anticipation of a reduction in completed grant applications, therefore, becomes a self-fulfilling prophecy.

A number of people have failed to recognize the positive aspects of "keeping pressure on the system" and instead have focused only the negative aspects. They argue that the pressure to obligate grant funds has forced EPA and the states to fund many lower priority and unneeded projects. While some lower priority projects have been funded in the past, such projects have been the exception rather than the rule. The great percentage of the projects funded have been high priority projects necessary for compliance with the goals of the Act, and the pressure associated with obligating the funds has caused these beneficial projects to be constructed earlier and at a lower cost. So the positive aspects of this pressure have far exceeded the negative aspects.

Funding of lower priority and unneeded projects will be essentially eliminated in the future without curtailment of appropriations, as a result of changes in the Clean Water Act of 1977 and more recent changes in EPA's administrative procedures. The enforceable requirements' provision of the Act was specifically designed to eliminate the funding of projects unnecessary to meet the goals of the Act. In addition, new EPA regulations place more stringent restrictions on the development of state priority lists. Finally, a recent Program Requirements Memo will restrict the funding of advanced waste treatment (AWT) projects to those absolutely necessary to improve water quality or protect public health. These direct approaches to the problem of lower priority projects will be far more effective than the indirect approach of reducing the construction grant appropriation and they will allow the positive aspects of the appropriation to remain in effect.

In summary, an adequately funded clean water program provides many benefits to the country. It most certainly provides environmental benefits, but it also provides substantial economic benefits. A fully funded program would provide more than 200,000 jobs, primarily in the private sector in such activities as construction and manufacturing. Many additional jobs are created as these workers spend their earnings for consumer goods and services. With unemployment continuing to be such a significant problem, this secondary benefit of the program cannot be ignored.

To reduce the construction grants appropriation beyond what has been proposed by the President would delay construction of needed water pollution control facilities, increase total program costs, slow the momentum of one of the nation's largest public works programs and result in the loss of many jobs throughout the country.

Note: In January 1979, ASIWPCA surveyed its membership concerning the probable impacts of decreased funding for the construction grants program. This document is based on the results of that survey.

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

Table 1

Adjusted Appropriation Values [a]

Fiscal Year	National Authorization ($B)	Actual Appropriation	Percent of Red. of Approp. from Auth.	Value of Approp. Adjusted for Inflation ($B) [a]	Total Percent Red. of Approp. Incl. Inflation
1978	$4.5	$4.5	0	$4.5	0
1979	5.0	4.2	16	3.8	24
1980	5.0	3.8 [b]	24	3.1	38
1981	5.0	-	-	-	-
1982	5.0	-	-	-	-

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

TABLE 2

REDUCED APPROPRIATION IMPACT SAMPLE [e]
FOR FISCAL YEAR 1980
PROJECT IMPACT

STATE	$5.0B Approp. (0% Reduction)			$4.5B Approp. (10% Reduction)			$4.2B Approp. (16% Reduction)			$3.8B Approp. (24% Reduction)			$3.0B Approp. (40% Reduction)		
	Projs. Funded [a]	Projs. Unfnded	Red. (%)	Projs. Funded [a]	Proj. Unfnded [c]	Red. [f] (%)	Projs Funded [a]	Projs. Unfnded [c]	Red. [f] (%)	Projs. Funded [a]	Projs. Unfnded [c]	Red. [f] (%)	Projs Funded [a]	Projs. Unfnded [c]	Red. [f] (%)
ALABAMA	166	0	0	116	50	30	111	55	33	90	76	46	84	82	49
ALASKA	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0
CALIFORNIA	160	0	0	147	13	8	145	15	9	139	21	13	127	33	2
FLORIDA	149	0	0	126	23	15	115	34	23	103	46	31	73	76	51
GEORGIA	126	0	0	125	1	1	113	13	10	112	14	11	86	40	32
IDAHO	45	0	0	30	15	33	29	16	36	27	18	40	23	22	49
ILLINOIS	109	0	0	88	21	19	82	27	25	59	50	46	40	69	63
INDIANA	165	0	0	164	1	1	163	2	1	141	24	15	123	42	25
MAINE	21	0	0	19	2	10	17	4	19	16	5	24	13	8	38
MARYLAND	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0
MISSOURI	44	0	0	39	5	11	34	10	23	33	11	25	28	16	36
NEBRASKA	62	0	0	56	6	10	50	12	19	45	17	27	37	25	40
NEVADA	12	0	0	12	0	0	9	3	25	5	7	58	2	10	83
OHIO	65	0	0	65	0	0	65	0	0	55	10	15	45	20	31
TEXAS	172	0	0	137	35	20	124	48	28	107	65	38	83	89	52
WASHINGTON	40	0	0	45	3	8	35	5	13	30	10	25	16	24	60
W.VIRGINIA	22	0	0	21	1	5	19	3	14	16	6	27	10	12	55
WISCONSIN	60	0	0	45	15	25	40	20	33	35	25	42	30	30	50
SAMPLE TOTALS	1418 [h]	0	0	1227 [h]	191	13	1151 [h]	267	19	1013 [h]	405	29	820 [h]	598	42

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

Table 3

Projection of Unfunded Projects Nationwide
For Fiscal Year 1980

	1983 Compl. Nds. ($M) 1/	National Nds as a Percent (%) of the Sample States	No. of Unfunded Projects Under Alternative Appropriations 1/				
			$5.0B	$4.5B	$4.2B	$3.8B	$3.0B
SAMPLE STATES 2/	23,916		0	191	267	405	598
NATION	54,071	226	0	432	603	915	1351

TABLE 4

PROGRAM FUNDING NEEDS/AVAILABILITY

Categories I, II & IVB

STATE	Cats. I, II & IVB ($M) k/		FUNDS AVAILABLE														
			$5.0B Approp.			$4.5B Approp.			$4.2B Approp.			$3.8B Approp.			$3.0B Approp.		
	Total	Avg. l/	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($M) State m/ Alloc	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need
ALABAMA	525	140	63	77	45	57	83	41	53	87	38	48	92	34	38	102	27
ALASKA	433	115	25	90	22	23	92	20	21	94	18	19	96	17	15	100	13
ARIZONA	390	104	38	66	37	34	70	33	32	72	31	29	75	28	23	81	22
ARKANSAS	335	89	37	52	42	33	56	37	31	58	35	28	61	31	22	67	25
CALIFORNIA	6297	1679	392	1287	23	353	1326	21	329	1350	20	298	1381	18	235	1444	14
COLORADO	818	218	45	173	21	41	177	19	38	180	17	34	184	16	27	191	12
CONNECTICUT	528	141	55	86	39	49	92	35	46	95	33	42	99	30	33	108	23
DELAWARE	214	57	25	32	44	23	34	40	21	36	37	19	38	33	15	42	26
DIST. OF COLUMBIA	15	4	25	(21)	625	23	(19)	575	21	(17)	525	19	(15)	475	15	(11)	375
FLORIDA	3335	889	189	700	21	170	719	19	159	730	18	144	745	16	114	775	13
GEORGIA	1077	287	96	191	33	86	201	30	80	207	28	73	214	25	57	230	20
HAWAII	660	176	39	137	22	35	141	20	33	143	19	30	146	17	23	153	13
IDAHO	261	70	25	45	36	23	47	33	21	49	30	19	51	27	15	55	21
ILLINOIS	1661	443	256	187	58	231	212	52	215	228	49	195	248	44	154	289	35
INDIANA	893	238	137	101	58	123	115	52	115	123	48	104	134	44	82	156	34
IOWA	698	186	64	122	34	58	128	31	54	132	29	49	137	26	38	148	20
KANSAS	706	188	43	145	23	39	149	21	37	151	20	33	155	18	26	162	14
KENTUCKY	842	225	72	153	32	65	160	29	61	164	27	55	170	24	43	182	19
LOUISIANA	756	202	62	140	31	56	146	28	52	150	26	47	155	23	37	165	18
MAINE	297	79	37	42	47	33	46	42	31	48	39	28	51	35	22	57	28
MARYLAND	1186	316	137	179	43	123	193	39	115	201	36	104	212	33	82	234	26

TABLE 4

PROGRAM FUNDING NEEDS/AVAILABILITY

Categories I, II, & IVB

STATE	Cats. I, II & IVB k/ ($M)		FUNDS AVAILABLE														
			$5.0B Approp.			$4.5B Approp.			$4.2B Approp.			$3.8B Approp.			$3.0B Approp.		
	Total	Avg. l/	($M) State Alloc. m/	Deficit n/	% of Avg. Need o/	($M) State Alloc. m/	Deficit n/	% of Avg. Need o/	($M) State Alloc. m/	Deficit n/	% of Avg. Need o/	($M) State Alloc. m/	Deficit n/	% of Avg. Need o/	($M) State Alloc. m/	Deficit n/	% of Avg Need o/
MASSACHUSETTS	1569	418	146	272	35	131	287	31	122	296	29	111	307	27	87	331	21
MICHIGAN	1818	485	204	281	42	183	302	38	171	314	35	155	331	32	122	363	25
MINNESOTA	964	257	92	165	36	83	174	32	77	180	30	70	187	27	55	202	21
MISSISSIPPI	483	129	48	81	37	43	86	33	40	89	31	36	93	28	29	100	22
MISSOURI	1480	395	123	272	31	111	284	28	103	292	26	94	301	24	74	321	19
MONTANA	63	17	25	(8)	147	23	(6)	135	21	(4)	124	19	(2)	112	15	2	88
NEBRASKA	211	56	27	29	48	24	32	43	23	33	41	21	35	38	16	40	29
NEVADA	219	58	25	33	43	23	35	40	21	37	36	19	39	33	15	43	26
NEW HAMPSHIRE	587	157	43	114	27	39	118	25	37	120	24	33	124	21	26	131	17
NEW JERSEY	2391	638	176	462	28	159	479	25	148	490	23	134	504	21	106	532	17
NEW MEXICO	114	30	25	5	83	23	7	77	21	9	70	19	11	63	15	15	50
NEW YORK	5547	1479	524	955	35	471	1008	32	440	1039	30	398	1081	27	314	1165	21
N. CAROLINA	1043	278	98	180	35	88	190	32	82	196	30	74	204	27	59	219	21
N. DAKOTA	62	17	25	(8)	147	23	(67)	135	21	(4)	124	19	(2)	112	15	2	88
OHIO	2567	685	319	366	47	287	398	42	268	417	39	242	443	35	191	494	28
OKLAHOMA	374	100	46	54	46	41	59	41	38	62	38	35	65	35	28	72	28
OREGON	725	193	64	129	33	58	135	30	54	139	28	49	144	25	38	155	20
PENNSYLVANIA	2167	578	215	363	37	194	384	34	181	397	31	163	415	28	129	449	22
RHODE ISLAND	340	91	26	65	29	23	68	25	22	69	24	20	71	22	16	75	18
S. CAROLINA	472	126	58	68	46	52	74	41	49	77	39	44	82	35	35	91	28
S. DAKOTA	171	46	25	21	54	23	23	50	21	25	46	19	27	41	15	31	33
TENNESSEE	920	245	76	169	31	69	176	28	64	181	26	58	187	24	46	199	19

TABLE 4

PROGRAM FUNDING NEEDS/AVAILABILITY

Categories I, II & IVB

STATE	Cats I, II & IVB k/ ($M)		FUNDS AVAILABLE															
			$5.0B Approp.			$4.5B Approp.			$4.2B Approp.			$3.8B Approp.			$3.0B Approp.		
	Total	Avg.l/	($M) State m/ Alloc.	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg p/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need
TEXAS	2220	592	215	377	36	194	398	33	181	411	31	164	428	28	129	463	22
UTAH	293	78	25	53	32	23	55	29	21	57	27	19	59	24	15	63	19
VERMONT	160	43	25	18	58	23	20	53	21	22	49	19	24	44	15	28	35
VIRGINIA	1282	342	97	245	28	87	255	25	81	261	24	74	268	22	58	284	17
WASHINGTON	1263	337	87	250	26	79	258	23	73	264	22	66	271	20	52	285	15
WEST VIRGINIA	573	153	88	65	58	79	74	52	74	79	48	67	86	44	53	100	35
WISCONSIN	1037	277	96	181	35	87	190	31	81	196	29	73	204	26	58	219	21
WYOMING	61	16	25	(9)	156	23	(7)	144	21	(5)	131	19	(3)	119	15	1	94
PUERTO RICO	676	180	58	122	32	52	128	29	49	131	27	44	136	24	35	145	19
GUAM p/	213	57	17	40	30	15	42	26	14	43	25	13	44	23	10	47	18
VIRGIN ISLANDS																	
AMERICAN SAMOA																	
TRUST TER. OF PAC																	
N. MARIANA IS.																	
TOTALS	53,992	14,399															

Table 5

Jobs Generated by the
Clean Water Grant Program

Appropriation Level ($B)	Jobs Generated Nationwide 9/	Jobs Lost Nationwide
$5.0	224,650	-
4.5	202,185	22,465
4.2	188,706	35,944
3.8	170,734	53,916
3.0	134,790	89,860

FOOTNOTES

a/ The "Needs" costs are all shown in 1978 dollars. Currently the cost of construction for wastewater treatment facilities is inflating at about 10 percent per year (Reference: EPA sewage treatment plant [10.7%] and sewer construction [9.9%] cost index). The appropriations to date have been deflated at this rate to show their buying power.

b/ Taken from the EPA fiscal year 1980 proposed budget.

c/ The eighteen states shown on Table 2 submitted data related to the impact of a reduced appropriation. Specifically the number of projects that would not be funded as a direct result of a reduced appropriation was estimated by the states. The sample states roughly represent a cross-section of the nation and the data was used to project the national impact.

d/ These are state estimates of the number of projects that could be funded with each appropriation alternative.

e/ These are state estimates of the number of projects currently scheduled for grant award, but for which adequate funding will not be available under each appropriation alternative using the number of projects that can be funded with a $5.0B appropriation as a zero base.

f/ Reduction is that number of projects that would not be funded (Projects Unfunded) as a percentage of the projects funded at the $5.0B appropriation level.

g/ Number of projects not known. It is not anticipated that any projects will be delayed by shortage of funding.

h/ This number of projects is for a sample of sixteen states.

i/ Includes only "Needs" categories I, II, and IV. Actual total needs are much higher..

j/ Assuming the sample states are representative of the nation, the data for these states was used to make national projections. The "Needs" (Categories I, II, and IVB only) for the nation is approximately 226 percent of the "Needs" for the sample states. Using this ratio on the number of unfunded projects for the sample states, the number of unfunded projects nationwide was determined.

Footnotes, page 2.

k/ The specific "Needs" alternatives listed should not be considered an accurate representation of the total needs for compliance with the 1983 goal. These needs include only categories I, II, and IVB (secondary treatment or higher than secondary treatment and new interceptors) and should be considered a minimum. The basis for this data is the 1978 "Needs Survey" submitted to Congress on February 10, 1979. Costs shown are in 1978 dollars. The actual buying power will be much less. Inflation for construction of wastewater treatment facilities is currently about 10 percent.

l/ Total needs shown are remaining needs as of January 1, 1978. Assuming the latest date for start of construction (in order to meet compliance by July 1, 1983) is September 30, 1981, only 3.75 years are available for awarding grants. Average annual need, therefore, is total need divided by 3.75.

m/ State allocations were calculated for each appropriation alternative using the methodology prepared by EPA and published in the Federal Register dated November 30, 1978.

n/ Deficit is the difference between the "average" state need and the state allocation. It is an indication of the state's ability to meet the 1983 compliance goal (appropriations are limited to a maximum of $5.0B through FY 1982).

o/ Percent of average need is the state allocation as a percentage of the average annual need.

p/ Includes allotment for Virgin Islands, American Samoa, Trust Territory of the Pacific and Northern Mariana Islands.

q/ Calculated using EPA's estimate of 44,930 jobs generated per billion dollars of Federal grant money.

Mr. SUDWEEKS. Thank you for the opportunity to address the Committee, and I would now like to introduce Howard Rhodes from the State of Florida.

STATEMENT OF MR. RHODES

Mr. RHODES. Mr. Chairman and Members of the Committee, my name is Howard Rhodes.

I am Deputy Director for Water and Special Programs for the Florida Department of Environmental Regulation.

The State of Florida has used the construction grants funds efficiently and effectively for many years. As of this date, all sewage discharges in the State are either being treated to the secondary treatment level or construction grants have been initiated to do so.

In the past, Florida has not spent its money on low priority projects. Instead, we directed our portion of the construction grants funds to solve secondary treatment problems. Having complied with the 1977 secondary treatment requirements of the Clean Water Act and State statutes requiring secondary treatment, Florida now needs to work toward solving other water quality problems, mainly eutrophication.

This problem is accentuated due to the topography and development within the State. Further, there is a need to phase out smaller, inefficient plants in urbanized areas and to sewer high groundwater areas where septic tanks do not work throughout the year. In addition, Florida, like several other Sunbelt States, continues to experience large growth, exerting pressures on local utilities.

Florida has certified and EPA has obligated all of its fiscal year 1978 construction grant funds.

EPA has $32 million of Florida fiscal year 1979 certified projects on hand. Of that they have obligated $2 million to date. The State is continuing to certify projects and without additional projects or cost increases should certify most fiscal year 1979 funds by October 1, 1979.

Contrary to what has been reported, these projects are not low priority projects and we do not plan to certify low priority projects. Our priority system is vigorously adhered to with projects certified in descending order of priority.

If fiscal year 1979 money is fully certified by October 1, 1979, as we expect to be the case, and no construction grant funds are appropriated for fiscal year 1980, any projects in Florida requiring funds in fiscal year 1980 will have to wait at least until October 1, 1980, which will submit our taxpayers to further cost increases. Also, any cost increases to existing projects could cause contracts to be deferred until additional funds are available. Major projects most likely to be negatively impacted include:

[The table follows:]

1.	KEY WEST SEWAGE TREATMENT & REHABILITATION	$14,500,000
2.	JACKSONVILLE SEWAGE TREATMENT	$13,000,000
3.	ST. PETERSBURG SEWAGE TREATMENT, SLUDGE TREATMENT, EFFLUENT DISTRIBUTION	$13,600,000
4.	LARGO INTERCEPTORS	$ 2,400,000
5.	PINELLAS COUNTY SEWAGE TREATMENT, INTERCEPTORS	$ 5,700,000
6.	DADE COUNTY INTERCEPTORS	$11,000,000
7.	BROWARD COUNTY SLUDGE DISPOSAL SYSTEM	$ 7,500,000
8.	PANAMA CITY SEWAGE TREATMENT	$ 4,900,000
9.	ORANGE COUNTY INTERCEPTORS	$16,000,000
10.	CASSLEBERRY, WINTER PARK, MAITLAND INTERCEPTORS	$ 8,183,000
11.	INVERNESS SEWAGE TREATMENT, SPRAY IRRIGATION	$ 2,000,000

Mr. RHODES. We also believe that other projects may accelerate through the process and gain momentum not presently anticipated. This could cause new projects to be in a position to receive a grant sooner than projected.

It is our opinion, and we concur with your investigative staff, that EPA does not have sufficient staff to move the grants program. This deficiency will, no doubt, increase as more projects are submitted for grants. Our State has been frugal and has submitted only quality projects to EPA and we believe it essential that EPA be properly staffed to minimize backlogs in program implementation.

In closing, let me say that without additional appropriations, Florida will halt grant certifications to the EPA by October 1, 1979, and it is likely that EPA will stop grant obligations for Florida by February, 1980. If this happens, construction contracts will probably start slowing down by the end of 1980, which will have a tremendous impact on our ability to implement the requirements of the Clean Water Act.

I thank you for the opportunity to appear before you today and ask that my complete statement be inserted in the record.

[The complete statement follows:]

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS HOWARD RHODES. I AM DEPUTY DIRECTOR FOR WATER AND SPECIAL PROGRAMS FOR THE FLORIDA DEPARTMENT OF ENVIRONMENTAL REGULATION.

THE STATE OF FLORIDA HAS USED THE CONSTRUCTION GRANTS FUNDS EFFICIENTLY AND EFFECTIVELY FOR MANY YEARS. AS OF THIS DATE, ALL SEWAGE DISCHARGES IN THE STATE ARE EITHER BEING TREATED TO THE SECONDARY TREATMENT LEVEL OR CONSTRUCTION GRANTS HAVE BEEN INITIATED TO DO SO. IN THE PAST, FLORIDA HAS NOT SPENT ITS MONEY ON LOW PRIORITY PROJECTS. INSTEAD, WE DIRECTED OUR PORTION OF THE CONSTRUCTION GRANTS FUNDS TO SOLVE SECONDARY TREATMENT PROBLEMS. HAVING COMPLIED WITH THE 1977 SECONDARY TREATMENT REQUIREMENTS OF THE CLEAN WATER ACT AND STATE STATUTES REQUIRING SECONDARY TREATMENT, FLORIDA NOW NEEDS TO WORK TOWARD SOLVING OTHER WATER QUALITY PROBLEMS, MAINLY EUTROPHICATION. THIS PROBLEM IS ACCENTUATED DUE TO THE TOPOGRAPHY AND DEVELOPMENT WITHIN THE STATE. FURTHER, THERE IS A NEED TO PHASE OUT SMALLER, INEFFICIENT PLANTS IN URBANIZED AREAS AND TO SEWER HIGH GROUNDWATER AREAS WHERE SEPTIC TANKS DO NOT WORK THROUGHOUT THE YEAR. IN ADDITION, FLORIDA, LIKE SEVERAL OTHER SUNBELT STATES, CONTINUES TO EXPERIENCE LARGE GROWTH, EXERTING PRESSURES ON LOCAL UTILITIES.

FLORIDA HAS CERTIFIED AND EPA HAS OBLIGATED ALL OF ITS FY 78 CONSTRUCTION GRANT FUNDS.

AND EPA HAS 32 MILLION DOLLARS OF FLORIDA FY 79 CERTIFIED PROJECTS ON HAND. OF THAT THEY HAVE OBLIGATED 2 MILLION DOLLARS TO DATE. THE STATE IS CONTINUING TO CERTIFY PROJECTS AND WITHOUT ADDITIONAL PROJECTS OR COST INCREASES, SHOULD CERTIFY MOST FY 79

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FUNDS BY OCTOBER 1, 1979. CONTRARY TO WHAT HAS BEEN REPORTED, THESE PROJECTS ARE NOT LOW PRIORITY PROJECTS AND WE DO NOT PLAN TO CERTIFY LOW PRIORITY PROJECTS. OUR PRIORITY SYSTEM IS VIGOROUSLY ADHERED TO, WITH PROJECTS CERTIFIED IN DESCENDING ORDER OF PRIORITY.

IF FY 79 MONEY IS FULLY CERTIFIED BY OCTOBER 1, 1979, AS WE EXPECT TO BE THE CASE, AND NO CONSTRUCTION GRANT FUNDS ARE APPROPRIATED FOR FY 80, ANY PROJECTS IN FLORIDA REQUIRING FUNDS IN FY 80 WILL HAVE TO WAIT AT LEAST UNTIL OCTOBER 1, 1980, WHICH WILL SUBMIT OUR TAXPAYERS TO FURTHER COST INCREASES. ALSO, ANY COST INCREASES TO EXISTING PROJECTS COULD CAUSE CONTRACTS TO BE DEFERRED UNTIL ADDITIONAL FUNDS ARE AVAILABLE. MAJOR PROJECTS MOST LIKELY TO BE NEGATIVELY IMPACTED INCLUDE:

1.	KEY WEST SEWAGE TREATMENT & REHABILITATION	$14,500,000
2.	JACKSONVILLE SEWAGE TREATMENT	$13,000,000
3.	ST. PETERSBURG SEWAGE TREATMENT, SLUDGE TREATMENT, EFFLUENT DISTRIBUTION	$13,600,000
4.	LARGO INTERCEPTORS	$ 2,400,000
5.	PINELLAS COUNTY SEWAGE TREATMENT, INTERCEPTORS	$ 5,700,000
6.	DADE COUNTY INTERCEPTORS	$11,000,000
7.	BROWARD COUNTY SLUDGE DISPOSAL SYSTEM	$ 7,500,000

8. Panama City — $ 4,900,000
   Sewage Treatment
9. Orange County — $16,000,000
   Interceptors
10. Cassleberry, Winter Park, Maitland — $ 8,183,000
    Interceptors
11. Inverness — $ 2,000,000
    Sewage Treatment, Spray Irrigation

We also believe that other projects may accelerate through the process and gain momentum not presently anticipated. This could cause new projects to be in a position to receive a grant sooner than projected.

It is our opinion, and we concur with your investigative staff, that EPA does not have sufficient staff to move the Grants Program. This deficiency will, no doubt, increase as more projects are submitted for grants. Our State has been frugal and has submitted only quality projects to EPA and we believe it essential that EPA be properly staffed to minimize backlogs in program implementation.

In closing, let me say that without additional appropriations, Florida will halt grant certifications to the EPA by October 1, 1979, and it is likely that EPA will stop grant obligations for Florida by February 1980. If this happens, construction contracts will probably start slowing down by the end of 1980, which will have a tremendous impact on our ability to implement the requirements of the Clean Water Act.

I THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY AND I WOULD NOW LIKE TO INTRODUCE DICK WHITTINGTON FROM THE STATE OF TEXAS.

Mr. RHODES. I would now like to introduce Dick Whittington from the State of Texas.

Mr. BOLAND. Thank you very much.

Mr. Whittington?

STATEMENT OF MR. WHITTINGTON

Mr. WHITTINGTON. Mr. Chairman and Members of the Committee, I am Dick Whittington, representing the Texas Department of Water Resources.

I want to thank you for the opportunity to appear before the Committee to discuss the appropriation of funds to carry out the construction grants program and the water quality planning program for fiscal year 1980.

EPA and the States have, since 1972, received criticism of their management of both the construction grants program and the water quality planning program.

One factor that has historically hampered management of these programs is an uncertainty whether funds would be available from year to year. In an effort to support improved program management, a five-year funding authorization for the construction grants program was included in the Clean Water Act of 1977. This provision of the Act was strongly supported by everyone associated with the construction grants program.

To accomplish a similar measure of stability in the water quality planning program, EPA developed, in cooperation and consultation with OMB, a five-year funding and management strategy for that program.

The present EPA quality program represents the first visible effects of the commitment to improved management that exists. This improved management is possible as a direct result of the increased stability that a long-term commitment to a reasonable level of funding has brought to these programs. The States, also, now have the ability to substantially improve their management of personnel resources and funding resources because of improved stability of funding.

When a high degree of uncertainty exists each year regarding the future directions of a program, "management by crisis" becomes the rule rather than the exception and optimum use cannot be made of either funds or manpower.

I note that the report of the House Appropriations Committee Surveys and Investigation Staff, which was submitted to the Appropriations Committee on March 9, 1979, recommends that no new budget authorizations for the construction grants and water quality planning programs be authorized for fiscal year 1980.

I am very concerned about the impact of this recommendation on these programs in Texas and on the progress that has been made toward improved project management on a national scale.

The basic concern of the Committee staff in arriving at the recommendation for no new budget appropriations for the construction grants program in fiscal year 1980 appears to be that there are sufficient funds available for obligation to support the program through fiscal year 1980 and, therefore, if additional funds are appropriated at this time, the pressure to obligate this large

amount of funds will result in an inefficient and inappropriate use of the available funds.

The committee staff views the provision of additional funds at this time as being detrimental rather than an asset to the program. While we cannot speak to the situation in other States or regions, it is not true for Texas. In fact, failure to provide additional funds to the program in Texas in fiscal year 1980 will have a marked detrimental effect on the program.

The report states that EPA estimates that only 15 States will obligate any of their 1980 allotment in fiscal year 1980 and that only one State could obligate all of its funds if $3.8 billion were appropriated. Texas is not shown as being able to obligate any funds. I do not know where the information used by EPA was obtained; however, I can assure you that it is not true as far as the State of Texas is concerned.

It may be that the projected schedules of obligations furnished by EPA were based up on historical schedules. If so, it should be emphasized that under the delegated grants program, as it exists today in Texas, historical schedules are no longer representative or realistic.

The availability of sufficient staff, made possible with a delegated program, substantially increases the number of projects that can be processed in a given year. We have analyzed our ability to process projects and obligate available funds based on our experiences to date with the delegated program.

The funds available to us for obligation at the present time total approximately $267.7 million. Of this total amount, $40.5 million are from allocations preceding 1978, $71 million are from fiscal year 1978 funds, and $156.1 million are from fiscal year 1979 funds. It should be noted that we did not receive delegation until fiscal year 1979.

A detailed analysis of grant applications presently received or scheduled to be received by approximately October 1, 1979, indicates that $132.4 million is expected to be obligated during fiscal year 1979. As you can see, this will utilize all of our fiscal year 1978 funds and a significant portion of our fiscal year 1979 funds.

If one assumes that we will continue to obligate projects at our present rate, which is a conservative estimate since we are only at approximately half our estimated staff level for full delegation, we will obligate all of our fiscal year 1979 funds midway through fiscal year 1980.

Since the budgetary and grant award processes frequently delay actual receipt of appropriated funds for four to six months into a fiscal year, it will probably be mid-fiscal year 1981 before we could resume processing grant awards if no additional funds are received during 1980.

During the 12 months between the time we fully utilize 1979 funds and the time fiscal year 1981 funds become available, we will experience two problems: Manpower utilization and increased project costs.

The personnel associated with the application/grant-award process will have to be either dismissed, which means they will be replaced with inexperienced staff when funds are again available,

or transferred to jobs for which they are not as experienced, if suitable vacancies exist which can be filled on a short-term basis.

A 12-month delay in grant awards for projects which are ready to go during that period can increase total project costs by 12 percent or more since the current rate of increase in construction costs is approximately 12 percent per year. Additional delays and associated increased costs may be encountered by these projects if, during the delay, regulations change which require revisions in either step 1 or step 2 documents.

There is no question that there will be sufficient project needs in Texas to warrant an fiscal year 1980 appropriation. We have projected the probable range of our 1980 needs by assuming three different situations for processing grants program documents. These three situations are displayed on the graph submitted for the record.

It should be pointed out that the funding levels projected for each of the three cases do not include funding for the development of the pre-treatment programs required by Federal law and regulations. These programs are anticipated to substantially increase project costs.

To summarize, Texas will have many projects ready to proceed forward in the grants program during fiscal year 1980 and early fiscal year 1981. There will be no funds remaining in our fiscal year 1979 allotment with which to move these projects forward.

An absence of funding during this period would be disruptive to our staff and would decrease our overall efficiency. The disruption in funding would also decrease the number of projects we can fund from our allotment of available funds because of inflation of construction costs during the interim.

In conclusion, with respect to funding for the construction grants program, I would urge the Committee to fund the construction grants program at least to the extent of providing funds to those States which have projects which are ready to proceed through the grants process and which they can, in fact, move forward in a timely fashion.

Where a State has demonstrated that a need exists and where a State has managed their program to effectively and efficiently utilize the funds that have been appropriated by Congress for this purpose, they should not now be penalized with major delays.

It is our recommendation that sufficient funds to support a continuous program in line with the President's budget request be provided to States which are effectively administering their program through an appropriation for fiscal year 1980.

I would now like to introduce Robbi Savage, ASIWPCA's Executive Director.

[Mr. Whittington's full statement follows:]

Mr. Chairman and Members of the Committee, I am Dick Whittington, representing the Texas Department of Water Resources. I want to thank you for the opportunity to appear before the Committee to discuss the appropriation of funds to carry out the Construction Grants Program and the Water Quality Planning Program for fiscal year 1980.

EPA and the States have, since 1972, received criticism of their management of both the Construction Grants Program and the Water Quality Planning Program. One factor that has historically hampered management of these programs is an uncertainty whether funds would be available from year-to-year. In an effort to support improved program management, a five-year funding authorization for the Construction Grants Program was included in the Clean Water Act of 1977. This provision of the Act was strongly supported by everyone associated with the Construction Grants Program. To accomplish a similar measure of stability in the Water Quality Planning Program, EPA developed, in cooperation and consultation with OMB, a five-year funding and management strategy for that program.

The present EPA "Quality" Program represents the first visible effects of the commitment to improved management that exists. This improved management is possible as a direct result of the increased stability that a long-term commitment to a reasonable level of funding has brought to these programs. The States, also, now have the ability to substantially improve their

MANAGEMENT OF PERSONNEL RESOURCES AND FUNDING RESOURCES BECAUSE OF IMPROVED STABILITY OF FUNDING. WHEN A HIGH DEGREE OF UNCERTAINTY EXISTS EACH YEAR REGARDING THE FUTURE DIRECTIONS OF A PROGRAM, "MANAGEMENT BY CRISIS" BECOMES THE RULE RATHER THAN THE EXCEPTION AND OPTIMUM USE CANNOT BE MADE OF EITHER FUNDS OR MANPOWER.

I NOTE THAT THE REPORT OF THE HOUSE APPROPRIATIONS COMMITTEE INVESTIGATIVE STAFF, WHICH WAS SUBMITTED TO THE APPROPRIATIONS COMMITTEE ON MARCH 4, 1979, RECOMMENDS THAT NO NEW BUDGET AUTHORIZATIONS FOR THE CONSTRUCTION GRANTS AND WATER QUALITY PLANNING PROGRAMS BE AUTHORIZED FOR FISCAL YEAR 1980. I AM VERY CONCERNED ABOUT THE IMPACT OF THIS RECOMMENDATION ON THESE PROGRAMS IN TEXAS AND ON THE PROGRESS THAT HAS BEEN MADE TOWARD IMPROVED PROJECT MANAGEMENT ON A NATIONAL SCALE.

THE BASIC CONCERN OF THE COMMITTEE STAFF IN ARRIVING AT THE RECOMMENDATION FOR NO NEW BUDGET APPROPRIATIONS FOR THE CONSTRUCTION GRANTS PROGRAM IN FY 1980 APPEARS TO BE THAT THERE ARE SUFFICIENT FUNDS AVAILABLE FOR OBLIGATION TO SUPPORT THE PROGRAM THROUGH FY 1980; AND, THEREFORE, IF ADDITIONAL FUNDS ARE APPROPRIATED AT THIS TIME, THE PRESSURE TO OBLIGATE THIS LARGE AMOUNT OF FUNDS WILL RESULT IN AN INEFFICIENT AND INAPPROPRIATE USE OF THE AVAILABLE FUNDS. THE COMMITTEE STAFF VIEWS THE PROVISION OF ADDITIONAL FUNDS AT THIS TIME AS BEING DETRIMENTAL RATHER THAN AN ASSET TO THE PROGRAM. WHILE WE CANNOT SPEAK TO THE SITUATION IN OTHER STATES OR REGIONS, IT IS NOT TRUE FOR TEXAS. IN FACT, FAILURE TO PROVIDE ADDITIONAL FUNDS TO THE

PROGRAM IN TEXAS IN FY 1980 WILL HAVE A MARKED DETRIMENTAL EFFECT ON THE PROGRAM.

THE REPORT STATES THAT EPA ESTIMATES THAT ONLY 15 STATES WILL OBLIGATE ANY OF THEIR 1980 ALLOTMENT IN FISCAL YEAR 1980, AND THAT ONLY ONE STATE COULD OBLIGATE ALL OF ITS FUNDS IF $3.8 BILLION WERE APPROPRIATED. TEXAS IS NOT SHOWN AS BEING ABLE TO OBLIGATE ANY FUNDS. I DO NOT KNOW WHERE THE INFORMATION USED BY EPA WAS OBTAINED; HOWEVER, I CAN ASSURE YOU THAT IT IS NOT TRUE AS FAR AS THE STATE OF TEXAS IS CONCERNED. IT MAY BE THAT THE PROJECTED SCHEDULES OF OBLIGATIONS FURNISHED BY EPA WERE BASED UPON HISTORICAL SCHEDULES. IF SO, IT SHOULD BE EMPHASIZED THAT UNDER THE DELEGATED GRANTS PROGRAM, AS IT EXISTS TODAY IN TEXAS, HISTORICAL SCHEDULES ARE NO LONGER REPRESENTATIVE AND REALISTIC. THE AVAILABILITY OF SUFFICIENT STAFF, MADE POSSIBLE WITH A DELEGATED PROGRAM, SUBSTANTIALLY INCREASES THE NUMBER OF PROJECTS THAT CAN BE PROCESSED IN A GIVEN YEAR. WE HAVE ANALYZED OUR ABILITY TO PROCESS PROJECTS AND OBLIGATE AVAILABLE FUNDS BASED ON OUR EXPERIENCES TO DATE WITH THE DELEGATED PROGRAM. THE FUNDS AVAILABLE TO US FOR OBLIGATION AT THE PRESENT TIME TOTAL APPROXIMATELY $267.7 MILLION. OF THIS TOTAL AMOUNT, $40.5 MILLION ARE FROM ALLOCATIONS PRECEDING 1978, $71.0 MILLION ARE FROM FY 1978 FUNDS, AND $156.1 MILLION ARE FROM FY 1979 FUNDS. (IT SHOULD BE NOTED THAT WE DID NOT RECEIVE DELEGATION UNTIL FY 1979.) A DETAILED ANALYSIS OF GRANT APPLICATIONS PRESENTLY RECEIVED OR SCHEDULED TO BE RECEIVED BY APPROXIMATELY OCTOBER 1,

1979, INDICATES THAT $132.4 MILLION ARE EXPECTED TO BE OBLIGATED DURING FISCAL YEAR 1979. AS YOU CAN SEE, THIS WILL UTILIZE ALL OF OUR FY 1978 FUNDS AND A SIGNIFICANT PORTION OF OUR FY 1979 FUNDS.

IF ONE ASSUMES THAT WE WILL CONTINUE TO OBLIGATE PROJECTS AT OUR PRESENT RATE, WHICH IS A CONSERVATIVE ESTIMATE SINCE WE ARE ONLY AT APPROXIMATELY HALF OUR ESTIMATED STAFF LEVEL FOR FULL DELEGATION, WE WILL OBLIGATE ALL OF OUR FY 1979 FUNDS MIDWAY THROUGH FY 1980. SINCE THE BUDGETARY AND GRANT AWARD PROCESSES FREQUENTLY DELAY ACTUAL RECEIPT OF APPROPRIATED FUNDS FOR FOUR TO SIX MONTHS INTO A FISCAL YEAR, IT WILL PROBABLY BE MID-FY 1981 BEFORE WE COULD RESUME PROCESSING GRANT AWARDS IF NO ADDITIONAL FUNDS ARE RECEIVED DURING 1980.

DURING THE 12 MONTHS BETWEEN THE TIME WE FULLY UTILIZE 1979 FUNDS AND THE TIME FY 1981 FUNDS BECOME AVAILABLE, WE WILL EXPERIENCE TWO PROBLEMS: MANPOWER UTILIZATION AND INCREASED PROJECT COSTS. THE PERSONNEL ASSOCIATED WITH THE APPLICATION/GRANT-AWARD PROCESS WILL HAVE TO BE EITHER DISMISSED (WHICH MEANS THEY WILL BE REPLACED WITH INEXPERIENCED STAFF WHEN FUNDS ARE AGAIN AVAILABLE) OR TRANSFERRED TO JOBS FOR WHICH THEY ARE NOT AS EXPERIENCED -- IF SUITABLE VACANCIES EXIST WHICH CAN BE FILLED ON A SHORT-TERM BASIS. A 12-MONTH DELAY IN GRANT AWARDS FOR PROJECTS WHICH ARE READY TO GO DURING THAT PERIOD CAN INCREASE TOTAL PROJECT COSTS BY 12% OR MORE SINCE THE CURRENT RATE OF INCREASE IN CONSTRUCTION COSTS IS APPROXIMATELY 12% PER YEAR. ADDITIONAL DELAYS (AND ASSOCIATED INCREASED COSTS) MAY BE

ENCOUNTERED BY THESE PROJECTS IF, DURING THE DELAY, REGULATIONS CHANGE WHICH REQUIRE REVISIONS IN EITHER STEP 1 OR STEP 2 DOCUMENTS.

THERE IS NO QUESTION THAT THERE WILL BE SUFFICIENT PROJECT NEEDS IN TEXAS TO WARRANT AN FY 1980 APPROPRIATION. WE HAVE PROJECTED THE PROBABLE RANGE OF OUR 1980 NEEDS BY ASSUMING THREE DIFFERENT SITUATIONS FOR PROCESSING GRANTS PROGRAM DOCUMENTS. THESE THREE SITUATIONS ARE DISPLAYED ON THE GRAPH SUBMITTED FOR THE RECORD.

IT SHOULD BE POINTED OUT THAT THE FUNDING LEVELS PROJECTED FOR EACH OF THE THREE CASES DO NOT INCLUDE FUNDING FOR THE DEVELOPMENT OF THE PRETREATMENT PROGRAMS REQUIRED BY FEDERAL LAW AND REGULATIONS. THESE PROGRAMS ARE ANTICIPATED TO SUBSTANTIALLY INCREASE PROJECT COSTS.

TO SUMMARIZE, TEXAS WILL HAVE MANY PROJECTS READY TO PROCEED FORWARD IN THE GRANTS PROGRAM DURING FY 1980 AND EARLY FY 1981. THERE WILL BE NO FUNDS REMAINING IN OUR FY 1979 ALLOTMENT WITH WHICH TO MOVE THESE PROJECTS FORWARD. AN ABSENCE OF FUNDING DURING THIS PERIOD WOULD BE DISRUPTIVE TO OUR STAFF AND WOULD DECREASE OUR OVERALL EFFICIENCY. THE DISRUPTION IN FUNDING WOULD ALSO DECREASE THE NUMBER OF PROJECTS WE CAN FUND FROM OUR ALLOTMENT OF AVAILABLE FUNDS BECAUSE OF INFLATION OF CONSTRUCTION COSTS DURING THE INTERIM.

THE STAFF REPORT REACHES SOME OTHER CONCLUSION REGARDING THE CONSTRUCTION GRANTS PROGRAM WHICH I WOULD LIKE TO COMMENT ON BRIEFLY.

FIRST, THE REPORT NOTES THAT THE AMOUNT OF RECOVERIES FROM PRIOR YEARS HAS CONTINUALLY INCREASED. I CANNOT SPEAK FOR OTHER STATES, BUT THIS SITUATION IS NOT TYPICAL OF TEXAS. I CAN THINK OF ONLY TWO OR THREE CASES IN TEXAS WHERE FUNDS WERE OBLIGATED DURING ONE FISCAL YEAR AND LATER TERMINATED. THE MOST COMMON CAUSE OF DE-OBLIGATION OF FUNDS WAS THE APPLICANT'S INABILITY TO PROVIDE THE 25% LOCAL FUNDING REQUIRED BY THE PROGRAM. WE EXPECT TO HAVE FEWER PROBLEMS OF THIS TYPE IN THE FUTURE SINCE EACH GRANTEE IS NOW REQUIRED, BEFORE A STEP 3 GRANT IS AWARDED, TO DEMONSTRATE THAT THEY HAVE ADEQUATE LOCAL FUNDS IN HAND TO PROVIDE THE LOCAL MATCH. THEREFORE, WE ANTICIPATE FEWER RECOVERIES RATHER THAN MORE IN THE FUTURE.

SECOND, THE REPORT DOCUMENTS AND EXPRESSES CONCERN OVER THE MAJOR INCREASE IN GRANT AWARDS DURING THE LAST MONTH OF EACH FISCAL YEAR WHEN FUNDS ARE ABOUT TO EXPIRE. I BELIEVE THAT THIS CAN BE DIRECTLY ATTRIBUTED TO THE FACT THAT EPA HAS HISTORICALLY HAD INSUFFICIENT MANPOWER TO PROCESS PROJECT APPLICATIONS IN A TIMELY MANNER. IN 1977, CONGRESS SOUGHT TO ALLEVIATE THIS CRITICAL PROBLEM BY PROVIDING FOR DELEGATION OF ADMINISTRATIVE RESPONSIBILITY FOR THE PROGRAM TO THE STATES AND PROVIDING THAT THE STATES COULD USE A PORTION OF THE CONSTRUCTION GRANT FUNDS TO HIRE AND TRAIN ADEQUATE STAFF TO ADMINISTER THE PROGRAM. I BELIEVE THIS TO BE A VERY SOUND SOLUTION TO THE PROBLEM. HOWEVER, I CANNOT EMPHASIZE STRONGLY ENOUGH THAT FOR THE DELEGATION TO WORK EFFECTIVELY THE STATE MUST MAINTAIN A STABLE STAFF. THIS CAN ONLY BE ACCOMPLISHED BY CONTINUOUS FUNDING OF THE PROGRAM SO THAT WE ARE NOT CONSTANTLY HIRING, FIRING, AND RE-TRAINING.

THIRD, THE REPORT EXPRESSES CONCERN THAT, AS A REALLOTMENT DEADLINE APPROACHES, LOW PRIORITY PROJECTS ARE FUNDED. I AM NOT SURE THAT THIS IS A CAUSE FOR CONCERN. REGULATIONS REQUIRE THE PRIORITY LIST TO BE CONSISTENT WITH THE STATE'S NEEDS INVENTORY. FURTHER, EPA REVIEWS EACH STATE'S PRIORITY LIST TO ENSURE THAT IT IS DESIGNED TO OBTAIN COMPLIANCE WITH THE ENFORCEABLE PROVISIONS OF THE ACT. THUS, GIVEN THAT EACH PROJECT ON AN APPROVED PRIORITY LIST REPRESENTS A VALID NEED AND IS IN KEEPING WITH THE ENFORCEABLE PROVISIONS OF THE ACT, IT DOES NOT APPEAR APPROPRIATE TO DENY FUNDS TO A PROJECT BECAUSE OTHER PROJECTS HIGHER ON THE LIST ARE UNABLE TO ACCEPT A GRANT. TO REFUSE TO FUND A LOWER PRIORITY PROJECT WITH AVAILABLE FUNDS ENSURES THAT THE PROJECT IN QUESTION WILL UNDOUBTEDLY BE FACED WITH A HIGHER PRICED PROJECT WHEN FINALLY FUNDED. IF FUNDS ARE RETURNED FOR REALLOCATION DUE TO THE INABILITY OF HIGHER RANKED PROJECTS TO ACCEPT THE GRANT, IT IS ALSO CERTAIN THAT THOSE DOLLARS WILL BUY LESS TOTAL TREATMENT CAPACITY WHEN FINALLY OBLIGATED DUE TO INFLATIONARY TRENDS DURING THE TIME REQUIRED FOR THE RETURN, REALLOTMENT, AND OBLIGATION PROCEDURES.

IN CONCLUSION, WITH RESPECT TO FUNDING FOR THE CONSTRUCTION GRANTS PROGRAM, I WOULD URGE THE COMMITTEE TO FUND THE CONSTRUCTION GRANTS PROGRAM AT LEAST TO THE EXTENT OF PROVIDING FUNDS TO THOSE STATES WHICH HAVE PROJECTS WHICH ARE READY TO PROCEED THROUGH THE GRANTS PROCESS AND WHICH THEY CAN, IN FACT, MOVE FORWARD IN A TIMELY FASHION. WHERE A STATE HAS DEMONSTRATED THAT A NEED EXISTS AND WHERE A STATE HAS MANAGED THEIR PROGRAM TO

EFFECTIVELY AND EFFICIENTLY UTILIZE THE FUNDS THAT HAVE BEEN APPROPRIATED BY CONGRESS FOR THIS PURPOSE, THEY SHOULD NOT NOW BE PENALIZED WITH MAJOR DELAYS. IT IS OUR RECOMMENDATION THAT SUFFICIENT FUNDS TO SUPPORT A CONTINUOUS PROGRAM IN LINE WITH THE PRESIDENT'S BUDGET REQUEST BE PROVIDED TO STATES WHICH ARE EFFECTIVELY ADMINISTERING THEIR PROGRAM THROUGH AN APPROPRIATION FOR FY 1980.

I WOULD NOW LIKE TO INTRODUCE ROBBI SAVAGE, ASIWPCA'S EXECUTIVE DIRECTOR.

STATEMENT OF MS. SAVAGE

Ms. SAVAGE. Mr. Chairman, Members of the Committee, I am Robbi Savage, Executive Director of the Association of State and Interstate Water Pollution Control Administrators.

On behalf of the Association, let me say that elimination of funding for the Section 208 water quality management program would undermine State and local efforts to control nonpoint sources of pollution that cannot be dealt with through the construction grants program.

We believe that the 208 process is particularly important because it provides a forum for involved constituencies to examine water pollution problems on a State and area-wide basis.

We understand that a large majority of the 208 plans will be approved in the new few months and that the fiscal year 1978–79 carryover funds will be fully obligated by September, 1979.

Most States have a strong interest in continued maintenance of the 208 planning effort. For example, in Idaho the first generation plan has established what the State considers to be a solid foundation for implementation of best management practices relative to nonpoint sources of pollution such as agriculture, silviculture, and related activities.

Specific localized work plans are now being developed to solve the problems identified in the first 208 plans. In many States, 208 plans and their implementation may be the only basis for ultimate control of serious water pollution problems.

I would also like to bring to your attention the need for continued support of the Section 106 State assistance program. Traditionally, the 106 money has been the foundation of the State water quality management program. In some of the smaller States up to 70 percent of their water quality operating budget is funded with Section 106 dollars.

Even if the program is funded at the fiscal year 1979 level, $52.4 million, positions may be lost in a number of States. In addition, the interstate compacts depend largely on Section 106 funding for their existence.

States remain committed to the national goal of cleaning up our nation's water, but this can only be done with stable, adequate funding of these most important programs.

On behalf of ASIWPCA, I thank you for your consideration of the issues raised here today by the State administrators of water pollution programs.

Mr. BOLAND. Thank you, Miss Savage.

I don't think anybody could quarrel with some of the positions that are stated in the papers that have been presented by this group.

Mr. Whittingon, I think, resents the position of this Committee. He feels we should provide funds to those States which have projects which are ready to proceed through the grants process and which can, in fact, move forward in a timely fashion.

I think that is successful for the program and will help to control escalating costs of the program.

Do you know what the size of the unobligated balance is in the water pollution program?

It is $7.59 billion. We have some concern over it. This may be perhaps the largest public works program in the history of the United States after we get through with it. We have the responsibility of being sure that the money expended here, all taxpayers' money, is properly spent and spent in a timely fashion.

In many areas this is not being done. It is not the desire of anyone on this Subcommittee, to hold up the continuation of the construction of the projects that are due to get underway or that are underway.

We will be getting a close look at the States to see what they can do with any money which may be allocated under the fiscal 1980 budget.

We appreciate your appearance here. We are as concerned as you are with the program. We want to be sure that it does move along to accomplish the job it has to do under the Water Pollution Control Act of 1972.

Mr. SUDWEEKS. Thank you, Mr. Chairman.

I have some information that the Step 1 and Step 2 projects that are presently funded are for projects that will eventually need $14 billion to go through Step 3, the construction phase. So the $6.9 billion unobligated right now is really a downpayment for the projects in the pipeline.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. May I say no one is more committed to this program than the Chairman of this Subcommittee and the Members of this Subcommittee. We don't intend to have any stoppage in any projects ready to go.

We face this year after year. EPA comes in here and we appropriate money and we find the next year they have been unable to obligate the money. In some cases we find when they do obligate the money it is for projects that are poor projects. We intend to provide adequate funding for projects that are ready to go that are valid projects.

Mr. BOLAND. I suppose the Surveys and Investigation report of this Committee did send some shock waves through the United States. Their conclusion was that there would not be any need for even $3.8 billion to be appropriated in fiscal year 1980. But all of you, of course, disagree with that.

Ben?

Mr. STEWART. Anything I might say, Mr. Chairman, would reflect what you have just said. I think we are all together in this situation.

Ms. SAVAGE. We are certainly willing to help.

Mr. BOLAND. Thank you.

[The complete statement follows:]

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM ROBBI SAVAGE, EXECUTIVE DIRECTOR OF THE ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS. ON BEHALF OF THE ASSOCIATION, LET ME SAY THAT ELIMINATION OF FUNDING FOR THE SECTION 208 WATER QUALITY MANAGEMENT PROGRAM WOULD UNDERMINE STATE AND LOCAL EFFORTS TO CONTROL NONPOINT SOURCES OF POLLUTION THAT CANNOT BE DEALT WITH THROUGH THE CONSTRUCTION GRANTS PROGRAM. WE BELIEVE THAT THE 208 PROCESS IS PARTICULARLY IMPORTANT BECAUSE IT PROVIDES A FORUM FOR INVOLVED CONSTITUENCIES TO EXAMINE WATER POLLUTION PROBLEMS ON A STATE AND AREAWIDE BASIS. WE UNDERSTAND THAT A LARGE MAJORITY OF THE 208 PLANS WILL BE APPROVED IN THE NEXT FEW MONTHS AND THAT THE FY 1978-79 CARRYOVER FUNDS WILL BE FULLY OBLIGATED BY SEPTEMBER 1979.

MOST STATES HAVE A STRONG INTEREST IN CONTINUED MAINTENANCE OF THE 208 PLANNING EFFORT. FOR EXAMPLE, IN IDAHO THE FIRST GENERATION PLAN HAS ESTABLISHED WHAT THE STATE CONSIDERS TO BE A SOLID FOUNDATION FOR IMPLEMENTATION OF BEST MANAGEMENT PRACTICES RELATIVE TO NON-POINT SOURCES OF POLLUTION SUCH AS AGRICULTURE, SILVICULTURE, AND RELATED ACTIVITIES. SPECIFIC LOCALIZED WORKPLANS ARE NOW BEING DEVELOPED TO SOLVE THE PROBLEMS IDENTIFIED IN THE FIRST 208 PLANS. IN MANY STATES, 208 PLANS AND THEIR IMPLEMENTATION MAY BE THE ONLY BASIS FOR ULTIMATE CONTROL OF SERIOUS WATER POLLUTION PROBLEMS.

I WOULD ALSO LIKE TO BRING TO YOUR ATTENTION THE NEED FOR CONTINUED SUPPORT OF THE SECTION 106 STATE ASSISTANCE PROGRAM. TRADITIONALLY, THE 106 MONEY HAS BEEN THE FOUNDATION OF THE STATE WATER QUALITY MANAGEMENT PROGRAM. IN SOME OF THE SMALLER STATES

UP TO 70% OF THEIR WATER QUALITY OPERATING BUDGET IS FUNDED WITH SECTION 106 DOLLARS. EVEN IF THE PROGRAM IS FUNDED AT THE FY 79 LEVEL, $52.4 MILLION, POSITIONS MAY BE LOST IN A NUMBER OF STATES. IN ADDITION, THE INTERSTATE COMPACTS DEPEND LARGELY ON SECTION 106 FUNDING FOR THEIR EXISTENCE.

STATES REMAIN COMMITTED TO THE NATIONAL GOAL OF CLEANING UP OUR NATION'S WATER, BUT THIS CAN ONLY BE DONE WITH STABLE, ADEQUATE FUNDING OF THESE MOST IMPORTANT PROGRAMS.

ON BEHALF OF ASIWPCA, I THANK YOU FOR YOUR CONSIDERATION OF THE ISSUES RAISED HERE TODAY BY THE STATE ADMINISTRATORS OF WATER POLLUTION PROGRAMS.

ENVIRONMENTAL PROTECTION AGENCY—ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES

WITNESSES

HUGH MCMILLAN, DIRECTOR, METROPOLITAN SEWAGE DISTRICT, CHICAGO, ILL.; ANDREW UNGER, DIRECTOR, CLEVELAND REGIONAL SEWER DISTRICT REPRESENTING THE ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES; ERWIN J. ODEAL, DEPUTY DIRECTOR, CLEVELAND SEWAGE DISTRICT; LEE WHITE, AND MR. LINTON

Mr. BOLAND. Now we will call up Hugh McMillan and Director Unger.

I see you have Lee White with you. He is a good advocate. Lee is favorably known to this Member of the Committee as one who served the Federal Power Commission with distinction some years ago.

Mr. McMillan, we will be pleased to hear you.

STATEMENT OF MR. MCMILLAN

Mr. MCMILLAN. Thank you very much.

I am Hugh McMillan, General Superintendent of the Metropolitan Sanitary District of Greater Chicago.

Mr. Chairman, we appreciate the opportunity to testify in support of funding the Section 201 construction grants program at the $3.8 billion level. The Association of Metropolitan Sewerage Agencies includes 68 members, who serve over 60 million people in the nation's major metropolitan areas.

This figure is a major reduction from the present appropriation, and far below the $5 billion level authorized. AMSA supports the $3.8 billion figure only in conjunction with legislative action to accelerate the program, which we will describe in a moment.

Such cuts, and the proposals of the investigative staff report for construction grants funding, would not impact the EPA or its officials, but would fall directly upon local officials who would be the targets of enforcement action under the Clean Water Act.

Furthermore, budget cuts would fall most cruelly upon exactly those State and local entities who have been most aggressive and gone the farthest in confronting water pollution problems. Any reduction in funding increases the difficulty of treatment operators in meeting the obligations laid upon them by the Act.

The Clean Water Act sets goals, establishes an enforcement system, and funds projects to meet its requirements. As professionals we take those goals seriously, and we also take enforcement actions, fines and sentences seriously, as do the majors and commissioners who would be prosecuted.

We view the dual provisions of enforceable goals linked with funding to meet those requirements as a joint commitment to fulfill national policy.

Now, by reducing its side of the commitment, we see the Federal Government backing away, leaving those of us at the local level with the dilemma of meeting enforceable goals, yet without the

ability to gain Federal support which the law deems necessary to do the job.

I have said that AMSA supports the $3.8 billion level. I have to add that at least 17 of our members will not be able to fund projects they need to meet enforceable requirements of the Act, even at the $3.8 billion mark. Chicago MSD's needs are far above the total allocation for the State of Illinois. Some other cities and States, as other witnesses will tell you today, are in similar circumstances.

In the years to come, cities such as Cleveland, Boston and New York will complete planning and be ready for construction of vital projects, and then their needs will far exceed State allocations even under full funding of the Act.

AMSA recognizes current budgetary constraints, however, and we support, at a minimum, the $3.8 billion figure, together with a proposal designed to meet problems which I have suggested and which will only be greater in years to come. We call this concept the borrowing pool, and it also speaks directly to the question of large unobligated balances cited in the investigative report.

We are bringing this up, even though this Subcommittee is not the one to act on it, because we feel the Subcommittee should know that there is a way to ease the problems with unspent funds, without challenging the delicately balanced formula of the State-by-State funding allocations.

Thank you.

[The complete statement follows:]

ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES TESTIMONY

HEARINGS OF THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON HUD/INDEPENDENT AGENCIES

April 25, 1979

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

Mr. Chairman, I am Hugh McMillan, General superintendent of the Metropolitan Sanitary District of Greater Chicago. I am here with Andrew Ungar, Director of the Cleveland Regional Sewer District, on behalf of the Association of Metropolitan Sewerage Agencies.

Mr. Chairman, we appreciate the opportunity to testify in support of funding the Section 201 construction grants program at the $3.8 billion level. The Association of Metropolitan Sewerage Agencies (AMSA) includes 68 members, who serve over sixty million people in the nation's major metropolitan areas.

This figure is a major reduction from the present appropriation, and far below the $5 billion level authorized. AMSA supports the $3.8 billion figure only in conjunction with legislative action to accelerate the program, which we will describe in a moment. Such cuts, and the proposals of the staff investigative report for construction grants funding would not impact the EPA or its officials, but would fall directly upon local officials who would be the targets of enforcement action under the Clean Water Act. Furthermore, budget cuts would fall most cruelly upon exactly those state and local entities who have been most aggressive and gone the farthest in confronting water pollution problems. Any reduction in funding increases the difficulty of treatment operators in meeting the obligations laid upon them by the Act.

The Clean Water Act sets goals, establishes an enforcement system, and funds projects to meet its requirements. As professionals we take those goals seriously, and we also take enforcement actions, fines and sentences seriously, as do the mayors and commissioners who would be prosecuted. We

view the dual provisions of enforceable goals linked with funding to meet those requirements as a joint commitment to fulfill national policy. Now, by reducing its side of the commitment, we see the Federal government backing away, leaving us at the local level with the dilemma of meeting enforceable goals, yet without the ability to gain Federal support which the law deems necessary to do the job.

I have said that AMSA supports the $3.8 billion level. I have to add that at least seventeen of our members will not be able to fund projects they need to meet enforceable requirements of the Act, even at the $3.8 billion mark. Chicago MSD's needs are far above the total allocation for the State of Illinois. Some other cities and states, as other witnesses will tell you today, are in similar circumstances. In the years to come, cities such as Cleveland, Boston and New York will complete planning and be ready for construction of vital projects, and then their needs will far exceed state allocations even under full funding of the Act. AMSA recognizes current budgetary constraints, however, and we support, at a minimum, the $3.8 billion dollar figure, together with a proposal designed to meet problems which I have suggested and which will only be greater in years to come. We call this concept the borrowing pool, and it also speaks directly to the question of large unobligated balances cited in the investigative report.

We are bringing this up, even though this subcommittee is not the one to act on it, because we feel the subcommittee should know that there is a way to ease the problems it has pointed out with unspent funds, without challenging the delicately balanced formula of the state-by-state funding allocations. Mr. Ungar will give some details on how the borrowing pool would ease the strains of the present system.

UNGAR: Mr. Chairman, water quality problems vary tremendously from city to city and state to state, as do the institutions set up to handle these problems. The Clean Water Act recognizes this, and established the 201 program as basically a state program. It is funded that way, too, with the national appropriation for 201 divided among the states by a set formula. You can't move money from one state's pot to another, even if one state is obligating all of its dollars, while other states cannot move projects fast enough to avoid large backlogs of funds. In Chicago or Portland, any national budget cut means the program slows down or halts in that year. In Ohio or Massachusetts, however, we have backlogs of funds now, but with major projects coming in the years ahead which will need every penny available, and then some.

If FY '80 appropriations are cut because some states haven't obligated funds, the ones penalized will be the states which have been the program's best performers, who have moved quickly to build facilities to meet water quality problems. Cuts also will hurt other states, later, when they have major needs ready for funding.

In Cleveland, we have mapped out a $389 million program, which we have already pared down by eliminating some needs and then we have scheduled it over the next twenty years. It calls for $57.5 million in Federal 75 per cent assistance in FY '80, $28.5 million in '81, $49.4 million in '82, and $60.6 in '83, to give you some idea. We simply cannot bring this kind of program off, if there is continuing uncertainty in Washington about whether the funds will be there. This will be true whatever the decision on reallotment, which could affect some $200 million in Ohio allocations for FY '78. Other major cities in Ohio will also be needing those funds, and more.

Unless sufficient Federal funds are in sight, local communities won't go to the bond market, or even the ballot, for loan approvals. In Ohio, we will have Cleveland, Akron, Dayton, Cincinnati, Columbus and many smaller towns struggling for funds to meet their deadlines. We ask the committee to help keep this program on an even track, and avoid another dipsy doodle in funding like the ones which have hobbled the 201 program in years past, eroding its credibility.

To help accelerate 201, AMSA has proposed an amendment to the Clean Water Act, which we hope the appropriations subcommittee will see as a way to confront the staff criticism of unobligated balances. The borrowing pool, already adopted in the Highway Act, would permit one state to borrow funds from another state which is unable to spend them in a given fiscal year, although states could again borrow from or lend to the pool for that next year as well. A state could borrow up to its limit under full funding of the Act at the $5 billion authorized level.

This concept, which is detailed in a presentation we have already made available to the subcommittee, avoids the problems of several alternative ideas such as a special fund for some states, or a special fund for major city projects. These ideas would directly challenge the state allocation formulas which were the product of such long and difficult work in both the House and Senate.

The borrowing pool does have one appropriations issue. It assumes that the Congress will appropriate sufficient funds in a succeeding year to at least cover the payback of funds borrowed in the current eyar. This year, with a $4.2 billion dollar program, the maximum amount that could be borrowed would be $0.8 billion, and lending states would be owed that much

or something less off the top of this next year's allocation, probably much less, since we do not expect that the borrowing pool would use every available dollar. This means that the Congress is committed to an appropriation of $0.8 billion or less, to pay back the lender states. And if funding goes that low, in view of past promises by both the Congress and the Administration, you can count on the national clean water program going belly up, first in the most active states, like Illinois, New Hampshire, and Oregon, and very shortly in all the rest, as they hasten to sever their local commitments to national clean water goals.

Mr. McMillan. Mr. Odeal will give some details on how the borrowing pool would ease the strains of the present system.

STATEMENT OF MR. ODEAL

Mr. Odeal. Mr. Chairman, I am Erwin Odeal, Deputy Director of the Cleveland Sewage District.

Water problems vary tremendously from city to city and State to State, as do the institutions set up to handle these problems. The Clean Water Act recognizes this, and established the 201 program as basically a State program. It is funded that way, too, with the national appropriation for 201 divided among the States by a set formula.

You cannot move money from one State's pot to another, even if one State is obligating all of its dollars, while other States cannot move projects fast enough to avoid large backlogs of funds.

In Chicago or Portland, any national budget cut means the program slows down or halts that year. In Ohio or Massachusetts, however, we have backlogs of funds now, but with major projects coming in the year ahead, we will need every penny available, and then some.

If fiscal year 1980 appropriations are cut because some States haven't obligated funds, the ones penalized will be the States which have been the program's best performers, who have moved quickly to build facilities to meet water quality problems. Cuts also will hurt other States, later, when they have major needs ready for funding.

In Cleveland, we have mapped out a $389 million program, which we have already pared down by eliminating some needs. We have scheduled it over the next 20 years.

I would add that $309 million is in addition to $330 million in Federal funds which we are already utilizing. It calls for $57.5 million in Federal dollars, 75 percent assistance in fiscal year 1980; $28.5 million in 1981; $49.4 million in 1982, and $60.6 million in 1983, to give you the idea.

We simply cannot bring off this kind of program if there is continuing uncertainty in Washington about whether the funds will be there. This will be true whatever the decision on reallotment, which could affect some $200 million in Ohio allocations for fiscal year 1978. Other major cities in Ohio will also be needing those funds and more.

Unless sufficient Federal funds are in sight, local communities won't go to the bond market or even the ballot for loan approvals. In Ohio we will have Cleveland, Akron, Dayton, Cincinnati, Columbus and many smaller towns struggling for funds to meet their deadlines.

We ask the Committee to help keep this program on an even track, and avoid delays in funding like the ones which have hobbled the 302 program in years past, eroding its credibility.

To help accelerate 201, AMSA has proposed an amendment to the Clean Water Act, which we hope the Appropriations Subcommittee will see as a way to confront the staff criticism of unobligated balances.

The borrowing pool, already adopted in the Highway Act, would permit one State to borrow funds from another State which is unable to spend them in a given fiscal year, although States could again borrow from or lend to the pool for that next year as well. A State could borrow up to its limit under full funding of the Act at the $5 billion authorized level.

This concept, which is detailed in a presentation we have already made available to the Subcommittee, avoids the problems of several alternative ideas such as a special fund for some States, or a special fund for major city projects. These ideas would directly challenge the State allocation formulas which were the product of such long and difficult work in both the House and Senate.

The borrowing pool does have one appropriations issue. It assumes that the Congress will appropriate sufficient funds in a succeeding year to at least cover the payback of funds borrowed in the current year.

This year, with a $4.2 billion program, the maximum amount that could be borrowed would be $0.8 billion, and lending States would be owed that much or something less of the top of this next year's allocation, probably much less, since we do not expect that the borrowing pool would use every available dollar.

This means that the Congress is committed to an appropriation of $0.8 billion or less, to pay back the lender States. And if funding goes that low, in view of past promises by both the Congress and the Administration, you can count on the national clean water program going belly-up, first in the most active States, like Illinois, New Hampshire, and Oregon, and very shortly in all the rest, as they hasten to sever their local commitments to national clean water goals.

Thank you very much.

Mr. BOLAND. Thank you very much.

I presume that this concept of the borrowing fund has been presented to a Legislative Committee by this Association?

Mr. LINTON. That is correct, Mr. Chairman.

Mr. BOLAND. What has been the reaction of that Committee?

Mr. LINTON. The reaction has been to study it. There has been no out-of-hand rejection of it. It is before the Senate Subcommittee which has not completed its mark-up on some technical changes to the Clean Water Act.

The House Subcommittee is waiting to see what the Senate Subcommittee does. The borrowing pool is a borrowing concept included in the Interstate Highway Act from the two Public Works Committees a year ago. It is the same principle they have used there.

Mr. BOLAND. Yesterday we were presented with a proposal somewhat similar to the borrowing pool called the Two Tier Approach. That is somewhat similar. Perhaps that may be an answer to it.

Thank you, gentlemen.

As you have indicated in your statement and as we have indicated constantly, we don't intend to slow down this program or to ignore those States that have been aggressive, that have had good programs, that have really given some thought to the priorities of the programs submitted by the various water districts and commu-

nities in their respective States. We appreciate the problems that no funding or reduced funding would present to them.

Lindy?

Mrs. BOGGS. Thank you, Mr. Chairman.

I want to welcome the group and thank them for their presentation.

I agree with you, Mr. Chairman, that something has to be done so that the aggressive States are not punished either by being in violation of meeting their deadlines or for being aggressive and then not being able to complete their work.

We are grateful to you for this suggestion. I would like especially to welcome Mr. Linton, who is my next door neighbor.

Mr. BOLAND. Ben?

Mr. STEWARD. I am very much interested in the borrowing concept. We cannot afford to penalize those States that need to do what they are supposed to do. Judging from what you said, there may be a fair chance that legislation would pass to permit this.

Is that your honest opinion on it?

Mr. LINTON. I think there is a reasonable chance for it if there is a strong expression from the Appropriations Committees to the authorizing committees that this would solve a problem which the Appropriations Committees are concerned with.

Mr. WHITE. There is a feature that was not in the statement and I think it is important. If people can borrow this money it will remove that temptation on the part of States to allocate funds to those projects very low on the priority list. They don't want to lose the money so they use them for things nobody believes ought to be done.

If they can bank that and know there will be appropriations, then the high priority projects will be funded.

Mr. BOLAND. I think you make a good point. The point is that as the reallotment deadline approaches, the States with large unobligated balances fund low priority projects. They fill in with projects that have low priority such as pipe, for instance, just to get the money out. Of course, that is not good use of the dollars. That is why we are taking a very long and hard look at the unobligated balances.

Thank you very much, gentlemen.

We are delighted to have had you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

ALFRED E. PELOQUIN, EXECUTIVE SECRETARY, NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION

Mr. BOLAND. Next we have Mr. Alfred Peloquin of the New England Interstate Water Pollution Control Commission.

I didn't think we had any problems up in New England on pollution control.

You have two statements, Al; you have a rather lengthy one that we will include in the record and we will be delighted to hear your summary statement as you have presented it to us.

[The full statement follows:]



STATEMENT OF THE
NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION
BEFORE
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

PRESENTED BY

ALFRED E. PELOQUIN, P.E.
EXECUTIVE SECRETARY, NEIWPCC

ON
APRIL 25, 1979

STATEMENT OF THE
NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION
BEFORE
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

APRIL 25, 1979

MR. CHAIRMAN - MEMBERS OF THE SUBCOMMITTEE,

I AM ALFRED E. PELOQUIN, EXECUTIVE SECRETARY OF THE NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION, COMPRISED OF THE SIX NEW ENGLAND STATES AND NEW YORK STATE. I AM PRESENTING THIS STATEMENT ON BEHALF OF OUR COMPACT-MEMBER STATES WHO UNANIMOUSLY SUPPORT, FOR FY-80, A FULL $5.0 BILLION APPROPRIATION FOR CONSTRUCTION GRANTS, $52.4 MILLION FOR PROGRAM GRANTS UNDER SECTION 106 OF THE CLEAN WATER ACT, AND $69 MILLION FOR 208 PLANNING, AN AMOUNT EQUAL TO THE FISCAL YEAR 1978 APPROPRIATION. IT IS MY UNDERSTANDING THAT, IN ADDITION TO CONCURRING IN THE VIEWS EXPRESSED HEREIN, THE STATES OF NEW YORK AND RHODE ISLAND WILL ALSO BE SUBMITTING STATEMENTS MORE SPECIFICALLY RELATED TO THEIR RESPECTIVE PROGRAMS.

OUR COMPACT-MEMBER STATES RECOGNIZE THE NEED FOR BUDGETARY RESTRAINT, BUT FEEL STRONGLY THAT CONGRESS SHOULD ABIDE BY ITS COMMITMENT TO ACHIEVE THE GOALS OF THE CLEAN WATER ACT WITHIN THE STATUTORY DEADLINES OF THE ACT, AND THAT APPROPRIATIONS FOR FY-80 SHOULD BE AT A LEVEL CONSISTENT WITH EXISTING NEEDS TO ACHIEVE THOSE GOALS.

OUR COMPACT-MEMBER STATES ARE AWARE OF THE REPORT TO THE HOUSE APPROPRIATIONS COMMITTEE BY THE SURVEYS AND INVESTIGATIONS STAFF WHICH RECOMMENDS ZERO APPROPRIATION FOR 208 AND CONSTRUCTION GRANTS FOR FY-80,

BUT FEEL THE REPORT INADEQUATELY ADDRESSES THE REASONS FOR THE LARGE UNOBLIGATED BALANCES CITED THEREIN. OUR STATES ARE ALSO AWARE OF EPA'S RESPONSES TO THE ISSUES RAISED IN THE STAFF REPORT BUT ARE OF THE OPINION THAT THE RESPONSES PROVIDE A BIASED, PARTIAL ANSWER TO THE POINTS NOTED. OUR STATES URGE THAT THE INVESTIGATIVE STAFF EXPLORE, WITH A NUMBER OF STATES, THE REASONS FOR THE LARGE UNOBLIGATED BALANCES AS WELL AS OTHER DATA RELATED TO PROJECTED OBLIGATIONS. OUR STATES ARE READY TO MEET, INDIVIDUALLY AND/OR COLLECTIVELY, WITH MEMBERS OF THE INVESTIGATIVE STAFF SO AS TO PROVIDE THE COMMITTEE WITH THE STATE VIEWPOINT, WITH DIRECT INFORMATION ON SPECIFIC PROBLEM AREAS, AND RECOMMENDATIONS ON HOW TO ACCELERATE THE RATE OF OBLIGATION.

THE DATA PRESENTED IN THE STAFF REPORT, AS IT PERTAINS TO OUR COMPACT-MEMBER STATES, HAS BEEN ANALYZED AND THE STATES DO NOT CONCUR IN ITS FINDINGS. THE STATES URGE THE COMMITTEE TO INVESTIGATE THE SOURCE OF THE FIGURES USED IN THE REPORT AND THE RATIONALE USED IN THE DATA INTERPRETATION. WE WOULD LIKE TO PROVIDE, FOR THE RECORD, AN UPDATE ON PROJECTED PROGRESS FOR EACH OF OUR STATES. TABLE I SHOWS THE LEVEL OF UNOBLIGATED CONSTRUCTION GRANTS FUNDS AS OF APRIL 1, 1979 AND PROJECTED OBLIGATIONS, BY QUARTERS, THROUGH SEPTEMBER 30, 1979.

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TABLE I

PROJECTED PROGRESS
AVAILABLE FUNDS

(FUNDS IN MILLIONS)

TABLE I

PROJECTED PROGRESS
AVAILABLE FUNDS

(FUNDS IN MILLIONS)

STATE	ALLOCATED		UNOBLIGATED AS OF 4/1/79		OBLIGATED BY 6/30/79		OBLIGATED BY 9/30/79		TOTAL PROJECTS FUNDED 9/30/79
	FY-78	FY-79	FY-78	FY-79	FY-78	FY-79	FY-78	FY-79	
CT	49.8	45.9	35.1	45.9	21.4	0	35.1	45.9	33
ME	33.7	31.0	20.5	31.0	20.0	1.0	24.3	31.0	30*
MA	132.9	122.4	66.6	122.4	122.4	0	132.9	80.0	35
NH	39.6	36.5	0.3	27.1	39.6	24.3	39.6	33.5	17
RI	23.6	21.8	18.2	21.8	11.9	0	18.3	18.6	13
VT	17.3	20.7	.4	18.6	17.3	14.6	17.3	17.7	35

*ALL STEP 3 PROJECTS

FROM THE ABOVE TABULATION, ALL OF OUR COMPACT-MEMBER STATES WILL NEED A FY-80 ALLOCATION IF THEIR RESPECTIVE PROGRAM IS TO CONTINUE. THE ABOVE TABLE ALSO DRAMATICALLY ILLUSTRATES THE EFFECTIVENESS OF THE CONSTRUCTION GRANTS MANAGEMENT PROGRAM UNDER SECTION 205(G) OF THE CLEAN WATER ACT. YOU WILL NOTE THAT NEW HAMPSHIRE HAS OBLIGATED 99% OF ITS FY-78 FUNDS AND 26% OF ITS FY-79 FUNDS. OF OUR COMPACT-MEMBER STATES, NEW HAMPSHIRE ASSUMED TOTAL BUT PHASED 205(G) DELEGATION ON OCTOBER 6, 1978, NEW YORK ON DECEMBER 26, 1978 AND MAINE ON APRIL 16, 1979.

NEW YORK'S ASSUMPTION IS PHASED OVER A TWO YEAR PERIOD. CONNECTICUT EXPECTS TO COMPLETE NEGOTIATIONS FOR ITS 205(G) AGREEMENT IN MAY 1979, VERMONT ABOUT MAY 1, 1979 AND MASSACHUSETTS ABOUT JULY 1, 1979. RHODE ISLAND PREFERS NOT TO ASSUME THE DELEGATION SINCE THAT STATE FEELS THAT NO CONSTRUCTION GRANTS FUNDS SHOULD BE SIPHONED OFF FOR NON-CONSTRUCTION USE. HOWEVER, RHODE ISLAND MAY BE FORCED TO RECONSIDER ITS POSITION IN VIEW OF THE PROPOSED CUT IN SECTION 106 FUNDING.

THE SURVEY AND INVESTIGATIVE STAFF RECOMMENDATION OF ZERO APPROPRIATION FOR CONSTRUCTION GRANTS IS OF GRAVE CONCERN TO ALL THE STATES. A LACK OF FUNDING WILL GRIND THE PROGRAM TO A HALT AND MAY DAMAGE CREDIBILITY OF CONGRESSIONAL INTENT BEYOND REPARATION. EVEN THIS YEAR, SOME STATE LEGISLATURES ARE EXTREMELY RELUCTANT TO ACCEPT ANY FEDERAL FUNDS. WATER POLLUTION CONTROL AGENCY PERSONNEL IN SOME STATES HAVE HAD A DIFFICULT TIME CONVINCING THEIR LEGISLATURE TO ACCEPT FEDERAL FUNDS FOR THE CURRENT YEAR. A ZERO APPROPRIATION, WITHOUT QUESTION, WILL DETER STATES FROM APPLYING FOR 205(G) DELEGATION. BECAUSE OF THE UNCERTAINTY OF FUNDING DUE TO CONGRESSIONAL ACTION, THOSE STATES WITH DELEGATION ARE RELUCTANT TO STAFF UP TO ASSUME SUBSEQUENT PHASES OF THE DELEGATION ALL TO THE DETRIMENT OF WATER POLLUTION CONTROL ABATEMENT EFFORTS. ALSO, A STATE'S WORKLOAD IS PREDICATED ON THE AMOUNT OF ITS GRANT ALLOCATIONS. UNCERTAINTIES IN AVAILABLE FUNDS SERIOUSLY AFFECTS A STATE'S ABILITY TO PLAN THE EFFECTIVE USE OF ITS RESOURCES. FURTHER, MUNICIPALITIES CANNOT BE ADVISED AS TO WHICH WILL BE GRANT ASSISTED FOR A GIVEN YEAR UNTIL AN ALLOCATION IS MADE WHICH, IN TURN, IMPACTS TOWN MEETING ACTION IN NEW ENGLAND. A COMMUNITY WILL NOT MOVE UNLESS IT CAN BE GUARANTEED GRANT ASSISTANCE.

IT SHOULD ALSO BE NOTED, FOR THE RECORD, THAT THERE IS CONSIDERABLE TIME LAG BETWEEN APPROVAL OF A PROJECT ON THE PRIORITY LIST AND THE AWARD OF A CONSTRUCTION CONTRACT. THE NECESSITY OF COMPLYING WITH A VARIETY OF ENVIRONMENTAL LAWS AND A PROLIFERATION OF AGENCY REGULATIONS, PROGRAM REQUIREMENT MEMORANDA AND GUIDANCE DOCUMENTS, ALL OF WHICH ARE IMPLEMENTED WITH THE FORCE OF REGULATIONS, PLUS DESIGN TIME, CAN GENERATE A TWO TO TEN YEAR PERIOD FOR A GIVEN PROJECT. A CUT IN CONSTRUCTION GRANTS FUNDS WILL MEAN A REDUCTION IN THE NUMBER OF PROJECTS WHICH CAN BE FUNDED AND THEREFORE STARTED. ALL MUNICIPALITIES HAVE BEEN ISSUED NPDES PERMITS WHICH CARRY COMPLIANCE SCHEDULES. MUNICIPALITIES UNABLE TO INITIATE A PROJECT BECAUSE OF UNAVAILABLE FEDERAL GRANTS WILL FACE PENALTIES AND COURT ACTION DUE TO PERMIT VIOLATIONS. TABLE II SHOWS THE IMPACT OF VARIOUS LEVELS OF FUNDING ON FUNDED AND UNFUNDED PROJECTS FOR OUR COMPACT-MEMBER STATES. IT CAN BE ANTICIPATED THAT THE NUMBER OF UNFUNDED PROJECTS SHOWN IN THE TABLE WILL PLACE THE RESPONSIBILE COMMUNITY IN VIOLATION OF ITS PERMIT CONDITIONS.

TABLE II

CONSTRUCTION GRANT
APPROPRIATION IMPACT - FY-80

STATE	$5.0B PROJECTS F*	U/F*	$4.2B PROJECTS F	U/F	$3.8B PROJECTS F	U/F	ZERO FUNDS PROJECTS F	U/F
CT	35	67	34	68	31	71	0	102
ME	21	5	17	9	16	10	0	26
MA	43	6	34	15	33	16	0	49
NH	16	24	13	27	10	30	0	40
NY	54	56	48	62	36	74	0	110
RI	17	3	16	4	14	6	0	20
VT	22	0	20	2	16	6	0	20

*F = FUNDED; U/F = UNFUNDED

Our Compact-member States call attention to the table on Page 15 of the staff report and question the basis for determining the percentage of use of the FY-80 allotment. It should be noted that the law provides a two year period for allocation of those funds. Also, our States, on the basis of their respective program schedules, project the use of FY-80 funds in accordance with Table III.

TABLE III

Projected Use of FY-80 Funds

State	Alloted Share of $5.0 Billion	Percent Used Within 12 Months*	24 Months*
CT	~~45.3~~ 54.6	90	98**
ME	37.0	70	100
MA	145.7	60	98**
NH	43.4	90	98**
NY	523.7	50	98**
RI	25.9	90	100
VT	24.7	90	99**

*From Start of Fiscal Year
**Reflects unobligated portion of 2% set-aside for innovative/alternative technology

At this point, it should be indicated for the record that the "Percent Used" noted above is predicated on approvals consistent with existing procedures and regulations. The Appropriations Committee's requirement for EPA Headquarters review of AWT projects has already injected a

DELAY IN PROJECT APPROVALS. EPA HEADQUARTERS WAS INITIALLY TO PROVIDE A 45-DAY TURNAROUND ON REVIEWS. ONE MASSACHUSETTS PROJECT HAS BEEN AT HEADQUARTERS FOR 68 DAYS AND IS STILL NOT APPROVED. NEW EPA REGULATIONS, PROGRAM MEMORANDA AND GUIDANCE IN THE DEVELOPMENTAL STAGE CAN ALSO GENERATE DELAYS. OUR COMPACT-MEMBER STATES HAVE BEEN REQUESTED TO TRACK PROJECT PROGRESS AND IDENTIFY DELAYS AND THE REASONS THEREFORE SO THAT CONGRESS CAN BE GIVEN A FACTUAL ACCOUNTING OF PROGRAM PROGRESS. THE STATES RECOGNIZE CONGRESS' CONCERN WITH PROBLEM AWT PROJECTS BUT QUESTION THE PERCENTAGE SUCH PROJECTS REPRESENT RELATIVE TO THE PROGRAM AS A WHOLE. IN A PROGRAM OF THE MAGNITUDE OF THE WATER POLLUTION CONTROL EFFORT, PROBLEM PROJECTS WILL OCCUR BUT IS THE PERCENTAGE OF SUCH PROBLEMS SO GREAT THAT THE ENTIRE PROGRAM MUST BE PENALIZED? IN MANY INSTANCES, AWT PROJECTS ARE INNOVATIVE TECHNOLOGIES. ARE WE GOING TO FIND THE SAME PROBLEMS AND CRITICISMS FIVE YEARS DOWN THE ROAD, FOR PROJECTS BUILT UNDER THE INNOVATIVE/ALTERNATIVE TECHNOLOGY REQUIREMENTS OF THE CLEAN WATER ACT?

MENTION HAS BEEN MADE OF THE 24 MONTH OBLIGATION PERIOD FOR CONSTRUCTION GRANTS FUNDS. THE STATES ARE ALSO AWARE OF EPA'S PROPOSED LEGISLATION TO EXTEND THE OBLIGATION PERIOD FROM 24 TO 36 MONTHS AND ARE DIVIDED ON THE ISSUE. NEW YORK STATE SUPPORTS AN EXTENSION BUT THE SIX NEW ENGLAND STATES FAVOR RETENTION OF THE 24 MONTH PERIOD, PROVIDED ANY UNOBLIGATED BALANCE OF THE TWO PERCENT SET ASIDE FOR INNOVATIVE/ ALTERNATIVE TECHNOLOGY DOES NOT PRECLUDE THE STATES FROM PARTICIPATING IN ANY REDISTRIBUTION OF CONSTRUCTION GRANTS FUNDS. THE NEW ENGLAND STATES WOULD SUPPORT A ONE-YEAR EXTENSION FOR USE OF THE TWO PERCENT SET-ASIDE. NEW YORK FAVORS EXTENSION ON THE BASIS THAT EXPANDED

STATUTORY AND REGULATORY REQUIREMENTS NOW MAKE IT EXTREMELY DIFFICULT TO MOVE A PROJECT TO CONSTRUCTION WITHIN A TWO YEAR TIME FRAME. THOSE OPPOSING AN EXTENSION DO SO ON THE BASIS THAT SUCH ACTION STRETCHES OUT THE ACHIEVEMENT OF THE GOALS AND OBJECTIVES OF THE CLEAN WATER ACT AND REMOVES THE SENSE OF URGENCY FOR COMMUNITIES, THEIR CONSULTANTS, AND STATE PROGRAM PERSONNEL TO EXPEDITE PROGRESS IN POLLUTION ABATEMENT. WITH DUE CONSIDERATION TO CONTINUING INFLATION, A STRETCH-OUT ALSO INCREASES PROJECT COST WHICH, IN TURN, INCREASES THE AMOUNT OF FEDERAL CONTRIBUTION AS WELL AS THE LOCAL SHARE PER PROJECT. WITH THE LIMITED RESOURCES AVAILABLE, FEWER PROJECTS ARE INITIATED.

ANOTHER CONSTRUCTION GRANT ISSUE OF CONCERN TO THE STATES ARE THE ALLUSIONS MADE IN THE STAFF REPORT TO POOR QUALITY PROJECTS AND EPA'S OFT-MADE COMMENTS OF "BAD PROJECTS". OUR COMPACT-MEMBER STATES AGREE THAT PROJECTS OF LOWER PRIORITY HAVE BEEN FUNDED BECAUSE OF THE AVAILABILITY OF FUNDS BUT SUCH PROJECTS COULD NOT BE CATEGORIZED AS POOR PROJECTS. ALL FUNDED PROJECTS WERE ON THE PRIORITY LIST AND NEEDED. ALL WOULD EVENTUALLY HAVE BEEN BUILT. CONSEQUENTLY, ADVANCING THESE PROJECTS TO FUNDING STATUS WAS REASONABLE AND JUSTIFIABLE. THIS WAS ESPECIALLY SO WHEN ONE CONSIDERS THE NUMBER OF YEARS REQUIRED TO SATISFY NEEDS, TAKING INTO CONSIDERATION THE 1979 $4.2 BILLION APPROPRIATION APPLIED AGAINST THE CATEGORY I THROUGH V NEEDS REPORTED IN THE 1978 NEEDS SURVEY. AS TABLE IV SHOWS, OUR COMPACT-MEMBER STATES WERE AMONG THE TOP IN YEARS REQUIRED TO SATISFY NEEDS.

TABLE IV

YEARS NEEDED TO SATISFY NEEDS
(BASED ON 1978 NEEDS SURVEY AND $4.2 BILLION APPROPRIATION)

STATE	YEARS REQUIRED	RANKING
CT	22.5	10
ME	39.6	1
MA	21.0	14
NH	24.0	7
NY	24.1	6
RI	32.2	2
VT	16.4	27

TABLE IV ALSO GRAPHICALLY DEMONSTRATES THE NEED FOR A $5.0 BILLION APPROPRIATION. THE LARGE NUMBER OF YEARS REQUIRED TO SATISFY NEEDS FOR OUR COMPACT-MEMBER STATES, IN FACT, FOR THE NORTHEAST QUADRANT OF THE COUNTRY WOULD SEEM TO INDICATE THAT THE PRESENT ALLOCATION FORMULA SHOULD BE REANALYZED AND REVISED TO CHANNEL FUNDS TO THE AREAS OF GREATEST NEED. THE ALLOCATION TO RHODE ISLAND, FOR EXAMPLE, IS INADEQUATE TO ALLOW THAT STATE TO FUND ITS LARGER PROJECTS AND FORCES THE STATE AND THE COMMUNITY TO SEGMENT ITS LARGE PROJECTS SO THAT THESE PROJECTS CAN BE BUILT WITH GRANT ASSISTANCE WITHIN THE STATE'S ANNUAL ALLOCATION.

THE STATES DO CONCUR IN THE STAFF REPORT'S RECOMMENDATION AGAINST REDUCING EPA'S CONSTRUCTION GRANTS STAFF, ESPECIALLY IN THE REGIONS. AT THE PRESENT TIME REGION I AND WE ANTICIPATE REGION II ARE STRETCHED TO THE LIMIT IN PROCESSING PROJECTS IN A TIMELY MANNER. IT SHOULD BE REMEMBERED THAT ONLY 16 STATES NATIONALLY HAVE, AT THIS TIME, ASSUMED 205(G) RESPONSIBILITY AND, IN MOST CASES, THIS IS A PARTIAL DELEGATION

MEANING THAT EPA STILL HAS A NUMBER OF FUNCTIONS TO PERFORM RELATIVE TO THE PROGRAM. CONSEQUENTLY, THERE SHOULD BE NO REDUCTION IN EPA'S CONSTRUCTION GRANTS STAFF UNTIL AFTER THE PHASED DELEGATION HAS BEEN COMPLETELY ACCOMPLISHED. FURTHER, THE STATES STRONGLY URGE THAT EPA BE DIRECTED TO DETAIL REGIONAL CONSTRUCTION GRANTS STAFF MEMBERS TO THE STATE OFFICES IN EACH REGION SO THAT CONCURRENT EPA/STATE REVIEWS MAY BE ACCOMPLISHED THEREBY ACCELERATING PROGRAM PROGRESS. THIS APPROACH WAS PROVEN HIGHLY SUCCESSFUL IN REGION I IN 1976-77.

THE STATES ALSO SUPPORT THE VIEW THAT PROJECTS WHICH HAVE NOT GONE TO CONSTRUCTION WITHIN 18 MONTHS OF GRANT OFFER SHOULD BE TERMINATED UNLESS A DEVIATION FROM REGULATIONS IS JUSTIFIED.

THE STATES ARE ALSO OF THE STRONG CONVICTION THAT ALL AWT PROJECTS SHOULD BE REVIEWED IN THE REGIONS SINCE THOSE OFFICES ARE FULLY COGNIZANT OF EXISTING CONDITIONS LEADING TO THE NEED FOR AWT. IF HEADQUARTERS PRESENCE MUST BE MANDATED, THEN HEADQUARTERS STAFF PERSONNEL SHOULD BE DETAILED TO THE REGIONS FOR THESE REVIEWS.

WITH REGARD TO THE 106 PROGRAM GRANTS, THE STATES ARE UNANIMOUS IN THE RECOMMENDATION THAT, AS A MINIMUM, THE FY-79 LEVEL OF $52.4 MILLION BE APPROPRIATED. STATES CONTINUE TO BE FACED WITH FISCAL CONSTRAINTS, INFLATION AND AN EVER INCREASING DEMAND ON RESOURCES BY EPA PROMULGATED REGULATIONS AND MEMORANDA. IT HAS BEEN RECOGNIZED, SINCE ENACTMENT OF P.L. 92-500, THAT THE LEVEL OF 106 GRANTS WAS GROSSLY INADEQUATE TO COMPLY WITH ALL OF THE PROVISIONS OF THE ACT. UNDER PRESENT FISCAL CONSTRAINTS, STATES ARE LIMITED TO PERFORMING PRIORITY FUNCTIONS TO THE LEVEL OF AVAILABLE FUNDS.

CONGRESSIONAL RATIONALE ADVANCED RELATIVE TO A DECREASE IN 106 FUNDS IS THE AVAILABILITY OF 205(G) FUNDS. IT MUST BE EMPHASIZED THAT THE LEVEL OF 106 FUNDING HAS ALWAYS BEEN INADEQUATE. IT SHOULD ALSO BE RECOGNIZED THAT 205(G) FUNDS ARE RESTRICTED AS TO USE AND CANNOT BE USED TO PERFORM 106 FUNCTIONS. CONGRESSIONAL INTENT IN ENACTING THE 205(G) PROVISIONS WAS THAT 106 APPROPRIATIONS WOULD NOT BE DECREASED AND THAT 106 FUNDS, FORMERLY USED TO ADMINISTER THE CONSTRUCTION GRANTS PROGRAM WOULD BE REASSIGNED TO OTHER NON-CONSTRUCTION GRANTS FUNCTIONS. IT MUST ALSO BE RE-EMPHASIZED THAT ONLY 16 STATES NATIONALLY HAVE ACCEPTED 205(G) DELEGATION AND, FOR A MAJORITY OF THOSE STATES, THIS REPRESENTS A PARTIAL DELEGATION WHICH LIMITS THE AVAILABILITY OF FUNDS FOR REASSIGNMENT FROM CONSTRUCTION GRANTS TO OTHER PROGRAM ACTIVITIES. BASED ON QUALIFYING REQUIREMENTS FOR 205(G) GRANTS, IT IS REASONABLE TO ANTICIPATE THAT NOT ALL 50 STATES WILL BE CONSIDERED CAPABLE OF ACCEPTING THE 205(G) DELEGATION. A CUT IN 106 FUNDS, FOR THOSE STATES, WOULD BE CRITICAL AS IT WOULD BE FOR THE INTERSTATE AGENCIES RECEIVING GRANTS UNDER THE CLEAN WATER ACT BECAUSE SUCH AGENCIES ARE NOT INVOLVED IN THE CONSTRUCTION GRANTS PROGRAM AND THEREFORE DO NOT QUALIFY FOR 205(G) FUNDS.

FINALLY, ON THE QUESTION OF 208 FUNDING, THE STATE OF MAINE HAS ADVISED THAT IT IS NOW AT THE IMPLEMENTATION STAGE AND NEW HAMPSHIRE IS APPROACHING THAT STAGE. BOTH STATES HAVE INDICATED A NEED FOR 208 FUNDS TO FOLLOW THROUGH ON IMPLEMENTATION. OUR STATES ARE UNANIMOUS IN THE VIEW THAT SUBSTANTIAL EFFORT AND FUNDS HAVE BEEN EXPENDED IN 208 PLANNING TO DATE AND RECOMMEND THAT ON-GOING EFFORTS BE BROUGHT TO COMPLETION. STATE SUPPORT OF AN APPROPRIATION EQUAL TO THAT OF FY-78 IS BASED

ON FUNDS ACTUALLY RECEIVED BY THE STATES FROM THAT APPROPRIATION AND ON AN ESTIMATE OF NEEDS TO IMPLEMENT COMPLETED PLANS.

ON BEHALF OF OUR STATES, WE GREATLY APPRECIATE THE OPPORTUNITY OF PRESENTING OUR VIEWS BEFORE THIS COMMITTEE AND WILL BE PLEASED TO PROVIDE THE COMMITTEE WITH ANY ADDITIONAL INFORMATION IT MAY REQUIRE.

Mr. PELOQUIN. That's fine, Mr. Chairman.

Mr. Chairman and Members of the Committee, it is a privilege for the Interstate to represent the States generally before this Subcommittee.

I am Alfred E. Peloquin, Executive Secretary of the New England Interstate Water Pollution Control Commission, comprised of the six New England States and New York State.

I am presenting this statement on behalf of our compact-member States who unanimously support, for fiscal year 1980, a full $5 billion appropriation for construction grants, $52.4 million for program grants under Section 106 of the Clean Water Act, and $69 million for 208 planning, an amount equal to the fiscal year 1978 appropriation.

Mr. BOLAND. You don't want the full $5 billion in fiscal year 1980?

Mr. PELOQUIN. Yes, we are recommending the $5 billion.

Our States feel that they should go on record as demonstrating the need for the appropriation.

Mr. BOLAND. Some of the testimony we have before this Committee indicates that there was not a demonstration of the need for that kind of funding for fiscal year 1980 because of the inability of the States to use them. Some of the States cannot use half the funding which might be available through the $3.8 billion appropriation for fiscal year 1980.

I would think that the controlling commissions should agree on what would be the best possible figure. You are the first one who has come in here with a request for $5 billion, the full authorization.

But you would be willing to take less than $5 billion, wouldn't you?

Mr. PELOQUIN. The appropriation is in the hands of the Committee. We would have to take what the Committee appropriates but as a matter of record we should indicate that, at least in New England and New York, the needs are there.

Mr. BOLAND. I would think in New England you would agree with this. That is the Pilgrim and Puritan area, the area that watches its dollars very carefully. I try to help them and the Members of this Committee try to help them, but you would like the full $5 billion anyhow?

Mr. PELOQUIN. We feel it should be made a matter of record anyhow.

Mr. BOLAND. Well, it is a matter of record.

Mr. PELOQUIN. Our compact-member States recognize the need for budgetary restraint, but feel strongly that Congress should abide by its commitment to achieve the goals of the Clean Water Act within the statutory deadlines of the Act, and that appropriations for fiscal year 1980 should be at a level consistent with existing needs to achieve those goals.

The full statement submitted to the Committee sets forth data developed by the States and reflects the States' projected level of obligation and the impact of various levels of funding on the construction grants program.

I might add Table 1 in our full statement indicates the obligation level of existing funds for fiscal years 1978 and 1979, and Table 2

shows the appropriation impact on the number of projects which could be funded and unfunded, and Table 3 shows projected use of the fiscal year 1980 funds.

I might add with regard to Table 3 that the figures which the States have provided are based on what they estimate for a 24-month obligation period. This is provided for in the Statute, and that these figures, at least for the first 12 months of fiscal year 1980, specifically do not agree with the figures that were provided the Committee by EPA except in two instances.

Mr. BOLAND. Whom do we believe?

Mr. PELOQUIN. I would hope you would believe the States, because they are the ones who know what projects are in the pipeline and what their projected schedules are.

I made a spot check of the States yesterday afternoon to try to determine why the differences existed, and I found where the figures agree reasonably well, the engineer in the regional office had discussed the State program with the State.

Mr. BOLAND. Would you say an obligated balance of almost $8 billion indicates a good track record on the part of the States?

Mr. PELOQUIN. You must keep in mind, Mr. Chairman, that the obligations are incurred at the time the work is contracted for, and it takes a considerable amount of time from inception of the project until it goes on line. Payments are made on the basis of work accomplished. If you have a multi-million-dollar project, you contract for the project, but you may be paying it out over a 4-year period.

I think if we go to a lesser amount, you have to start segmenting the projects and building them in pieces, because it doesn't get enough out of the annual appropriation to take care of the projects. I think that accounts for a good part of the so-called unobligated balance or unexpended amount.

In our statement the data presented demonstrates a need for the $5 billion appropriation. We feel a lack of funding in the construction grants program will grind the water pollution abatement program to a halt; damage Congressional credibility relative to its commitment as set forth in the Clean Water Act; deter States from assuming program responsibilities under 205(g) delegations; deter communities from initiating action leading to the abatement of water pollution; place communities in violation of permit conditions, thereby making them liable to court action, and; because of inflation, substantially increase the total cost of pollution abatement.

I believe Administrator Costle noted inflation in the construction industry is about 17 percent a year.

With regard to the 106 program grants, the States are unanimous in the recommendation that, as a minimum, the fiscal year 1979 level of $52.4 million be appropriated. It has been recognized, since enactment of Public Law 92–500, that the level of 106 grants was grossly inadequate to comply with all of the provisions of the Act. Under present fiscal constraints, States are limited to performing only priority functions and to the level of available funds. Congressional intent in enacting the 205(g) provisions was that 106 appropriations would not be decreased and that 106 funds, formerly used to administer the construction grants program, would be reas-

signed to other non-construction grants functions and thereby provide States with the fiscal resources to perform more program functions with available funds. It should be noted that only 16 States now have 205(g) delegation. A cut in 106 funds will be critical to those States that cannot reassign 106 funds to non-construction grants functions and will be especially critical to the interstate agencies who are not involved in the construction grants program and therefore would not qualify for 205(g) grants.

Finally, on the question of 208 funding, the State of Maine has advised that it is now at the implementation stage for its area-wide management plans, and New Hampshire is approaching that stage. Both States have indicated a need for 208 funds to follow through on implementation. Our States are unanimous in the view that substantial effort and funds have been expended in 208 planning to date and recommend that funds be appropriated so that ongoing efforts can be brought to completion.

On behalf of our States, we greatly appreciate the opportunity of presenting our views before this Committee and will be pleased to provide the Committee with any additional information it may require.

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

Mr. Coughlin?

Mr. Coughlin. Are you aware the Federal Government has a substantial deficit?

Mr. PELOQUIN. Yes, I am.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Thank you for the excellent testimony.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. We keep hearing contradictory testimony on how much money could be spent and obligated quickly. Do you have a figure nation-wide for similar organizations such as yours? I get conflicting reports in my own State. They tell me they are ready to use whatever is appropriated.

Mr. PELOQUIN. I don't have figures nation-wide, sir. I can indicate as far as our region, our compact-member States, particularly the New England States can appropriate all that can be made available to them.

Mr. SABO. The projects are set to go to construction?

Mr. PELOQUIN. Yes, either to go to construction or to start step 1 phase of the preliminary design and go into the preparation of the final plans and specifications which will lead to construction. There are three phases in the construction process. I would suggest that we provide information to you through the Association of State and Interstate Water Pollution Control Administrators, who have a mechanism for getting this information from the States.

Mr. SABO. Thank you.

Mr. BOLAND. I think Mr. Sabo puts his finger on the problem. For fiscal year 1980, the allotment under the $3 billion appropriation for the State of Massachusetts would be $111 million. And the EPA indicates all they can use is something like $18 million.

Mr. PELOQUIN. EPA indicated Massachusetts would use 16 percent in the first 12 months in the fiscal year. But we shouldn't lose

sight of the fact that the obligation is a 2-year obligation and can be used over a 24-month period. I have talked with the director of the Water Pollution Control in the State, and he indicated in the first 12 months of the year he could use $90 million in fiscal year 1980. He was one of the individuals I checked with yesterday afternoon, and he indicated that the region had not checked with him as to what he might be able to obligate.

Mr. BOLAND. I am surprised. I thought that was a very efficient region up there, Region 1.

Mr. PELOQUIN. I feel they are, and we have a good rapport between the regions and States, but the individual engineers within the program have responsibility for certain States, and some are more efficient than others.

Mr. BOLAND. Mr. Stewart?

Mr. STEWART. Do you know the number of States that are able to use their allotments? I am trying to see what percentage of States feel as you do, because they have already applied for it and justified it.

Mr. PELOQUIN. I don't have the information by project.

We do on Table 2 give a tabulation for New England alone of how many projects would be funded under different levels of authorization. That is on page 5 of our complete statement. So we have a total of 369 projects with a $5 billion appropriation for New England and New York. We would be able to fund 208——

Mr. BOLAND. All top priority projects?

Mr. PELOQUIN. I would say probably all top with the exception of some in Vermont. When we talk about priorities, again I don't feel there are bad projects.

Mr. BOLAND. Some projects are good and some not quite as good.

Mr. PELOQUIN. That is right; some are lower on the list, but they are needed, and they are going to have to be built eventually. If the funds are available, I think it is perfectly justifiable to move them up, if other States are not ready. I talked with Vermont yesterday afternoon, and they indicated they had some lower priority projects, but based on the local funding and the State funding, unless these projects get a grant in the coming year, the investment to this point in developing the projects will be lost. They have to go back to ground zero and start over. They do propose to fund projects which are lower on the priority list, but they are assured that no higher priority project is being penalized by that action. But it is a monetary and statutory situation as far as the State is concerned.

Mr. STEWART. I think we agree with you—if we don't have funding to carry on the project, we will lose what we have in there. But the question is whether or not we need the full funding because we are not using it. I think that is what we are confronted with.

Mr. BOLAND. That is the bottom line.

Mr. PELOQUIN. I have an information document prepared by the State and Interstate Water Pollution Control Association of State Administrators, which has a breakdown by categories. It is a complete analysis based on the survey done by the association, and I would like to submit it for the record.

Mr. BOLAND. That will be fine.

[The information follows:]

Association of State and Interstate Water Pollution Control Administrators

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INFORMATION DOCUMENT

FY 1980 APPROPRIATION FOR MUNICIPAL SEWAGE TREATMENT WORKS CONSTRUCTION GRANT PROGRAM

In 1972, Congress passed the Water Pollution Control Act Amendments and committed itself to a massive program to eliminate water pollution and clean up the nation's waters. In 1977, this commitment was re-affirmed with passage of the Clean Water Act.

In the Clean Water Act, Congress authorized $24.5 billion over a 5-year period towards 75 percent grants to municipalities for construction of new or upgraded sewage treatment works. It was envisioned that this would be the first part of a $50 billion, ten-year program to bring about municipal compliance with the goals of the Act.

Actual congressional appropriations, however, have lagged authorizations. Appropriations have gone from $4.5 billion in FY 1978 to $4.2 billion in FY 1979, and the proposal in the President's FY 1980 Budget is to reduce the appropriation to $3.8 billion.

These appropriation levels, without consideration of inflation, would indicate reductions in construction activity of 16% in FY 1979 ($4.2 billion) and 24% in FY 1980 ($3.8 billion), compared to the amount of construction activity authorized in 1977 ($5 billion per year).

The actual reductions in construction activity, considering inflation are 24% in FY 1979 and a proposed 38% in FY 1980. In other words, the President's proposed budget for construction grants will provide for 38% less construction activity towards national clean water goals than was contemplated by Congress when they approved the Clean Water Act in 1977 (see Table 1).

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Further cause for concern arises when it is realized that pressures to reduce the nation's budget may cause the already reduced $3.8 billion proposed by the President to be reduced even lower. The staff of the House Appropriations Committee, for example, has recommended that no appropriation be made in FY 1980 for the construction grants program.

The question must be asked: "Is Congress abandoning the national commitment to clean water and the 10-year program that was envisioned when the Clean Water Act was passed?"

The answer to this question will certainly be yes, whether deliberate or not, if the program is continually decelerated by reduced appropriations. The diversion of manpower, interest and enthusiasm which results from lack of adequate federal funding is as effective a way of abandoning the clean water effort as revising the Act.

Continued reduction of appropriated funding levels below those authorized for municipal facilities construction has the following adverse impacts:

- It further delays elimination of water pollution and compliance with the goals of the Clean Water Act. At a $3.8 billion appropriation level approximately 900 projects throughout the country would be delayed due to lack of funds. With a $3.0 billion appropriation, the number of projects delayed would increase to about 1350. If no appropriations were made, some 4,550 projects would be delayed (see Tables 2 and 3). Table 4 shows the impact of various appropriations levels upon each state in relation to the estimated needs of that state to comply with the goals of the Act.

- It increases the total cost of the program. These projects were mandated by the Clean Water Act because they are essential to our national well being. They have to be built eventually. If they are delayed, even greater expenditures will be required when they are built, because of inflationary cost increases. This adversely impacts both the taxpayers in the municipalities where projects are delayed and the nation's taxpayers who contribute 75 percent of the costs of these projects.

- It slows the momentum that has been building since 1972 in the construction, manufacturing and engineering activities associated with the program. This is one of the nation's largest public works programs. Once slowed, it will take years to reestablish the momentum that now exists and achievement of the nation's clean water goals will be delayed even further.

- It delays needed jobs. At an appropriation level of $3.8 billion, some 54,000 jobs will be lost (compared to a $5.0 billion appropriation) and if the appropriation were to drop to $3.0 billion, 90,000 jobs would be lost. Without any appropriation, 225,000 jobs would be lost (see Table 5).

One of the rationalizations offered for reducing the construction grant appropriations is that local planning and design work on grant projects is lagging and if Congress appropriated more money, it would not be expended. The history of the program, however, clearly demonstrates that the amount of money appropriated drives the program. It drives local municipalities and their consultants and State and Federal grant project reviewers towards a goal. It forces them to expedite their activities, and to make tough decisions quickly rather than procrastinate: No one wants to be responsible for losing available Federal funds. A reduction in the appropriation level in anticipation of a reduction in completed grant applications, therefore, becomes a self-fulfilling prophecy.

A number of people have failed to recognize the positive aspects of "keeping pressure on the system" and instead have focused only the negative aspects. They argue that the pressure to obligate grant funds has forced EPA and the states to fund many lower priority and unneeded projects. While some lower priority projects have been funded in the past, such projects have been the exception rather than the rule. The great percentage of the projects funded have been high priority projects necessary for compliance with the goals of the Act, and the pressure associated with obligating the funds has caused these beneficial projects to be constructed earlier and at a lower cost. So the positive aspects of this pressure have far exceeded the negative aspects.

Funding of lower priority and unneeded projects will be essentially eliminated in the future without curtailment of appropriations, as a result of changes in the Clean Water Act of 1977 and more recent changes in EPA's administrative procedures. The enforceable requirements' provision of the Act was specifically designed to eliminate the funding of projects unnecessary to meet the goals of the Act. In addition, new EPA regulations place more stringent restrictions on the development of state priority lists. Finally, a recent Program Requirements Memo will restrict the funding of advanced waste treatment (AWT) projects to those absolutely necessary to improve water quality or protect public health. These direct approaches to the problem of lower priority projects will be far more effective than the indirect approach of reducing the construction grant appropriation and they will allow the positive aspects of the appropriation to remain in effect.

In summary, an adequately funded clean water program provides many benefits to the country. It most certainly provides environmental benefits, but it also provides substantial economic benefits. A fully funded program would provide more than 200,000 jobs, primarily in the private sector in such activities as construction and manufacturing. Many additional jobs are created as these workers spend their earnings for consumer goods and services. With unemployment continuing to be such a significant problem, this secondary benefit of the program cannot be ignored.

To reduce the construction grants appropriation beyond what has been proposed by the President would delay construction of needed water pollution control facilities, increase total program costs, slow the momentum of one of the nation's largest public works programs and result in the loss of many jobs throughout the country.

Note: In January 1979, ASIWPCA surveyed its membership concerning the probable impacts of decreased funding for the construction grants program. This document is based on the results of that survey.

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

Table 1

Adjusted Appropriation Values [a]

Fiscal Year	National Authorization ($B)	Actual Appropriation	Percent of Red. of Approp. from Auth.	Value of Approp. Adjusted for Inflation ($B) [a]	Total Percent Red. of Approp. Incl. Inflation
1978	$4.5	$4.5	0	$4.5	0
1979	5.0	4.2	16	3.8	24
1980	5.0	3.8 [b]	24	3.1	38
1981	5.0	-	-	-	-
1982	5.0	-	-	-	-

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

TABLE 2

REDUCED APPROPRIATION IMPACT SAMPLE [c]
FOR FISCAL YEAR 1980

STATE	PROJECT IMPACT														
	$5.0B Approp. (0% Reduction)			$4.5B Approp. (10% Reduction)			$4.2B Approp. (16% Reduction)			$3.8B Approp. (24% Reduction)			$3.0B Approp. (40% Reduction)		
	Projs. Funded [d]	Projs. Unfnded	Red. (%)	Projs. Funded [d]	Proj. Unfnded [e]	Red. [f] (%)	Projs. Funded [d]	Projs. Unfnded [e]	Red. [f] (%)	Projs. Funded [d]	Projs. Unfnded [e]	Red. [f] (%)	Projs Funded [d]	Projs. Unfnded [e]	Red. [f] (%)
ALABAMA	166	0	0	116	50	30	111	55	33	90	76	46	84	82	49
ALASKA	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0
CALIFORNIA	160	0	0	147	13	8	145	15	9	139	21	13	127	33	2
FLORIDA	149	0	0	126	23	15	115	34	23	103	46	31	73	76	51
GEORGIA	126	0	0	125	1	1	113	13	10	112	14	11	86	40	32
IDAHO	45	0	0	30	15	33	29	16	36	27	18	40	23	22	49
ILLINOIS	109	0	0	88	21	19	82	27	25	59	50	46	40	69	63
INDIANA	165	0	0	164	1	1	163	2	1	141	24	15	123	42	25
MAINE	21	0	0	19	2	10	17	4	19	16	5	24	13	8	38
MARYLAND	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0	[g]	0	0
MISSOURI	44	0	0	39	5	11	34	10	23	33	11	25	28	16	36
NEBRASKA	62	0	0	56	6	10	50	12	19	45	17	27	37	25	40
NEVADA	12	0	0	12	0	0	9	3	25	5	7	58	2	10	83
OHIO	65	0	0	65	0	0	65	0	0	55	10	15	45	20	31
TEXAS	172	0	0	137	35	20	124	48	28	107	65	38	83	89	52
WASHINGTON	40	0	0	45	3	8	35	5	13	30	10	25	16	24	60
W.VIRGINIA	22	0	0	21	1	5	19	3	14	16	6	27	10	12	55
WISCONSIN	60	0	0	45	15	25	40	20	33	35	25	42	30	30	50
SAMPLE TOTALS	1418 [h]	0	0	1227 [h]	191	13	1151 [h]	267	19	1013 [h]	405	29	820 [h]	598	42

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

Table 3

Projection of Unfunded Projects Nationwide
For Fiscal Year 1980

	1983 Compl. Nds. ($M) h/	National Nds as a Percent (%) of the Sample States	No. of Unfunded Projects Under Alternative Appropriations i/				
			$5.0B	$4.5B	$4.2B	$3.8B	$3.0B
SAMPLE STATES g/	23,916		0	191	267	405	598
NATION	54,071	226	0	432	603	915	1351

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

TABLE 4

PROGRAM FUNDING NEEDS/AVAILABILITY

Categories I, II & IVB

STATE	Cats. I, II & IVB ($M) k/		FUNDS AVAILABLE														
			$5.0B Approp.			$4.5B Approp.			$4.2B Approp.			$3.8B Approp.			$3.0B Approp.		
	Total	Avg l/	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($M) State m/ Alloc	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need
ALABAMA	525	140	63	77	45	57	83	41	53	87	38	48	92	34	38	102	27
ALASKA	433	115	25	90	22	23	92	20	21	94	18	19	96	17	15	100	13
ARIZONA	390	104	38	66	37	34	70	33	32	72	31	29	75	28	23	81	22
ARKANSAS	335	89	37	52	42	33	56	37	31	58	35	28	61	31	22	67	25
CALIFORNIA	6297	1679	392	1287	23	353	1326	21	329	1350	20	298	1381	18	235	1444	14
COLORADO	818	218	45	173	21	41	177	19	38	180	17	34	184	16	27	191	12
CONNECTICUT	528	141	55	86	39	49	92	35	46	95	33	42	99	30	33	108	23
DELAWARE	214	57	25	32	44	23	34	40	21	36	37	19	38	33	15	42	26
DIST. OF COLUMBIA	15	4	25	(21)	625	23	(19)	575	21	(17)	525	19	(15)	475	15	(11)	375
FLORIDA	3335	889	189	700	21	170	719	19	159	730	18	144	745	16	114	775	13
GEORGIA	1077	287	96	191	33	86	201	30	80	207	28	73	214	25	57	230	20
HAWAII	660	176	39	137	22	35	141	20	33	143	19	30	146	17	23	153	13
IDAHO	261	70	25	45	36	23	47	33	21	49	30	19	51	27	15	55	21
ILLINOIS	1661	443	256	187	58	231	212	52	215	228	49	195	248	44	154	289	35
INDIANA	893	238	137	101	58	123	115	52	115	123	48	104	134	44	82	156	34
IOWA	698	186	64	122	34	58	128	31	54	132	29	49	137	26	38	148	20
KANSAS	706	188	43	145	23	39	149	21	37	151	20	33	155	18	26	162	14
KENTUCKY	842	225	72	153	32	65	160	29	61	164	27	55	170	24	43	182	19
LOUISIANA	756	202	62	140	31	56	146	28	52	150	26	47	155	23	37	165	18
MAINE	297	79	37	42	47	33	46	42	31	48	39	28	51	35	22	57	28
MARYLAND	1186	316	137	179	43	123	193	39	115	201	36	104	212	33	82	234	26

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

TABLE 4

PROGRAM FUNDING NEEDS/AVAILABILITY

Categories I, II, & IVB

STATE	Cats. I, II & IVB ($M)		FUNDS AVAILABLE														
			$5.0B Approp.			$4.5B Approp.			$4.2B Approp.			$3.8B Approp.			$3.0B Approp.		
	Total	Avg. 1/	($M) State Alloc. 2/	Deficit 3/	% of Avg. Need 4/	($M) State Alloc 2/	Deficit 3/	% of Avg. Need 4/	($M) State Alloc 2/	Deficit 3/	% of Avg. Need 4/	($M) State Alloc. 2/	Deficit 3/	% of Avg. Need 4/	($M) State Alloc. 2/	Deficit 3/	% of Avg. Need 4/
MASSACHUSETTS	1569	418	146	272	35	131	287	31	122	296	29	111	307	27	87	331	21
MICHIGAN	1818	485	204	281	42	183	302	38	171	314	35	155	331	32	122	363	25
MINNESOTA	964	257	92	165	36	83	174	32	77	180	30	70	187	27	55	202	21
MISSISSIPPI	483	129	48	81	37	43	86	33	40	89	31	36	93	28	29	100	22
MISSOURI	1480	395	123	272	31	111	284	28	103	292	26	94	301	24	74	321	19
MONTANA	63	17	25	(8)	147	23	(6)	135	21	(4)	124	19	(2)	112	15	2	88
NEBRASKA	211	56	27	29	48	24	32	43	23	33	41	21	35	38	16	40	29
NEVADA	219	58	25	33	43	23	35	40	21	37	36	19	39	33	15	43	26
NEW HAMPSHIRE	587	157	43	114	27	39	118	25	37	120	24	33	124	21	26	131	17
NEW JERSEY	2391	638	176	462	28	159	479	25	148	490	23	134	504	21	106	532	17
NEW MEXICO	114	30	25	5	83	23	7	77	21	9	70	19	11	63	15	15	50
NEW YORK	5547	1479	524	955	35	471	1008	32	440	1039	30	398	1081	27	314	1165	21
N. CAROLINA	1043	278	98	180	35	88	190	32	82	196	30	74	204	27	59	219	21
N. DAKOTA	62	17	25	(8)	147	23	(67)	135	21	(4)	124	19	(2)	112	15	2	88
OHIO	2567	685	319	366	47	287	398	42	268	417	39	242	443	35	191	494	28
OKLAHOMA	374	100	46	54	46	41	59	41	38	62	38	35	65	35	28	72	28
OREGON	725	193	64	129	33	58	135	30	54	139	28	49	144	25	38	155	20
PENNSYLVANIA	2167	578	215	363	37	194	384	34	181	397	31	163	415	28	129	449	22
RHODE ISLAND	340	91	26	65	29	23	68	25	22	69	24	20	71	22	16	75	18
S. CAROLINA	472	126	58	68	46	52	74	41	49	77	39	44	82	35	35	91	28
S. DAKOTA	171	46	25	21	54	23	23	50	21	25	46	19	27	41	15	31	33
TENNESSEE	920	245	76	169	31	69	176	28	64	181	26	58	187	24	46	199	19

CLEAN WATER GRANT PROGRAM APPROPRIATION ANALYSIS

TABLE 4

PROGRAM FUNDING NEEDS/AVAILABILITY

Categories I, II & IVB

STATE	Cats I, II & IVB k/ ($M)		FUNDS AVAILABLE														
			$5.0B Approp.			$4.5B Approp.			$4.2B Approp.			$3.8B Approp.			$3.0B Approp.		
	Total	Avg.l/	($M) State m/ Alloc.	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg. o/ Need	($M) State m/ Alloc.	n/ Deficit	% of Avg o/ Need
TEXAS	2220	592	215	377	36	194	398	33	181	411	31	164	428	28	129	463	22
UTAH	293	78	25	53	32	23	55	29	21	57	27	19	59	24	15	63	19
VERMONT	160	43	25	18	58	23	20	53	21	22	49	19	24	44	15	28	35
VIRGINIA	1282	342	97	245	28	87	255	25	81	261	24	74	268	22	58	284	17
WASHINGTON	1263	337	87	250	26	79	258	23	73	264	22	66	271	20	52	285	15
WEST VIRGINIA	573	153	88	65	58	79	74	52	74	79	48	67	86	44	53	100	35
WISCONSIN	1037	277	96	181	35	87	190	31	81	196	29	73	204	26	58	219	21
WYOMING	61	16	25	(9)	156	23	(7)	144	21	(5)	131	19	(3)	119	15	1	94
PUERTO RICO	676	180	58	122	32	52	128	29	49	131	27	44	136	24	35	145	19
GUAM p/	213	57	17	40	30	15	42	26	14	43	25	13	44	23	10	47	18
VIRGIN ISLANDS																	
AMERICAN SAMOA																	
TRUST TER. OF PAC																	
N. MARIANA IS.																	
TOTALS	53,992	14,399															

Table 5

Jobs Generated by the
Clean Water Grant Program

Appropriation Level ($B)	Jobs Generated Nationwide 9/	Jobs Lost Nationwide
$5.0	224,650	-
4.5	202,185	22,465
4.2	188,706	35,944
3.8	170,734	53,916
3.0	134,790	89,860

FOOTNOTES

a/ The "Needs" costs are all shown in 1978 dollars. Currently the cost of construction for wastewater treatment facilities is inflating at about 10 percent per year (Reference: EPA sewage treatment plant [10.7%] and sewer construction [9.9%] cost index). The appropriations to date have been deflated at this rate to show their buying power.

b/ Taken from the EPA fiscal year 1980 proposed budget.

c/ The eighteen states shown on Table 2 submitted data related to the impact of a reduced appropriation. Specifically the number of projects that would not be funded as a direct result of a reduced appropriation was estimated by the states. The sample states roughly represent a cross-section of the nation and the data was used to project the national impact.

d/ These are state estimates of the number of projects that could be funded with each appropriation alternative.

e/ These are state estimates of the number of projects currently scheduled for grant award, but for which adequate funding will not be available under each appropriation alternative using the number of projects that can be funded with a $5.0B appropriation as a zero base.

f/ Reduction is that number of projects that would not be funded (Projects Unfunded) as a percentage of the projects funded at the $5.0B appropriation level.

g/ Number of projects not known. It is not anticipated that any projects will be delayed by shortage of funding.

h/ This number of projects is for a sample of sixteen states.

i/ Includes only "Needs" categories I, II, and IV. Actual total needs are much higher.

j/ Assuming the sample states are representative of the nation, the data for these states was used to make national projections. The "Needs" (Categories I, II, and IVB only) for the nation is approximately 226 percent of the "Needs" for the sample states. Using this ratio on the number of unfunded projects for the sample states, the number of unfunded projects nationwide was determined.

Footnotes, page 2.

k/ The specific "Needs" alternatives listed should not be considered an accurate representation of the total needs for compliance with the 1983 goal. These needs include only categories I, II, and IVB (secondary treatment or higher than secondary treatment and new interceptors) and should be considered a minimum. The basis for this data is the 1978 "Needs Survey" submitted to Congress on February 10, 1979. Costs shown are in 1978 dollars. The actual buying power will be much less. Inflation for construction of wastewater treatment facilities is currently about 10 percent.

l/ Total needs shown are remaining needs as of January 1, 1978. Assuming the latest date for start of construction (in order to meet compliance by July 1, 1983) is September 30, 1981, only 3.75 years are available for awarding grants. Average annual need, therefore, is total need divided by 3.75.

m/ State allocations were calculated for each appropriation alternative using the methodology prepared by EPA and published in the Federal Register dated November 30, 1978.

n/ Deficit is the difference between the "average" state need and the state allocation. It is an indication of the state's ability to meet the 1983 compliance goal (appropriations are limited to a maximum of $5.0B through FY 1982).

o/ Percent of average need is the state allocation as a percentage of the average annual need.

p/ Includes allotment for Virgin Islands, American Samoa, Trust Territory of the Pacific and Northern Mariana Islands.

q/ Calculated using EPA's estimate of 44,930 jobs generated per billion dollars of Federal grant money.

Mr. BOLAND. Mr. Peloquin, thank you very much.

CONSTRUCTION GRANT APPROPRIATIONS UNDER THE CLEAN WATER ACT

WITNESSES

RICHARD MILLWARD, PRESIDENT-ELECT, WATER AND WASTEWATER EQUIPMENT MANUFACTURERS ASSOCIATION, INC.
JOHN SCHEER, EXECUTIVE DIRECTOR, WWEMA

Mr. BOLAND. Our next witness is Mr. Richard Millward, President-Elect, and Mr. John Scheer, Executive Director of the Water and Wastewater Equipment Manufacturers Association.

We are delighted to have you and Mr. Scheer represent the views of the Water and Wastewater Equipment Manufacturers Association.

Mr. MILLWARD. Thank you, Mr. Chairman. Our association represents some 300 companies that manufacture and sell equipment and material supplies to the water and wastewater industry.

Mr. BOLAND. How big an industry is it?

Mr. MILLWARD. It is a billion dollar industry. About 15 to 20 percent of the funds go into the equipment for wastewater treatment plants.

In order to ensure the continued progress toward achieving the objectives of the Clean Water Act, we urge your favorable consideration of the Administration's request of $3.8 billion in funding for fiscal year 1980. We further urge you to restate Congressional support for multi-year funding which will preclude growing uncertainties within the industry. As manufacturers, we believe these recommendations are essential to:

One, have Congress re-establish and maintain Federal leadership with respect to the States, municipalities, consulting engineers, contractors and manufacturers to show that Congress intends to meet the objectives of the Clean Water Act by demonstrating, through its Acts, the stability and credibility needed for the entire program. This is imperative to ensure the conservation and protection of our clean water resources;

Two, with major legislative uncertainties behind us, Congress can curtail uncertainties with respect to the funding process. These uncertainties, since 1972, have caused considerable delays, allowed inefficiency to appear in the system and, most significantly, have added 10 to 20 percent to the cost to the citizen taxpayers.

Mr. BOLAND. I would hate to think what would happen if there were a multi-year funding proposition fully funded every year since the program came into being in 1972.

Mr. MILLWARD. We are suggesting two things. Obviously Congress has to establish the level of funding required to achieve the Act, and what we are suggesting is that for continuity there be a long-term commitment so planning can be done in an effective way.

We pointed out earlier in our comments that with 15 to 20 percent of the cost of the clean water program associated with

equipment and material supply, it is essential through Congressional leadership that a framework for long-range planning be established if the program is to proceed in an orderly and timely manner. Lead time for equipment and material supply is by the very nature of the program long term. Introducing the uncertainty of short-term cash flow by virtue of extreme fluctuation in funding makes it impossible for manufacturers to develop and implement short- and long-term plans with any degree of integrity. This introduces inefficiency and additional cost to citizen taxpayers.

Many manufacturers in the past year either consolidated with other companies or left the industry completely because of the uncertainties in their planning process. We fear the trend may continue to the point that we might undermine the strength and ability of our manufacturers to support our role in meeting the goals established by Congress. Wastewater equipment manufacturers continue to report earnings, if any at all, well below national averages. The unreasonably low returns on investment has a negative effect on our industry and, in turn, affects product quality and employee productivity. Our membership has identified to us that they are presently involved in substantial reduction of capital expenditure and manpower or re-allocation of these resources to other markets and that this would certainly be accelerated if the fiscal year 1980 funding is reduced or eliminated.

Three, continued Congressional recognition of the importance of technological advancements to improve the cost-benefit relationship within the program. This was initially demonstrated within the 1977 Amendments to the Clean Water Act, in terms of innovative and alternative technology. Historically, our WWEMA members have been the major source of advancements in the state of the art in terms of process and product development and improvement. Unreasonably low returns or uncertainties in long-range planning, as previously identified, has caused our membership to reduce or reallocate R. & D. expenditures or seriously consider same. We believe that lack of support for the Administration's request for fiscal year 1980 funding will move many of our members from serious considerations of reducing R. & D. expenditures to actual reductions. This will serve to undermine, we believe, the intent of Congress to improve the value of the taxpayer's dollar in terms of the pollution control it will buy.

In conclusion, Mr. Chairman and Members of the Committee, we would like to reiterate the importance of a continued stable construction grants funding program. This will enable manufacturers, as one of the essential parties involved in this program, to continue to do our part in assuring our nation that the goals will be met for future generations to enjoy.

Thank you.

[The complete statement follows:]

TESTIMONY PRESENTED BY THE
WATER AND WASTEWATER EQUIPMENT
MANUFACTURERS ASSOCIATION, INC.
BEFORE THE HOUSE SUBCOMMITTEE ON
HUD AND INDEPENDENT AGENCIES

April 25, 1979

My name is Richard Millward of Dorr-Oliver. I am a Member, Director and President-Elect of the Water and Wastewater Equipment Manufacturers Association. I am accompanied by John Scheer, WWEMA Executive Director.

Our Association, WWEMA, represents approximately 300 companies that manufacture and sell equipment to the water and wastewater industry. We appreciate the opportunity to comment on the proposed Fiscal Year 1980 construction grants appropriations under the Clean Water Act and intend to limit our remarks to several points in which our membership has a deep interest.

In order to insure continued progress toward achieving the objectives of the Clean Water Act, we urge your favorable consideration of the Administration's request of $3.8 billion in funding for FY 1980. We further urge you to restate congressional support for multi-year funding which will preclude growing uncertainties within the industry. As manufacturers, we believe these recommendations are essential to:

1. Have Congress re-establish and maintain Federal leadership with respect to the states, municipalities, consulting engineers, contractors and manufacturers that Congress intends to meet the objectives of the Clean Water Act by demonstrating through its acts the stability and credibility needed for the entire program. This is imperative to insure the conservation and protection of our clean water resources;

2. With major legislative uncertainties behind us, to have Congress curtail uncertainties with respect to the funding process. These uncertainties, since 1972, have caused considerable delays, allowed inefficiency to appear in the system and most significantly have added 10 - 20% to the cost to the citizen taxpayers.

   With 15 - 20% of the cost of the Clean Water Program associated with equipment and material supply, it is essential through congressional

leadership that a framework for long-range planning be established if the program is to proceed in an orderly and timely manner. Lead time for equipment and material supply is by the very nature of the program long term. Introducing the uncertainly of short-term cash flow by virtue of extreme fluctuation in funding makes it impossible for manufacturers to develop and implement short and long-term plans with any degree of integrity. This introduces inefficiency and additional cost to citizen taxpayers.

Many manufacturers in the past year either consolidated with other companies or left the industry completely because of the uncertainties in their planning process. We fear the trend may continue to the point that we might undermine the strength and ability of our manufacturers to support our role in meeting the goals established by Congress. Wastewater manufacturers continue to report earnings, if any at all, well below national averages. The unreasonably low returns on investment has a negative affect on our industry and, in turn, affects product quality and employee productivity. Our membership has identified to us that they are presently involved in substantial reduction of capital expenditure and manpower or re-allocation of these resources to other markets and that this would certainly be accelerated if the Fiscal Year 1980 funding is reduced or eliminated.

3. Continued congressional recognition of the importance of technological advancements to improve the cost-benefit relationship within the program. This was initially demonstrated within the 1977 Amendments to the Clean Water Act, in terms of Innovative and Alternative Technology. Historically, our WWEMA members have been the major source of advancements in the state of the art in terms of process and product development and improvement. Unreasonably low returns or uncertainties in long-range planning, as previously identified, has caused our membership to reduce or re-allocate R&D expenditures or seriously consider same. We believe that lack of support for the Administration's request for FY 1980 funding will move many of our members from serious considerations of reducing R&D expenditures to actual reductions. This will serve to undermine the intent of Congress to improve the value of the taxpayer's dollar in terms of the pollution control it will buy.

In conclusion, Mr. Chairman and members of the Committee, we would like to reiterate the importance of a continued, stable construction grants funding program. This will enable manufacturers, as one of the essential parties involved in this program, to continue to do our part in assuring our nation that the goals will be met for future generations to enjoy.

Mr. Chairman and members of the Committee, this concludes the WWEMA prepared statement. My colleague and I would be pleased to answer any questions you have at this time.

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

Do you have any statement, Mr. Scheer?

Mr. SCHEER. No.

Mr. BOLAND. Thank you very much. We appreciate your presence.

Mr. Coughlin?

Mr. Coughlin. Two very brief questions: You indicated only 15 percent of the total water pollution control funds go for equipment.

Mr. MILLWARD. That is correct; 15 to 20 percent.

Mr. COUGHLIN. The rest is in planning and construction?

Mr. MILLWARD. I am talking about for equipment, in terms of materials. I am talking about process equipment, instrumentation controls.

Mr. COUGHLIN. You mentioned the question of unreasonably low return in the industry. What is the average profit after taxes?

Mr. MILLWARD. It is in the two percent range in this industry. It has been identified in a survey by Arthur D. Little that the returns were significantly less than comparable industries.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Are you suggesting that the innovative programs are really necessary to your R & D of manufactured goods?

Mr. MILLWARD. Not necessarily. What is critical to the program is to advance the state of the art and introduce incentives to encourage the development of R & D work. Much of that is done by manufacturers and suppliers, and, unless we have some continuity and can do some long-range planning, those activities will be curtailed.

Mrs. BOGGS. And you seem to feel that in the long run it would buy cheaper, clean water for the consumers?

Mr. MILLWARD. Yes, ma'am.

Mrs. BOGGS. Thank you very much.

Mr. BOLAND. Thank you very much, Mr. Millward and Mr. Scheer.

EPA's CONSTRUCTION GRANTS PROGRAM

WITNESSES

FREDERICK COMPAGNI, PRESIDENT, CAMPAGNI CONSTRUCTION CO., CORTLAND, N.Y., REPRESENTING THE NATIONAL UTILITY CONTRACTORS ASSOCIATION

DR. ROBERT L. SANSOM, PRESIDENT OF ENERGY AND ENVIRONMENTAL ANALYSIS

Mr. BOLAND. Our next witness is Frederick G. Compagni, with the National Utility Contractors, and you are accompanied by Robert Sansom, President of Energy and Environmental Analysis.

Mr. COMPAGNI. That is correct.

Mr. Chairman, I would appreciate it if I were not criticized for not reading the prepared statement. I have listened this morning to everyone read their statements, and I would much prefer just telling you what I feel and my reasons for being here. When I left home yesterday, to the best of my knowledge I was in the construc-

tion business, and hopefully when I get back, I will be in the same business. I am not sure, after listening to the testimony this morning.

Mr. BOLAND. It is not just this particular function or activity. Is this the only business you are in, the wastewater treatment business?

Mr. COMPAGNI. I am a utility contractor; that is my primary means of making a living. I have had the honor and privilege of being past president of the National Utilities Contractors Association. When I read the statement, it said I was a part-president, and maybe I am a part-president or part-contractor.

The only way I can explain my feelings is that I have seen in the past several months several projects that went to bid at very, very competitive prices and were rejected by the communities. That, to me, was an indication that the information coming out of Washington leads them to believe there is no need for concern; that if they don't want to go ahead with the projects, it is a way not to spend the tax dollars, and there will be no enforcement.

I was personally involved in sewering a particular village, in our language called a dry village, meaning there are no connecting sewers. Those were due to come up for bid this spring, and the word is out those projects have been shelved, and there is no indication when the sewers that have been installed will be put into constructive use.

I understand from what I have heard this morning that no one believes it will be zero funding. We have heard $2.8, $3.8 billion; one gentleman wanted $5 billion. I think for our industry we would like to see everybody get full appropriation, and I bet we could find a way to spend the money constructively.

Mr. BOLAND. Of course you would find a way to spend it. I don't know of any contractor or community that couldn't find a way to spend it. That is why we have a budget of $532 billion. Bureaucracy knows how to spend; there is no doubt. The programs and projects are good, but often require oversight, and that is what we are doing here.

Mr. COMPAGNI. Mr. Chairman, I have been involved with EPA for six years, and they have had peaks and valleys. From the contractor's standpoint, primarily the people I am connected with, we constantly are asked to gear up to take care of this large workload. We gear up, go in debt, buy equipment, put on additional staff, and a year later we find there are no jobs. There are problems with EPA, whether it is the enforcement, Appropriations Committee, whatever it might be. Again, there is a lack of confidence in the program.

Someone has to explain to me how we can continue to stay in business and pay our bills without some continuity and strong support from all Members of Congress so that the program is there and it is funded. I have heard all the figures. Now, I see it is down to $106 billion, one time I heard $520 billion. We either can't spend the money, or we are running out of money.

I would like for this Committee to be able to assure us that the program is a viable one, the money will be there, and, if we plan, we can plan with some degree of continuity.

Mr. BOLAND. Surely. Where the projects are viable, where they are continuing good projects, I think you can have that assurance.

Our problem is with the huge unobligated balances. When the deadline comes, the States have projects that are low priority. I think that it is our responsibility, to be sure that the projects we have are high priority.

Mr. COMPAGNI. What is low priority and high priority? I don't mean to be obnoxious, but if the attempt is clean water, and we make an attempt to do that, even if it is a lower priority program, it is still accomplishing part of the goal.

Mr. BOLAND. I don't think I could agree with you on that. It is the same in all programs. In all of the Federal programs in which we are involved, we constantly ask those who appear before us what their priorities are, because there are just so many dollars to spend. The taxpayers have a right to be protected and to know whether or not the projects are viable good projects, and whether or not they are necessary. Those are the projects that we hope to fund.

Mr. COMPAGNI. I am a taxpayer, and I am concerned as much as anyone else that the money is spent constructively. EPA said recently they would have no quotas but only goals for minority business enterprise. They held up the project in the State of New York until they came out with a 25-page regulation stating that now they want to set aside a 10-percent minimum for minority business enterprises.

Mr. BOLAND. You wouldn't object to that?

Mr. COMPAGNI. Absolutely not, but the timing is bad. They have taken the past four or five months to do it. Then, in April, they say there is a 30- or 60-day delay, but in areas such as the ones I deal in, they have lost another construction season for us. They haven't slowed us down for 30 or 60 days; they have blown another construction season, which doesn't put anybody to work at all, whether it is minority or majority.

Bob has cautioned me that the Committee is concerned with appropriations and not the other aspects of the problems with EPA, but it all fits together. We have to have everybody working as a team so that the communities and mayors will be able to go out and sell their people on the fact you need a sewer program, that we can start with steps 1 and 2, and on down the line the funding will be there. There doesn't seem to be this assurance. New York State, within the past month, has had three sizable projects thrown out. Believe me, the bids were extremely competitive. If there ever is a taxpayer's market, it is now, and yet they have thrown the projects out because EPA has come out with alternative methods and suggested they go back to septic systems.

Mr. BOLAND. What projects were eliminated?

Mr. COMPAGNI. The most recent were Milford and Savannah. They are collection systems. One had a sewage treatment plant—combination plant and collection system to bring the sewage to that plant.

Mr. BOLAND. We appreciate your concern, and it is understandable. It is not the desire of this Subcommittee to hobble contractors who are in this business or the communities that have projects that are essential to their particular community, or to the States.

Mr. Coughlin?

Mr. Coughlin. No questions.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. No questions.

Mr. BOLAND. Thank you so much.

Mr. COMPAGNI. I have explained it so well, there are no questions.

Mr. SANSOM. I would ask the Subcommittee to consider the list in the testimony showing the job losses that could occur next year as a result of not funding the program.

Mr. BOLAND. I notice you say, in all 42,000 jobs would be lost if the recession which is expected, materializes and if we cut the EPA's appropriation. What type of reduction are you referring to?

Mr. SANSOM. This assumes you don't appropriate anything. We were responding to the staff report.

Mr. BOLAND. Okay. Thank you very much.

[The complete statement follows:]

I am Fred Campagni representing the National Utility Contractors Association. I am president of Campagni Construction Co., of Cortland, New York, and I am a part president of the association. I am accompanied by Dr. Robert L. Sansom, president of Energy and Environmental Analysis, whose company consults with NUCA on Environmental Protection Agency matters as well as by the association's legislative counsel. Our organization, representing more than 2,000 prime contractors constructing collector, interceptor, and other utility systems, is vitally affected by your decision on the FY80 appropriation for EPA's construction grants program.

We have reviewed your Committee's staff report and EPA's April 10th response. We find we have points of agreement and disagreement with both sides. Let me enumerate these.

Points of Agreement with Committee Staff

(1) The Appropriations Committee report has had a positive and prompting effect on EPA's program despite EPA's assertion that it initiated a quality program on its own. Your Committee's concern for advanced wastewater treatment excesses has helped immeasurably. EPA believes too much in its own paperwork. The alternative technology program, which the agency cites as one of its reforms, has done nothing but delay the construction grants program. The original cost-effectiveness regulations in place since 1973 are enough if properly administered by EPA. EPA promotes paperwork and wheelspinning when in reality it's decisions that are needed. More oversight also is needed from the authorizing Committees of the Congress. The fact is that the construction grants program cannot stand anymore regulatory "mumbo jumbo," whether it's called value engineering, alternative technologies, minority business set asides, public participation, EIS's or whatever.

(2) The staff report is correct in stating that EPA badly needs reforms in the procurement area. Utility contractors compete in the marketplace to quality specifications and the lowest bidder wins. Our work for EPA and in water cleanup has increased less in price than any other procurement category because productivity is survival in our industry. We are very disturbed about EPA's response to your staff report's suggestion that a quality program is needed in the hiring of consulting engineers. EPA said it is directing staff "more into environmental areas of grant, away from procurement issues." Nothing that EPA says in response to your report is more disturbing than this admission at "Tab L" of their response. It seems that EPA forgot that procurement of water treatment capacity is what the entire program is all about. If this money is not utilized in effective procurement, all EPA will have for its dollars are voluminous EIS's and alternative technology studies and self-important public participation proceedings, but no clean up.

(3) EPA badly underplays its enforcement authority. Municipalities are treated as a privileged class of polluters by EPA. For some reason environmental groups have acquiesced in this while demanding EPA action against private polluters at every turn. We believe environmental groups should be equally aggressive against municipal polluters and not be deterred by meaningless studies, public participation opportunities and the like. EPA's response cites the need for "carrot and stick" orchestration. Thus far, EPA's stick has been a wet noodle.

Points of Agreement with EPA

(1) We agree with EPA that project category budgeting would be a disaster. If states are to have a major role in this program, then Federal involvement in project selection must be limited to the review of state prepared priority lists against statutory requirements. The long gestation period for these projects means flexibility at the state level within the "priority list framework" must be the limit of Federal involvement. EPA should insure effective procurement, review priority lists, and use its enforcement tools (i.e., NPDES) to obtain environmental compliance. EPA already has at least one hand and one foot stuck in the tar baby of program red tape. Adding additional red tape by project budgeting would be inviting EPA to become totally stuck fast to that tar baby.

(2) The appropriations staff report is over its head in the technical details of sewage treatment plant performance and water quality and effluent limit standard setting. We agree with EPA's comments here.

(3) We agree with EPA that 15 to 22 states would be significantly adversely affected by a decision not to appropriate $3.8 billion for FY80. Our experience with monitoring EPA's programs since 1974 clearly shows that when Congress or the Administration hesitates in funding this program, the states become cautious, clean up efforts are put aside, and the economy suffers.

(4) We agree with EPA that no authorization in FY80 would deal a severe setback to the state management programs which are eligible for funds under section 205 (g). Currently, there are 16 states that have been delegated the management authority. Many of these states have used these funds to help staff up their departments to levels that can adequately handle the large number of projects which must be reviewed. Taking the money away now, will leave the states out on a limb. No sooner have they staffed up and trained their personnel then they have to fire them due to lack of support. You can imagine the frustration of the state administrators.

Jobs and Inflation: Considerations Neglected by EPA and the Committee Staff Report

EPA has experienced a build up in unobligated funds over the last 18 months. To solve this problem, your staff report recommends no funding for FY80. A recent poll showed 77 percent of Americans believe we are heading for a recession. The last time the prime rate and inflation reached the levels of today, we had 20 percent unemployment in our industry and 8 percent unemployment in the economy within 12 months. Many of my colleagues were forced out of business.

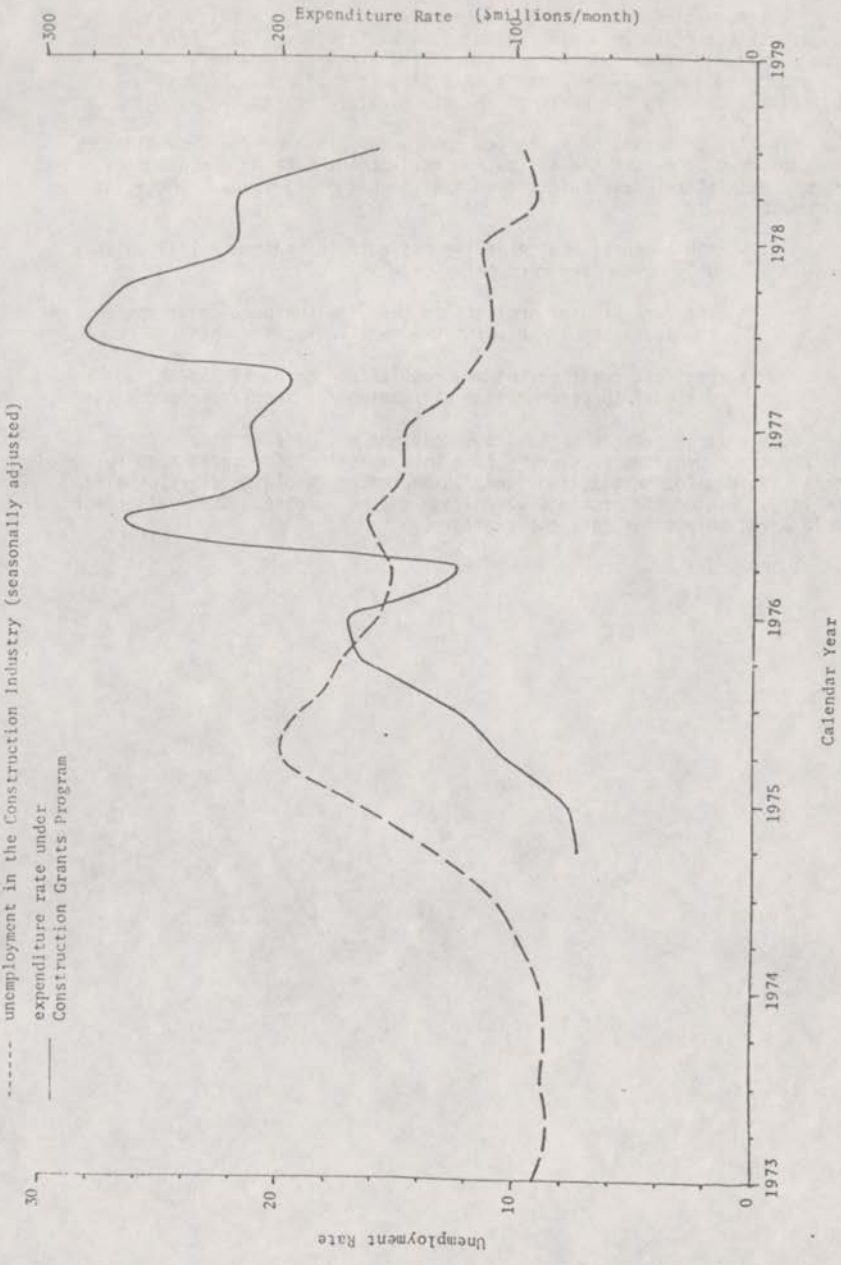
Our worry is that by reducing EPA's appropriations you will be promoting unemployment and business recession when it will be most needed. Please refer to the attached chart:

- In 1974-75 when we needed EPA's program, EPA did not respond. In states such as New York, Massachusetts, Illinois, California, and even Georgia, members of our Association in 1974-75 witnessed low income, including minority workers standing on corners looking for construction work. We could not hire them because EPA's program was insensitive to this national need.

- In 1978, when inflation permits us no more economic stimulation, EPA's program is operating at al low expenditure rate. EPA should be applauded for such restraint, not punished by withholding or cutting FY80 funding, which EPA economists apparently don't realize. Their comments suggest they "lost a year" to inflation. However, EPA should have been on the sidelines. But next year if EPA is on the sidelines because you fail to appropriate money needed in those 15 states, all of us will suffer.

We have prepared an estimate of those that will be unemployed in 21 states in 1980 if the recession expected materializes and you cut EPA's appropriations which is shown in the attached table. In all, 42,040 jobs would be lost.

STATES	NUMBER OF JOBS LOST
Connecticut	1035
Maine	1438
New Hampshire	1725
Massachusetts	1035
Rhode Island	575
Vermont	978
Virgin Islands	58
Pennsylvania	2358
Virginia	4198
West Virginia	3853
Illinois	10064
Indiana	1955
Wisconsin	2300
Arizona	1495
California	2818
Hawaii	403
Nevada	978
American Samoa	115
Guam	115
Oregon	2530
Washington	3393
	42,040


Expenditure Rate ($millions/month)
300
200
100
0
1979
1978
1977
1976
1975
1974
1973
Calendar Year
Unemployment Rate
30
20
10
0
----- unemployment in the Construction Industry (seasonally adjusted)
——— expenditure rate under Construction Grants Program

We, the National Utility Contractors Association, appeal to you to support this program by appropriating $3.8 billion for FY80. EPA's program needs your criticism and has benefitted from it. However, to cut EPA's program now would be playing into the hands of recession and unjustifiably delaying the goals of the clean water program.

Finally, on behalf of my fellow contractors in New York, I would urge the Committee to extend the obligation reallotment date by a minimum of two years. Many states have suffered delays in obligating funds. These delays have resulted from:

- the exhaustion of pipeline projects in September 1977 which only now we are recovering from
- the recycling of projects in the pipeline back under review to assure compliance with the new law requirements
- projects awaiting the new regulations on obtaining the additional 10 percent federal funding for innovative processes

Such a large program as this one does not change over time. Only now are state programs recovering from this shifting of program requirements. To reallot unobligated funds in September would unfairly penalize the larger states for problems which they did not create. The reallotment would serve only to untrack their efforts.

Thank you.

WITNESS

SCOTT C. WHITNEY, COUNSEL FOR LONZA, INC.

Mr. Boland. Scott C. Whitney is our next witness. We understand you are here with respect to the pesticides portion of the EPA budget.

Mr. Whitney. Yes, sir, the implementation of the Federal Pesticide Act of 1978.

Mr. Boland. Why don't you proceed?

Mr. Whitney. I represent a company called LONZA, which is a company that manufactures basic antimicrobial non-agricultural pesticides and also formulates these chemicals into pesticides products and distributes them, so it is a kind of cross-section of the non-agricultural pesticide industry. Its headquarters are located in Fair Lawn, New Jersey.

I think I may enjoy the distinction of being the first witness today who is not recommending more appropriations for EPA, but rather focusing on ways that the statutory objectives of the pesticide legislation can be achieved more effectively with less expenditure of agency resources, saving a very considerable cost to the industry which, of course, could be passed on to the consumer.

It relates to the manner in which the Pesticide Act of 1978 is presently being implemented by EPA.

I would like to concentrate on two areas. I think there are other trouble spots, but in the interest of time and priority, I would like to focus on two.

I am sure this Committee is aware that the 1978 Act was passed with the purpose of reforming a regulatory process that had universally been recognized as a failure. EPA had accumulated a staggering backload of registration and re-registration cases. The Administrator testified to the Legislative Committee that unless reforms came to pass, it would take between 15 and 20 years to clear up this backlog, not counting new applications for products.

The Administrator also testified that the problem was that the agency had been spending far too much time processing the end-use formulations rather than concentrating on the basic chemicals that are used in these thousands and thousands of end-use formulations.

The pesticide industry participated in these hearings and supported the legislative reforms that the Administrator recommended. The Congress duly enacted them, and we were expecting considerable reform and considerable expedition of this important regulatory process.

One of the first areas that showed the greatest promise for reducing the long lead times, in fact, the total stagnation of the registration process, was the simplified procedure spelled out in Section 3(c) 2 (c) and (d). They were intended to simplify the registration process by making the technical material, the basic chemical, the focus point for registration and getting the bulk of the safety data from the manufacturing use rather than these thou-

sands and thousands of end-use applications. It is a very sensible reform.

For example, under this system EPA would only have to evaluate in-depth approximately 1,200 basic chemicals instead of coping with more than 50,000 end-use formulations.

The way the system would work is that a formulator who purchased a basic chemical would simply cite the registration number of the basic chemical. EPA would have access to the data file where all that information would be stored. The problem of trade secrets, of data compensation and that sort of thing would be taken care of by an express provision in the Act that automatically contained the price of the data in the price of the formulated product. At the present time, I am sure you are aware there are many cases, many industry challenges of certain provisions, including the constitutionality of some of the reform measures. In this case there is no pending litigation that would obstruct EPA from implementing these simplified procedures.

Unfortunately, when it came to implementing the simplified procedures, for reasons that are totally obscure to us, they have announced in a lengthy Federal Register notice that is cited in my principal statement that registrants of formulated products would also be required to submit or cite data derived from testing the active ingredients in their products. In addition, they would have to submit or cite data from testing formulated products to obtain registration for a formulated product.

In that same Federal Register notice, in addition to six basic testing regimes which originated prior to the 1975 guidelines and which were continued in them, they enumerated eight extremely complex, very costly testing regimes plus the possibility of detailed mutagenicity testing regimes which are enormously costly and time-consuming. They indicated that not only the basic chemical manufacturers must do this, but also that the formulators must as well. The net result of this is that you have a worse situation in terms of data burden and a more onerous system than presented under prior law.

This is witnessed by the fact that EPA, in its January 19 implementation plan published in the Federal Register, now estimates it will take about 15 years to clean up the backlog. In other words, the situation is about as bad as it was before the Act, when Mr. Costle testified he needed these reforms to avoid this kind of delay.

This has come to pass because a large stack of guidelines for registration of pesticides has been in draft stages since 1975. These were intended to supersede the proposed guidelines that are still to this date only proposed guidelines, although they were issued in June of 1975. But they came out with this voluminous document which I think, Mr. Chairman, is on the order of magnitude of three or four times as lengthy. These were obviously drafted based on the prior law.

When in September, 1978 the new law with these corrective amendments was passed, this bureaucratic juggernaut just continued in the old tradition despite our repeated requests and formal filing of comments in the proposed rule-making that they rescind them and come up with regulations that comply with the new simplified proceeding. They have ignored this, and in the most

recent implementation plans indicate they are going to persevere with these other guidelines and put these new additional testing requirements on formulated end-use products.

The other big problem is this matter of conditional registration. Conditional registration is supposed to be the bridge between now and the time they finally evolve generic standards, including formulation profiles for all the basic chemicals. Under this system you are allowed to register a product by relying on data that exists as a practical matter. The first stage of implementing this conditional registration, which is obviously important to making the program work at all, came in something called a PR-78-5. It never appeared in the Federal Register. If you were on the right mailing list, you could get it. They originally indicated you were going to have three options during the period, to sit tight and don't apply at all, or generate all your own data to support your registration, or to cite all the data that pertains to any chemicals that is involved in your formulation.

As a practical matter, they indicated that options 1 and 2 really were not available, and that option 3, the cite-all, was mandatory, and, in fact, when the conditional registration regulations are published in the Federal Register, that cite-all would be the only way.

To give you one quick idea of what is involved, in the Appendix A, the last page of my statement, is one example of a simple floor or wood surface or wall cleaner for hard surfaces. It is used all over the country and is very common. It would involve, under the cite-all, a total of 1,166 letters to people who had either generated data or who had referenced data concerning one or more of these chemicals.

In addition to this tremendous cost, this triggers a process whereby you have to offer to compensate. In most cases the national companies send back a waiver, but it has created a situation already where there is a backlog of spurious claims for compensation. Your alternative, if someone does confront you with a spurious claim for compensation, is either to settle with them or to go through the as yet unformulated arbitration procedure that the Statute calls for. With the great expense involved, most big companies will settle for an amount of money rather than getting into an unknown or expensive procedure.

As you may expect, there was a tremendous outcry from the industry about the system. EPA has now announced that it has backed off, that in addition to the cite-all method it is possible to generate your own data. As a matter of fact, the rules of the game are simply not clear right now. Some companies have been told that the option is cite-all or generate-all, and others have been told either cite- all or you can have a mixed bag of using some of your own data and citing other, but if you cite any other, you must cite all. Perhaps most important, even though the formulator situation may clear up and may get clarified, it has not done so to date.

There is a situation with respect to the basic chemical manufacturers where EPA perseveres in the position that they must use the cite-all method. I think the gentleman reasserted this yesterday for EPA before the House Agriculture Committee.

Our position is very simple. We say the cite-all system is clearly illegal. Section 3(c)(1)(d), which sets up this whole system provides

that the notice and the offer to pay is required only with the original data submitted, not in reference to the multitude of companies that may have referenced the substance at one time or another.

EPA's answer to this is it is difficult, if not impossible, to identify who the original submitter is. It is true that if what happens is that someone is forced to go to EPA files, they are so voluminous and chaotic, including the files they inherited from the Department of Agriculture, that a literature search is impossible.

However, we have a proposal, a suggestion which has precedent and which can resolve this particular situation. And that is for EPA simply to publish in the Federal Register an application for registration. If LONZA were applying, they would publish in the Federal Register that we have applied for, for example, the pesticide that is contained in Appendix A. At that point, you have official legal notice about which there is no controversy. That is notice to the original data submitter to come forward and prove he is the original data submitter, shoulder the burden of proof of showing that the data should be compensated.

To use a homely example, instead of searching every straw in the haystack to find the needle, this would be a magnet to pull the needle out of the haystack without this cite-all system.

Mr. BOLAND. What is the response of EPA to this? I presume that you have appeared before the legislative committee. What has been the reaction of the legislative committee to these proposals?

Mr. WHITNEY. I testified yesterday before the House Agriculture Committee, making a statement substantially similar to this, and proposing precisely this solution. It has been informally presented to EPA on repeated occasions and ignored. There is simply no comment. I am told that the legislative committee intends to send this over as a suggestion and require EPA to react to it, and to respond in a substantive way.

Eventually, if this isn't solved the industry is going to be compelled into litigation, I think it is quite clear that 3(c)(1)(d) is vulnerable; the cite-all is unlawful because it requires a vastly broader notice and offer to pay than the Statute really requires.

Finally, in addition to this suggestion with respect to cleaning up conditional registration, the other matter that is very important is that EPA, in some fashion, must be directed to simply scrap the incredibly burdensome guidelines which were prepared before the Statute was amended, which clearly do not, in any fashion, reflect the curative amendments in 3(c), 2 (c) and (d), and which, once again, we feel are unlawful under the Act.

We think that both of these suggestions would have the effect of conserving an unquantified but very substantial amount of agency resources. In addition, this would expedite the effective implementation of a regulatory program that has been bogged down for more than half a decade and will remain bogged down for another decade if something drastic isn't done promptly.

Mr. BOLAND. Thank you very much. In view of the serious concern expressed here, particularly with reference to the cite-all system, we will be glad to consult with the legislative committee to see if there are solutions that may be helpful. I am not sure this Committee is really the forum. I know your response will

probably be that you make the appropriations, so if you appropriate less, they can't enforce it, and you can take that money and use it for other more important resources within the EPA.

Mr. WHITNEY. It is not a question of needing a legislative change. The legislative changes were made in the 1978 legislation. Yesterday, when I was testifying before Mr. de la Garza's Subcommittee, there was a ground rule that they did not at this time want to hear about amendments. I said fine, we are not suggesting amendments, but the correct implementation of the Act, and they indicated that because of the economic consequences the matter would be relevant to this Committee.

Mr. BOLAND. All right. Thank you very much.

Mr. Coughlin?

Mr. Coughlin. Thank you, Mr. Chairman. I just concur in the Chairman's comments that probably it is more appropriate to be working with the staff and members of the legislative committee, because it is hard for us to handle a situation like this in an appropriations context.

Mr. BOLAND. But we will be glad to check with them and find out what their thinking is in this area. Until your appearance here, frankly I was not aware of what the EPA was doing in this area. From the paper you presented to us, we gather that what it has done is create an intolerable burden upon some of the manufacturers and formulators. This is your concern which you are expressing here today.

Thank you very much.

Mr. WHITNEY. Thank you.

[Mr. Whitney's complete statement follows:]

U.S. House of Representatives

Subcommittee on Appropriations for
HUD and the Independent Agencies

April 25, 1979

Statement of Scott C. Whitney, Counsel for LONZA, Inc.

Mr. Chairman and Members of the Committee:

My name is Scott C. Whitney. I am Professor of Law at the College of William and Mary, and also of Counsel to the Washington law firm Bechhoefer, Sharlitt and Lyman. I represent LONZA, Inc. a company that manufactures basic pesticide chemicals, formulates such chemicals into pesticides and distributes pesticides in commerce. LONZA's headquarters is located in Fair Lawn, New Jersey.

I appreciate this opportunity to direct this Committee's attention to a problem that has substantial budgetary impact on the Environmental Protection Agency (EPA), serious financial consequences to the pesticide industry, higher prices for consumers of pesticide products and, inevitably, adverse inflationary consequences.

I am referring to the manner EPA has chosen to implement the Federal Pesticide Act of 1978. I am sure this Committee is aware that Congress passed the Federal Pesticide Act of 1978 for the purpose of reforming a regulatory program that was widely recognized to be a failure. The EPA had accummulated a staggering backlog of applications for registration and reregistration which under the prior law would take an estimated 15 to 20 years to process, not counting new applications. The EPA Administrator accurately identified the cause of this regulatory breakdown. The Administrator testified to Congress that EPA was spending far too much time processing applications for end-use pesticide formulations and stated that the whole structure for registration needed to be focused primarily on the basic chemicals rather than thousands of individual applications to register formulations containing mixtures of chemicals.

The Pesticide Industry heartily agree with this view and strongly supported the reform legislation which the Administrator proposed and which Congress in fact enacted. The 1978 legislation contained numerous amendments, but essentially two basic changes in the registration process- generic registration and conditional registration.

The generic registration provisions (Section 3(c)(2)(c) and (D) were intended to simplify the registration process by making the technical material, i.e. the basic chemical, the focal point for registration with the bulk of the safety data obtained from the manufacturing-use rather than the end-use applications. This is a very sensible reform. Under this system EPA would

evaluate the safety of approximately 1,200 basic chemicals instead of some 50,000 or more end-use formulations. Applicants for registration of an end-use formulation would under the new legislation simply disclose the contents of the formulation and EPA would be able to refer to the safety data already supplied by the manufacturer of the basic chemical. Compensation for generating the data would be automatically contained in the price of the chemical purchased by the formulator.

The conditional registration provisions (Section 3(c)(7)(A) and (B) authorize the Administrator of EPA to conditionally register a pesticide under certain circumstances while the safety data for the basic chemical is being completed. Conditional registration is thus a "bridge" or interim mechanism to allow pesticide products to be marketed during the transition period until the data basis for basic chemicals is being completed. Once again, this is a sensible provision, the Pesticide Industry supported it and Congress enacted it.

Unfortunately, when it came to EPA implementation, that Agency, for reasons that frankly remain obscure, has undertaken to impose registration requirements which not only do not utilize these simplified procedures, but actually create a situation which is worse than before.

Despite the enactment of the simplified registration procedures in Section 3(C)(2)(C) and (D), EPA announced in the Federal Register:

> "Registrants of formulated products, however, would also be required to submit or cite data derived from testing the active ingredients in their products. In addition, they would have to submit or cite data from testing formulated products to obtain registration for a formulated product.
> (43 Fed. Reg. p. 37337)

In the same lengthy Federal Register Notice of Proposed Registration Guidelines, EPA listed six specific testing regimes that must be done by formulators of end-use products before registration will be granted by EPA. Moreover, the proposed guidelines would impose eight further complex and costly data requirements on end-use formulators plus possible additional tests for mutagenicity.

These proposed guidelines have been in preparation in the EPA since 1975 and apparently what has happened is that once this bureaucratic juggernaut got into motion, it has continued despite the enactment of the simplified registration procedures in the 1978 Act. The consequences of disregarding the simplified procedure provisions is that EPA now expressly contemplates that it will take between 10 and 15 years to evolve standards- in other words, a period nearly as long as that which the Administrator of EPA found intolerable under the old law. These proposed guidelines would place even greater data burdens on

end-use formulators than those imposed under the prior law and totally nullifies the intent of Congress to streamline the registration process.

EPA's implementation of the Conditional Registration provisions in Section 3(C)(7)(A) and (B) may well be even more disasterous in terms of unnecessary cost and regulatory confusion. EPA initially released PR Notice 78-5 in December 1978 as the rules until it prepared and published conditional registration regulations. EPA initially imposed a mandatory "cite-all" system on both manufacturers of basic chemicals and formulators. Under this "cite-all" system EPA required the applicant for registration of a basic chemical or a formulation to rely on all data contained in the EPA files which apply to his product, its active ingredients, or to any product which is identical or substantially similar to his product and are the type of data required by EPA guidelines to be submitted in support of registration.

In addition, EPA required the applicant to notify and offer to pay all companies whose data is cited under the "cite-all" system. The complete list of data suppliers as of December 1978 consisted of some 1,700 pages of microfiche and ran into the thousands. Appendix A, attached hereto, will give you an example of the burden entailed for a single commonly marketed product. LONZA was faced with sending 1,166 letters of notice and offer to pay. This is not only costly, more than $11,000 unnecessary secretarial expense, but it triggers a complicated and costly mediation process to resolve disputes over whether compensation is due and over the amount of compensation.

The "cite-all" system has already created a situation in which spurious claims for compensation have been made by companies that are not original data submitters presumably under the hope that companies upon whom claims are made will settle for some payment rather than go through the costly and protracted mediation process. For unscrupulous operators the "cite-all" system is a license to extort.

Naturally, there was an emphatic outcry of protest by the Pesticide Industry and EPA reacted to relieve formulators from the mandatory "cite-all" system. Formulators may now cite only their own data to support a registration. However, if they rely on their own data for some of the ingredients and cite other data for some other ingredient, they are required to use the "cite-all" notification and offer to pay as to the cited data rather than notifying and offering to pay only the original data submitter. A formulator is thus confronted with the dilemma that he must either generate all of his own data or go through the rigors of the "cite-all" process. This creates a situation in which the formulator is compelled to pay for redundant testing to get all his own data or engage in the wasteful "cite-all" process.

Moreover, EPA has announced that it intends to impose mandatory "cite-all" on manufacturers of basic chemicals.

The mandatory "cite-all" system is clearly illegal. Section 3(C)(1)(D) provides that the notice and offer to pay is required only as to the original data submitter not to the multitude of companies that may have referenced the substance at one time or another. EPA's answer to this is that it is difficult to identify who the original data submitter is and that "cite-all" is the only alternative. The EPA data files are so voluminous and chaotic that a literature search for the original data submitter would be infeasible. However, these are not the only alternatives. EPA can resolve this problem simply by publishing pesticide registration applications in the Federal Register disclosing the substances contained in the formulation. This puts the original submitter on notice that his data is being relied upon and he can then come forward and shoulder the burden of proving he is the original submitter, that compensation is claimed and negotiate the amount. This procedure clearly satisfies the requirements of Section 3(C)(1)(D)

In summary, Mr. Chairman, the intent of Congress to simplify or streamline the pesticide registration process can readily be achieved by directing EPA through the use of its appropriations to adopt two measures:

1. to concentrate on developing adequate safety data for the basic chemicals and scrap the ponderous draft guidelines that are presently pending which would impose even greater data burdens on formulators of end-use products than existed under the prior law; and

2. to abolish the "cite-all" system with regard to Conditional Registration and substitute the Federal Register Notice system which enables the original data submitter to protect his rights while relieving the Pesticide Industry of an incredibly costly and onerous notice and offer to pay procedure entailed in the unlawful "cite-all" system.

These suggestions would save incalcuable agency resources to apply to other important environmental protection programs. It would greatly expedite the registration process and better protect public health and the environment and finally, it would avoid unnecessary costs that pass to the consumer and aggravate inflation.

Therefore, we earnestly urge that you direct EPA to adopt the foregoing suggestions.

Respectfully submitted

Scott C. Whitney
Counsel for LONZA

APPENDIX A

CONDITIONAL REGISTRATION FOR
A DISINFECTANT/SANITIZER CLEANER
BASED ON EPA PR NOTICE 78-5
OPTION III

Component	Data Submitters
Antimicrobial	204
*Tetra Sodium Ethylene Diamine Tetraacetate	280
*Sodium Carbonate	233
*Sodium Metasilicate	158
Isopropyl Alcohol	291
	1,166

*Detergent Builders

This would require that 1,166 offer to pay compensation letters be written by a formulator at a cost of approximately $10/letter: $11,660.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

VICTOR WINIK, CHAIRMAN, REGULATORY ADVISORY COMMITTEE OF THE INTERNATIONAL SANITARY SUPPLY ASSOCIATION

Mr. BOLAND. Our next witness is Victor Winik, of the International Sanitary Supply Association. We are glad to have you.

Mr. WINIK. Good morning, Mr. Chairman. My name is Victor Winik, and I am Chairman of the Regulatory Advisory Committee within the International Sanitary Supply Association. We have submitted a text to you, and I just have a few additional comments I would like to make this morning.

Mr. BOLAND. Fine. We will introduce the text as you have presented it to us for the record.

[The information follows:]

TESTIMONY OF THE
INTERNATIONAL SANITARY SUPPLY ASSOCIATION
ON THE APPROPRIATIONS AUTHORIZATION
OF THE ENVIRONMENTAL PROTECTION AGENCY

My name is Victor Winik. I am Chairman of the Regulatory Advisory Committee of the International Sanitary Supply Association. ISSA is located at 5330 North Elston Avenue, Chicago, Illinios 60630. It has been in existence nearly 56 years and is composed of more than 2,200 manufacturing and distributing, small business firms engaged in producing and selling cleaning and maintenance products and supplies used in hospitals, schools, food establishments, commercial businesses and institutions. ISSA supplies janitors and maintenance workers throughout the United States and is concerned with the vital role which sanitary maintenance plays in providing better public health in the United States.

The Regulatory Advisory Committee, on which I serve as Chairman, is composed of fourteen representatives from the various member companies. This membership rotates and is representative of the various interests in ISSA-manufacturers of basic chemicals, formulators and distributors. The purpose of the Committee is to advise the Board of Directors of ISSA concerning what position the Association should take with respect to legislation and regulations affecting the business activities of ISSA members. We also seek to keep members informed about the voluminous and complicated laws and regulations that relate to their business to foster compliance and avoid inadvertent violations. I assure you, Mr. Chairman and Members of this Committee, that we are devoted to the objective of protecting public health and the environment. Our advisory and members information program is especially important because a significant percentage of ISSA members are small businesses and most members simply cannot afford to hire an expert to keep them informed about the ever-increasing number of laws and regulations that affect their business.

Today I want to focus on a single regulatory program administered by the Environmental Protection Agency (EPA) that I believe is being seriously mishandled. This program is EPA's regulation of the pesticide industry and especially the manufacturers of sanitizers and antimicrobials for household and industrial uses. This mishandling by EPA not only places an impossible burden on companies such as the ISSA members but also constitutes a serious waste of EPA's resources, results in higher prices to consumers and contributes significantly to inflation.

By way of background, it is fair to say that since as early as 1969 in the Eleventh Report of the House Committee on Government Operations entitled "Deficiencies in Administration of FIFRA", pesticide regulation in the United States has been universally recognized as a failure. The Senate Judiciary Subcommittee on Administrative Practice and Procedure and the Comptroller General have explicitly recognized this failure. The environmentalist community concurs, and the pesticide industry likewise concurs.

The primary reason for this failure was expressed by the present Administrator of the Environmental Protection Agency (EPA) in testimony before Congress last year:

> ". . . it has become increasingly clear that we are spending far too much time on individual end-use formulation applications, and that the whole structure for registration needs to be focused primarily on the chemicals themselves rather than thousands of individual applications for products containing mixtures of chemicals."

In other words, EPA by indulging in regulatory overkill in the form of excessive data requirements from formulators effectively paralyzed the Agency with respect to pesticide regulation. Over-regulation has effectively produced no regulation. This paralysis has slowed or prevented

altogether the development of new products and the entry of new competition into the pesticide industry. It has inflicted particularly harsh burdens on small business, which is least able to sustain high regulatory costs and is most vulnerable to delays in receiving approvals to market formulated products.

Accordingly, EPA Administrator Costle requested specific legislative relief to rectify this situation and to clear up a registration backlog that would otherwise require some twenty years to process, not counting new applications.

Among the new authorities the Administrator requested Congress to enact was generic registration:

> "We envision a system in which it is the technical material which becomes the focal point for registration, with the bulk of the safety data obtained from manufacturing-use rather than end-use registrations."

Congress enacted the following provision as a part of the Pesticide Act of 1978:

> "Section 3(c)(2)(C) Simplified procedures. — Within nine months after the date of enactment of this subparagraph, the Administrator shall, by regulation, prescribe simplified procedures for the registration of pesticides, which shall include the provisions of subparagraph (D) of this paragraph.
>
> (D) Exemption. — No applicant for registration of a pesticide who proposes to purchase a registered pesticide from another producer in order to formulate such purchased pesticide into an end-use product shall be required to —
>
> (i) submit or cite data pertaining to the safety of such purchased product; or
>
> (ii) offer to pay reasonable compensation otherwise required by paragraph (1)(D) of this subsection for the use of any such data." (Emphasis added.)

The meaning of this language is crystal clear. The Administrator is directed to prescribe regulations within nine months of enactment, which

include simplified registration provisions that specifically include the exemption that formulators need not submit or cite data pertaining to the safety of a purchased pesticide product. If there were any doubt of this meaning, the legislative history of the Pesticide Act of 1978 makes the intent of Congress completely clear:

> "This streamlined approach is contrasted to the existing process that treats each registered product independently, with a concomitant repetition of active ingredient review and evaluation. Generic registration will permit the 4,200 businesses engaged in formulation or labeling of end-use products to submit simplified applications to EPA, and will relieve them of responsibility to offer to pay for the registration data submitted by suppliers of technical material (except in the price structure of the technical material)."

In the face of this clear language and past history, EPA nevertheless in the new proposed guidelines has announced:

> "Registrants of formulated products, however, would also be required to submit or cite data derived from testing the active ingredients in their products. In addition, they would have to submit or cite data from testing formulated products to obtain registration for a formulated product. (43 Fed. Reg. p. 37337)

The proposed guidelines proceed to list six testing regimes that must be satisfied by formulators of end-use products:

Formulated Product

Acute oral toxicity - Section 163.81-1

Acute dermal toxicity - Section 163.81-2

Acute inhalation toxicity - Section 163.81-3

Primary eye irritation - Section 163.81-4

Primary dermal irritation - Section 163.81-5

Dermal sensitization - Section 163.81-6

(Id. p. 37340)

Moreover, the proposed guidelines would require testing of "use dilutions" of formulated products in addition to the formulated products themselves. This latter requirement would not only vastly multiply the volume of data required, but would require data that is essentially meaningless in scientific terms since use dilution is totally subjective and varies with the whim of the user.

The above-noted list of tests that would be required of formulators is, however, by no means all of the testing and data requirements the proposed guidelines would impose on formulators. In addition to the aforementioned six test protocols (multiplied by the use dilution formulations), the proposed guidelines would impose:

1. Subchronic oral dosing studies, (Section 163.82-1)
2. Subchronic 21-day dermal toxicity studies (Section 163.82-2)
3. Chronic feeding studies, (Section 163.83-1)
4. Oncogenicity studies, (Section 163.83-2)
5. Teratogenicity studies, (Section 163.83-3)
6. Reproduction studies, (Section 163.83-4)
7. General metabolism studies, (Section 163.85-1)
8. Domestic animal safety tests, (Section 163.86-1)

The proposed guidelines also discuss extensively the standards and battery of possible tests for mutagenicity, including standards for detecting heritable chromosomal mutation and standards for detecting effects on DNA repair or recombination as an indicator of genetic damage. The proposed guidelines do not indicate clearly whether EPA intends to impose these tests on formulators..

Imposition of the aforementioned testing and data requirements on formulators would clearly violate the above-noted provisions of the Federal Pesticide Act of 1978. Although the proposed guidelines were prepared by EPA and published in the Federal Register shortly before the enactment of the 1978 Act, EPA has not withdrawn these proposed regulations. Instead EPA on January 19, 1979 announced in the Federal Register that it "plans to publish a Federal Register Notice" within the next month describing how EPA will go about the development of generic standards and the reregistration program (44 Fed. Reg. No. 14,4355). Elsewhere in this Notice EPA indicates it will require 10-15 years to develop generic standards. (Id. 4352).

This lengthy lead time that EPA forecasts is clearly the result of the excessive data requirements on formulators that is described above.

CONDITIONAL REGISTRATION

Moreover, EPA's proposed implementation of the conditional registration amendment would produce a more burdensome and inefficient system than the system Congress sought to reform by the 1978 Act. EPA has announced the following implementation plan:

> Conditional registration will under sections 3(c)(7) (A) and (B) serve as a bridge to generic standards involving "old" chemicals over a 10-15 year period. In other words, a product will be conditionally registered until the generic standard for its active ingredient is developed, after that time it will be reregistered unconditionally if it is in compliance with the new standard. (Id.)
>
> Because the Agency is relying on its "institutional knowledge" about pesticides, based on all data already in the files, rather than relying on individual ad hoc review of discrete items of data, we are proposing that applicants for conditional registration must rely on (and offer to pay for) all items of

> data in Agency files pertinent to the active ingredient contained in the product for which registration is sought, if those data are the kinds of data required under today's criteria to support the initial registration of such a product. These procedures are contained in draft conditional registration regulations now out for public review. During the interim three options are available to the registrant which are detailed in PR Notice 78-5, issued on December 8, 1978. (Id.)
>
> This means that in addition to furnishing to EPA a statement offering to pay reasonable compensation when applicable as in the past, applicants must also write directly to the submitters of data pertinent to their registration, and EPA must be notified by the applicant that the data submitters have been contacted. (Id. 4355)

Initially, EPA did not in fact allow applicants to avail themselves of the interim three options detailed in PR Notice 78-5, but insisted that applicants either wait indefinitely before they could market a product or go through the "cite-all process". Under this process, EPA requires the registrant to rely on all items of data contained in the Agency's files which pertain to his product, its active ingredients, or to any product which is identical or substantially similar to his product and are a type of data required by the Registration Guidelines to be submitted in support of registration of his product or added use.

This "cite-all" system requires the proposed registrant to notify and offer to pay all companies that have submitted data to EPA. The list of companies that must be notified and tendered an offer to compensate for a single registration can run into the thousands and even a small formulator faces notification of many thousands of companies.

The crowning irony of the "cite-all" approach is that EPA does not intend to actually use the cited data in processing conditional registrations.

> As the Agency explained in Congressional testimony, it has no intention of examining the existing data base on a chemical in reaching conditional registration decisions, for product uses similar or identical to currently registered products. Comprehensive review of this data base will occur systematically with the establishment of generic standards. Therefore, EPA will be implicitly relying on what is already known (i.e., the existing decision base) about pesticides now on the market in granting conditional registrations; only new data in support of a new use or a new chemical will be actually reviewed and scientifically assessed. (id. 4353)

EPA has now relaxed this position somewhat, at least as to formulators, to permit them to supply their own test data rather than be compelled to cite-all and write numerous letters and offers to compensate. However, many ISSA members find it most economical and efficient to supply some of the required data on their own and cite other data. Whenever they cite other data, EPA still requires them to notify and offer to pay all companies that have submitted data on that particular ingredient. In addition, EPA still requires basic chemical manufacturers to cite-all which has the effect of increasing the cost to formulators and ultimately to the consumer.

I am advised by Counsel that under the Federal Pesticide Act of 1978, Congress provided that whenever an applicant for registration relied on data generated by someone else, that he need notify and offer to compensate only the original data submitter, not the "cite-all" approach.

EPA's proposed implementation both as to generic and conditional registration clearly thwart the reform Congress intended for regulation of pesticides.

DISTINCT SEPARATION OF NON-AGRICULTURAL AND AGRICULTURAL PESTICIDES

It is not scientifically reasonable nor even valid to subject the broad spectrum of all pesticide products, from household disinfectant cleaners to highly biologically active insecticides to the same mandated guidelines or standards.

Because the definition of a "pesticide" is broad in FIFRA, many non-agricultural specialty chemical products, such as household disinfectants, have been grouped into the same regulatory category as the agricultural pesticide commodities.

Section 25(a)(1) provides ample FIFRA authority for the separation of non-agricultural from agricultural pesticides on the basis of differences in their concept and usage; §25(a)(1) clearly provides:

> "REGULATIONS -- The Administrator is authorized in accordance with the procedure described in paragraph (2), to prescribe regulations to carry out the provisions of this Act. Such regulations shall take into account the difference in concept and usage between various classes of pesticides and differences in Environmental risk and the appropriate data for evaluating such risk between agricultural and non-agricultural pesticides.
> (2) PROCEDURE. - * * * *"

The House and Senate debates leading to the 1953 FIFRA amendments reinforce the Congressional view that there should be a separation in agency regulatory approaches. There is nothing in the proposed standards on pesticide programs to suggest that EPA intends to sort out the sanitizers, disinfectants or other antimicrobial formulations from the hard agricultural pesticides. Unless and until this is done, small business formulators of nonagricultural pesticides may not survive the horrendous paper-work and costly testing data requirements for registration and reregistration of their end product formulations. The separation is long overdue -- it should never have been allowed initially.

CONCLUSION

The 1978 Act empowers EPA to implement a speedy and effective system of regulating pesticides:

1. An expedited inventory and evaluation of data on file for the approximately 1,200 - 1,400 basic pesticide chemicals presently in production;

2. Pending this evaluation, grant of conditional registration for formulations using these basic chemicals;

3. Require notification and offers to compensate only as to data upon which the registrant actually relies, (instead of the cumbersome and unnecessary "cite-all" system);

4. Where an applicant for registration does cite another's data, he be required to notify and offer to compensate only the original data submitter;

5. Pesticide formulators be granted registration solely upon the basis of the registration number of the basic chemical supplier from whom it buys the basic active ingredient and be relieved of the unnecessary testing that the proposed EPA Guidelines would require.

6. The Administrator be required to determine the feasibility for imposing separate guidelines or standards for non-agricultural pesticides (antimicrobials) from agricultural pesticides.

We respectfully urge that this Committee and the Congress direct EPA to utilize its authority as I have indicated, and to spend its budget and agency resources in accordance with the law. We appreciate this opportunity to testify and respectfully direct the attention of the Committee to what we believe to be a serious misuse of Federal revenue, a major economic burden on our industry and a further aggravation of inflation.

Mr. WINIK. Essentially the thing that we would like to discuss with you this morning is the blatant disregard of the EPA in enacting the new FIFRA Amendments as they were set forth in 1978. Essentially what has happened is that instead of creating a situation which would have allowed our industry and many other industries to exist in a less burdensome economic area, we have now been thrown back into the same inflationary problems which we had before.

By not taking the will of the Congress and by re-legislating or using means that were not originally intended to be used, they have made it almost impossible for us to bring new products into the marketplace or to get new registrations and re-registrations.

It has been generally well recognized that the EPA program to date has been a complete failure. Most of the changes that Congress had asked them to enact, which would have possibly created a lessening of the log jam, have not been enacted. Therefore, they have put us right back in the same position that we were in before.

I have one other thing that I would like to comment on, and this could possibly create less of an inflationary problem and certainly less of a burden to the EPA and help break up this log jam. Essentially, the FIFRA Act covers insecticides and agricultural pesticides. The materials which we would like to emphasize today are items which are used for commercial and industrial cleaning—they are not meant to be coupled into the Act. If these materials were taken out of the agricultural part of the Act, it would make it very, very much easier for the EPA to go forward with the work they have set forth for themselves and also to allow the industry to create more competition, and to make it much less inflationary to bring out new products.

I have one suggestion that I would like to make, and I would like to read it to you, if you would be so kind as to listen to me.

The EPA should consider establishing separate guidelines for non-agricultural pesticides, such as household disinfectants, or designate in the final guideline document specific exemptions which take into account the environmental concentration and fate of the non-agricultural products. Spending the time now to make such a distinction as part of final guidelines will spare the agency a great deal of time in the future from evaluating the many exception petitions which may inundate the agency.

That is essentially the statement that we would like to make.

Mr. BOLAND. Have you made your views known to the Legislative Committee?

Mr. WINIK. We had somebody testify in front of that Committee yesterday.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. I appreciate the brevity of your statement and understand your concerns. Again, it is really more of a matter for the Legislative Committee than it is for this Committee in terms of the ability to handle that situation.

Mr. WINIK. Our only thought is that it is a legislative problem, but it is very possible that the appropriations which the EPA has been given could be better used fulfilling the will of the Congress as the Congress set forth. If the EPA is not going to take that position and will not implement the will of the Congress but only

take additional appropriations to come out with a new set of rules and regulations for our industry to go by and for the rest of the nation to go by, they are not doing what it is that the Congress has willed them to do. Possibly the way to get back at this would be to limit their appropriations. I don't know if that is completely within your realm, but it would seem to us, as an industry, and to me, as a taxpayer, that would be an appropriation problem.

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

INTEGRATED PEST MANAGEMENT BUDGET OF THE ENVIRONMENTAL PROTECTION AGENCY

WITNESS

DON PATTERSON, AMERICAN AGRICULTURE MOVEMENT/VIRGINIA

Mr. BOLAND. Next we have Mr. Don Patterson, American Agriculture Movement.

Mr. PATTERSON. I am grateful for the opportunity to appear before the Committee. Erik Jansson, from the Friends of the Earth, had hoped to be here also, but has to be in California and has asked me to read a brief summary of his statement into the record.

Mr. BOLAND. Fine, it will appear in the record as you presented it to us.

[The statement follows:]

FRIENDS OF THE EARTH

SUMMARY

This has to be one of the first occasions when a national environmental group and a national farmer's organization jointly testified on an agricultural problem.

Between 1959 and 1974, the number of farms in the United States decreased by an average of 2 and one half percent a year. 51 percent of this decrease took place in the South. Possibly, one reason for the high rate of farm failures in the South is that pest management programs of the federal government have not been innovative enought to cope with the heavy pest pressures that result from sub-tropical climates.

Part of the problem today is that the cost of fertilizer and pesticides rise almost at the rate of crude oil. This is due to the heavy petroleum or gas makeup of these chemicals. One quarter gallon of oil is used to make one pound of fertilizer.

As a result, in 1969, fertilizers and pesticides accounted for 6.7 percent of the value of products sold from farms over $2,500 in sales. But by 1974, due to the Arab boycott the percentage had increased to 8.4 percent. We expect that by 1980, farmers will be spending over 10 percent of their value product sold for fertilizers and pesticides.

Clearly, the time has come for a more innovative federal government fertilizer and pesticide program- one that cuts the need for the chemicals rather than promotes such needs.

The projected increase in the price of crude oil from $8 per barrel to $16 or even $20 per barrel should produce an equivalent rise in the price of fertilizers and pesticides.

Innovative Block Grant Program of the Environmental Protection Agency

The Environmental Protection Agency should be in the integrated pest management business, and it should be a continuing line item program. This never has been a competitive program with USDA, since it has basically focused on research.

As the committee is aware, over the past five years the E.P.A. and N.S.F. have been instrumental in funding one of the most innovative integrated pest management research programs. This was called the Huffaker program, and it pioneered in a different system of financing called "block grant financing" which the USDA should be encouraged to copy.

One university manages the money for a number of universities, and each crop is studied as a complete unit using experts from all over the nation. In contrast, the customary USDA program has given to only one university, and does not permit the coast-to-coast cooperation of experts upon a single crop.

Package Plan for the Farmer

The importance of the type of funding program used by E.P.A. and N.S.F. in the past is its capacity to produce a complete program for each crop type for the farmer.

What we should be aiming for in farming is a "package plan" for the farmer in each crop type, much like the package plan one buys in taking a trip to Europe. The farmer should be able to call his agricultural extension agent and ask for the "package management plan" for corn or soybeans or any other crop in his locality.

Central Services

The other importance of this type of funding is the development of centralized scientific services to assist the farmer and the extension service. For example, the rather brilliant computer pest forecasting program came out of the Michigan State program. Here the farmer or the participating extension agents can call the computer and be given the latest forecast of pest pressures in his area, much like one can call the weather service to get a forecast of the weather in one's areas.

Summary of Our Recommendations

The Committee is certainly aware that we have another opportunity for the E.P.A. and N.S.F. budgets to fund another "package block grant program". Commonly called the Adkisson proposal, the financial aspect of this five year program is being managed out of Texas A&M for 16 universities and six major crops, cotton, corn, soybeans, apples, alfalfa, and peanuts.

For summary, we hope that the Subcommittee on HUD-and Independent Agencies will pursue the following, which we think is in the best interests of farming in this period of drastic increased in fertilizer and chemical prices, and in the best interests of the average American.

1. Full funding for the Texas A&M five year research proposal;

2. Make the Environmental Protection Agency budget a line item one that supports a continuing program in integrated pest management research;

3. Encourage the USDA to copy the block grant format pioneered by E.P.A. and N.S.F. for integrated pest management;

4. Earmark an additional $200,000 of funds solely for research into integrated weed management;

   In view of the fact that half of pest control expenditures by farmers are for weeds, it is an incredible lack not to have a real program for integrated weed management. This is one area where substantial reductions in farmer costs are available.

5. Earmark $20,000 for a report into how organic farming and crop systems requiring less fertilizers could be financed in the future under integrated pest management funding.

Attached to this report is a report on the no-till system developed by the Rodale Experimental Farm in Pennsylvania. A crop system growing corn and legumes in the same field loses 8 percent of crop yield, yet may not need nitrogen fertilizers. This would be profitable today for American farmers on a commercial scale.

The attached report on organic farms shows that they lose 11 percent of yields, yet have the same profit margin as chemical farms. In dry years, profit margins of organic farms exceed those of chemical farms.

6. Earmark $100,000 for integrated pest management in urban areas, to provide some answers on how city trees and other urban pest programs can be handled with less exposure to people. It is fair to say that USDA has not provided anything in this department, despite hopes.

THE IMPACT OF OIL PRICES ON PESTICIDE AND FERTILIZER COSTS IN FARMING

This has to be one of the first occasions when a national environmental group and a national farmer's organizations jointly testified on an agricultural problem. It is fair to say that the types of programs that are going to keep the farmers in business are programs that will also have a substantial impact upon excessive pesticide exposure to the environment, to the farmer, and to the average American.

The projected rise in crude oil prices from $8 per barrel to $15 per barrel within the next year should have a profound impact upon farming - an impact that Congress should be anticipating. In 1969, farmers spent 6.7 percent of their value of product sold for fertilizer and pesticides. In 1974, after the Arab boycott of oil, farmers were spending 8.4 percent. We expect that by 1980, American farmers will be spending more than 10 percent of the value of their product sold for fertilizers and pesticides.

Table 1. Fertilizer and Pesticide Expenditures As Percent of Products Sold (Farms With $2,500 or More in Sales) (1)

	1969	1974	1980
Fertilizers Including Lime	4.9%	6.4%	
Pesticides	1.8%	2.0%	
Total	6.7%	8.4%	Projected at More Than 10.0%

The reason for this is that agricultural chemical prices increase almost as rapidly as crude oil prices.

Table 2. Comparison of Crude Oil Price Increases With Fertilizer and Pesticide Costs (2)

Change in Crude Oil Prices, 1970-1975	141 percent
Change in Total Farm Expenditures for Fertilizers and Lime 1970-1975	167 percent (Only 19 percentage points of this can be attributed to more acreage treated)
Change in Pesticide Use on Farms, 1969-1974	107 percent (About 28 percentage points of this can be attributed to more acreage treated)

The importance of petroleum to chemical farming is noted by David Pimentel of Cornell, that one-quarter gallon of petroleum is used to manufacture one pound of fertilizer.

Crop Losses Versus Pesticide and Fertilizer Expenditures

The analysis of David and Marcia Pimentel presented in the attached article from Natural History puts the present problem of American farmers into perspective. Of particular importance is how fertilizer costs fit into the pest management program.

> "...Certainly, the losses caused by pests are considerable. In spite of chemical and other controls, an estimated one-third of all crops in the United States are lost annually to pests: 13 percent is lost to insects; 12 percent to pathogens; 8 percent to weeds...
>
> In the United States, during the last three decades, crop losses to weeds have declined, primarily because of better herbicides and changes in the ways and times of planting and harvesting crops. Over the same period, losses to plant pathogens, including nematodes, have increased only slightly, thanks to the more intelligent use of fungicides and the breeding of more resistant plants.
>
> But, alarmingly, during the same period, crop losses to insect pests have doubled, despite a tenfold increase in insecticide use and better insecticides. At present, the impact of this loss has been effectively offset by the planting of higher yielding varieties of crops, increased use of fertilizers, and more efficient harvesting...

Pimantel notes some reasons for the increased insect losses in crops. First, crop varieties have been developed that that were designed for high yields, but have proved to be susceptible to insect damage. Secondly, insecticides have destroyed the natural enemies of major pests like the boll weevil and some insect pests have developed resistance to insecticides. Herbicides, like 2,4-D have tended to make plants more suceptible to insect attack.

He notes that there are limits to genetic breeding of plants to prevent insect damage and that only a limited amount of fertilizer can be used before it becomes toxic to the crop and reduces yield. An unexplored option would be to use no pesticides which he believes would result in a 5 percent reduction of food-calorie availability in the United States. There would be ample supplies of cereal grains and other staples, but a decreased supply of foods like apples, peaches, plums, onions, and tomatoes.

Let us compare the world as seen by Pimantel with actual outlays for pest control in Table 3.

Table 3. Comparing Pimantel's Estimates of the Sources of Crop Losses With Where The Farmer's Money Goes in Pest Management(3)

	Percent of Crop Damage As Seen by Pimantel	Percent of Farmer Expenditures for Chemical Pest Control, 1974
Insects	39%	39%
Weeds	8%	53%*
Crop Diseases Including Nematodes	36%	7%
Total	100%	100%

*Includes 2 percent for defoliation of crops

What is most interesting is that even though insects are the largest crop destroyers in the United States, farmers are spending a lot more money controlling their weeds with chemicals relative to the actual size of the weed problem.

From the viewpoint of budgets, it seems clear that a lot of progress can be made in reducing the cost of weed control by American farmers with programs in integrated weed management.

Another significant part of the Pimantel analysis is the linking of pest problems with fertilizer use. This is another area where significant cost reductions for farmers can be achieved - indeed where part of the pest management solution lies.

Finally, from the viewpoint of budgets, Table 3 is clear. If through the substitution of natural controls, farmers would lose only 5 percent of their produce by totally eliminating insecticide use, then such a program would probably result in equal or higher profit margins for farmers. In fact, the attached summary of the study of 14 organic farms in the Midwest by the Center for Biology of Natural System shows that elimination of all chemicals including chemical fertilizers reduced farm yields by only 11 percent. Profit margins were equal to the chemical farm, despite this reduced yield per acre.

Linking Fertilizer Costs and Pesticide Costs

As has been noted, there is every reason to project that over 10 percent of the value of farm products sold will be spent on fertilizer and pesticides by the farmer. This increased value will have a drastic impact upon profits.

Congress should be anticipating inflation in fertilizer and pesticide prices with an innovative approach to the farm budget.

One area that should be investigated by the Department of Agriculture with programs funded by the 1979 and 1980 budget is the possibilities of linking fertilizer costs and pesticide costs. The attached article by Steve Smyser shows some of the things that could be done to focus upon this linkage.

> "Last summer, Paul Burmeister of Claflin, Kansas, made 36 bushels per acre of wheat without spending a cent for nitrogen by interplanting the grain with sweet clover. Bill Ardrey of Mumford, Oklahoma, added milo and mung beans to his rotation of wheat and Austrian winter peas, and found his insect problems all but disappeared. And Nebraska cattle feeder Dave Gubbels got the best silage production by interseeding corn, beans and sorghum- all from the same planter...
>
> To see how close they can come to 100 percent nitrogen self-sufficiency in corn by planting in close association with legumes, researchers at THE NEW FARM'S home base at the Organic Gardening and Research Center near Maxatawny, Pennsylvania, have undertaken a broad based study of legume sod interplanting... (without herbicides)

The New Farm program assumed that a farmer could lose 20 percent of yields without reducing profits, and wanted to discover whether planting corn and clover in the same field could make it unnecessary to use nitrogen fertilizer. In fact, during the first year they met their 20 percent goal. In the 1979 growing season, the program will explore how much nitrogen fertilizer the clover crop between the corn crops can produce for the corn.

A variety of sod plantings are being tested, including New Zealand white clover that goes semidormant in midsummer since it is a cool weather plant.

The contrast between this program and the chemically based no-till program of the Department of Agriculture is obvious. No-till as it is promoted by USDA requires more fertilizer rather than less, as well as a heavy application of herbicides and insecticides. It is fair to say that an increase of crude oil prices to $15 a barrel will make no-till farming with chemicals much less profitable.

Mr. PATTERSON. I would like to summarize my statement rather than go through the total statement.

As you are aware, last winter, we were here to try to get a fair income for farmers. As we have pursued that purpose, people have, on some occasion, criticized us for not doing more to reduce the costs. For the most part, we haven't been able to do anything to affect the cost of products because, of course, these costs are set by firms that have the ability to pass on whatever increases in price they want.

But it seems to us that this particular area, integrated pest management, has enormous potential for the nation in being able to maintain the viability of the family farm operations.

One particular aspect which is not mentioned in my testimony is the problem of nonpoint source pollution, which has been increasing. We are aware that agricultural chemicals have run-off from farm areas and gotten into urban and metropolitan water supplies, causing an enormous increase in the cost of processing. In some cases we don't have the technology to remove these pollutants from water supplies, so we feel if methods can be developed and demonstrated to farmers that can help cut down on the cost of this kind of water treatment, that this would be a tremendous benefit to the country.

We also feel that the cost of these things in the years ahead, because of their linkage with the petroleum industry, will be rising, so if we can do anything to help maintain the viability of family farms so they can survive in the present cost-price squeeze, that we will be doing a great deal to stabilize the economic and political system that we have spent 200 years in this country trying to develop.

For us, it is simply a matter of economic necessity that we look into these areas. We note that research has shown that expenditures from the Treasury in this area offer a direct and immediate payback in helping to make farm operations profitable. We note that they have shown that there is a tax-generating quality about these programs rather than simply a transfer payment aspect.

So that is one very strong aspect that we feel is necessary.

The problem that we see is that chemical companies have an enormous budget for advertising, for sales staff, for demonstration of their projects and products. We need to have the personnel, the experts, the expertise developed in order to get the information out to farmers about systems which are already showing their ability to impact the problem enormously.

So, as we see it, it is not enough to just show the effectiveness through research, but we have to get that effectiveness communicated to the farms involved, and this requires Extension personnel. The Extension Service has indicated that about 1,900 man-hours are needed to get the additional personnel to those already involved in Extension activities. We feel that the Congress needs to look at this and do what is necessary in order to get this information out to where it can begin to do a job.

We also note that the Secretary of Agriculture, in testifying before the Senate Agriculture Committee in January on the situation in agriculture, stated that he favored increased private research in agriculture and reduced Federal expenditure. Also, we

note that while this goal is seductive to any cost-conscious taxpayer, we feel that it is short-sighted in relation to this particular task, because private research will concentrate in those areas where they can get the top dollar right now. They will not concentrate in these areas where we are talking about reducing expenditures for chemicals. We are talking about an area which would result in cost-saving to the farmer and a large reduction in public external cost, so if we are going to proceed in this area, it is going to be because we have Federal activity. It will not happen because the private sector turns its attention to it.

We feel there is enough to be done in this area, and that the full funding of the Texas A&M-Adkisson research package is very much in order, and that there are a few areas where the expenditure, maintaining the productivity of our agricultural system for the years ahead, can be better spent. So we would like to endorse that recommendation. As I understand it, this would constitute a doubling of the present 1979 rate of expenditure, which I believe is at $2½ million, and the $5 million would constitute a doubling of that for the next four years of the program.

In conclusion, I would like to note that while this project concentrates on a limited number of commodities, we feel that the research will spread into other areas as more people get involved in this particular approach.

[Mr. Patterson's complete statement follows:]

TESTIMONY ON INTEGRATED PEST MANAGEMENT BUDGET OF THE ENVIRONMENTAL PROTECTION AGENCY BEFORE THE HOUSE SUB-COMMITTE ON HUD AND INDEPENDENT AGENCIES APPROPRIATIONS

25 April 1979 By Don Patterson, American Agriculture Movement/Virginia

As the members of this sub-committee are no doubt aware, the American Agricultu Movement has been identified with the effort to revise federal policy so that farmers can earn a fair income from their efforts. As we have tried to carry our message to the Congress and the American people, we have met with the suggestion that perhaps we could address the problem of rising production costs instead of concentrating so much effort on solving the cost/price squeeze by raising farm income. We would like to do everything we can to reduce the costs of farm production, but mostly, we cannot do anything about these costs. Firms that produce the inputs we need in agriculture can increase their prices, forcing farmers to either pay the price or do without. Until we decide to call the auctioneer and hold the farm sale, we are forced to pay the price that is asked. We have no other choice.

During the past two years, we have addressed the need to improve farm income because we have not believed it to be generally possible to reduce production costs significantly. If it were possible, it would have been done already. Howeve we have learned that by working together, we may be able to achieve some cost reductions and some other benefits for the nation at the same time. One area of particular promise involves research and demonstration of low technology energy systems capable of reducing our dependence on high technology and imported energy.

The Integrated Pest Management issue relates to this concern. As you know, pesticides, herbicides, and other chemical inputs in agriculture require petroleum. As petroleum prices rise, we can expect the price of these energy-dependent inputs to rise also.

Therefore, as a matter of necessity, we must look into alternative systems of pest and weed control which are capable of alleviating the cost squeeze. While the American Agriculture Movement national delegate body has not taken any formal position on the subject of Integrated Pest Management and other alternative approaches to pest and weed control, we are most interested in exploring everything which shows reasonable promise of reducing production costs and raising the real income of America's family farm producers before it is too late. It seems to us that Integrated Pest Management offers considerable potential benefit. Existing research shows that there are few areas which can bring as direct and immediate return to the federal treasury. If income can be restored to agriculture, the money expended on the requisite research will be more than returned to the federal treasury in tax payments. Indications show that research and development of Integrated Pest Management is a net income generator rather than simply a program involving transfer of tax funds to the benefit of a special interest group. The payoff on federal investment is direct and immediate.

Because of the enormous need in this area to do research, demonstration, education and training related to Integrated Pest and Weed Management, the full funding of the Texas A & M Cooperative University Pest Management Program through the Environmental Protection Agency could bring substantial benefit

to the nation. At present, these alternative systems are in a weak competitive syste in relation to the sellers of chemicals who have large advertising and developmental budgets, as well as large staffs of sales personnel. More people are needed who are able to convey to American farmers the message about cost-saving techniques which are ready for immediate implementation. This is an attractive aspect of the Texas A & M Research and Development package. The emphasis is on immediate implementation with direct farm involvement in the development and demonstration of the techniques.

In these days of slick advertising, it is not enough for alternatives to be effective; the message of this effectiveness must be carried to farmers. The message must be strong enough so that it is not drowned out by the many chemical salesmen who also make the rounds to sell farmers their products. The Extension Service has estimated that it will take 1900 man-years to accomplish the educational work associated with Integrated Pest Management. Whatever it takes, if the systems are cost effective, the job must be undertaken not only because of the income benefits for farmers, but because we must find ways to maintain the efficiency and productivity of agriculture in order to meet world food demand in the years ahead.

Further, all efforts to maintain the economic strength of family farm operations in the face of the current agricultural cost/price squeeze will be of great benefit to the nation in protecting the health and stability of our economic and political syste

In testifying before the Senate Agricultural Committee in January, Secretary of Agriculture Bergland stated his preference for reduction of federal agriculture

research expenditure and urged,instead,continued increase in private research. While such a policy is seductive to all budget-conscious Americans, in relation to Integrated Pest Management, it would be equally short-sighted. Private research will tend to concentrate on those products and types of research which seem most likely to show a profit most quickly. Private research will not concentrate on those areas which seem most likely to result in the largest cost saving to farmers and in the largest reduction of public external costs,unless there is substantial profit in these approaches for the private companies involved. When we speak of Integrated Pest Management, we are speaking about systems which reduce the amount of expenditure by farmers on chemical systems. We are talking about systems that result in high public benefits but low corporate financial returns.

This is an area where continued and stepped up federally supported research is very much needed. This research can be useful in protecting the productivity of agriculture and American family farm producers. We hope you will see that the necessary research, development, demonstration, education and training is carried forward. To accomplish this goal, the full funding of the Texas A & M Adkisson Research package over the entire five-year period would seem to be a sound investment in America's future. Full funding would involve a doubling of the rate of expenditure as currently authorized for fiscal 1979.

In conclusion, the implementation of this research seems likely to result in benefits which will spread far beyond the commodities which are immediately and most directly affected by the program as it proceeds.

Mr. PATTERSON. The following explanation summarizes some of the points.

Decontrol of oil prices is going to have a very sharp effect on profitability in farming, because the price of fertilizer and pesticides follows the price of petroleum and gas very closely. For example, between 1970 and 1975, crude oil prices increased by 141 percent. Total farm expenditures for fertilizers and lime increased by 167 percent in that same time frame, and only 19 percentage points of this can be attributed to more acreage treated. Similarly, pesticide costs on farms between 1969 and 1974 increased by 107 percent, and 28 percentage points of this was attributed to acreage increases.

As a result, farmers are being squeezed. You can see this in the portion of their sales spent for fertilizers and pesticides. In 1969, farmers spent 6.7 percent of products sold for fertilizers and pesticides. By 1974, this percentage had increased to 8.4 percent of value of products sold. We expect that by 1980, farmers will be spending more than 10 percent of the value of their products sold for these two items, fertilizers and pesticides. I suspect it may even be higher than that, as petroleum costs increase at greater than projected value.

It is time to get serious about integrated pest management and also to include fertilizers in the entire integrated program. There is a lot that can be done here.

In specific programs, we hope that the Subcommittee could consider the following:

One, as you know, the EPA and NSF budgets have supported innovative projects—the Adkisson package is a follow-on to that. It is expected that these agencies will be supporting the Texas A&M integrated pest management grant program proposed for the next five years. We strongly hope that the Subcommittee will give full funding to this Texas A&M program.

Two, we hope that the Subcommittee will support making integrated pest management research finance a line item in the EPA budget. They should be in this business of financing research.

Three, we hope that the Subcommittee will earmark an additional $200,000 for integrated weed management. This is one area where there are substantial costs and some can be cut. At present, this is an under-funded area of the integrated approach, and we need some concerted research efforts in this area.

Four, we hope that the Subcommittee can earmark $20,000 for a report on how organic farming and crop systems requiring less fertilizers could be financed in the future under integrated pest management funding.

Five, we hope that the Subcommittee can also earmark $100,000 for integrated pest management in urban areas, to provide some answers on how urban pest problems can be managed.

Thank you.

Mr. BOLAND. As you are aware, this Committee added about $2.5 billion to the $1.2 billion that was requested in the fiscal 1979 budget, and that, combined with about $400,000, brought the total 1979 appropriations to approximately $4 billion. The request this year has been reduced. We appreciate your testimony on it, and also the testimony of Friends of the Earth.

Thank you very much.

Mr. Coughlin?

Mr. COUGHLIN. We share your concern, and the Subcommittee has been a very strong supporter of this program.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

HON. DAVID H. SHEPHERD, MAYOR OF OAK PARK, MICHIGAN LEONARD S. SIMON, UNITED STATES CONFERENCE OF MAYORS

Mr. BOLAND. The Mayor of Oak Park, Michigan, Mayor David H. Shepherd is our next witness.

Mr. SHEPHERD. Mr. Chairman, I am David Shepherd, Mayor of Oak Park. At the table with me is Leonard S. Simon, of the United States Conference of Mayors.

I am here today on behalf of the United States Conference of Mayors, which represents cities with population in excess of 30,000.

I have a particular feeling for what you are going through as you work on the budget. I got up at 5:30 this morning to be here. Last night we were having our seventh or eighth meeting on our budget, and that lasted until nearly one o'clock in the morning. So I empathize with you deeply.

Mr. BOLAND. We have some empathy for you, too, because the mayors are on the line back home. It is more difficult for them than some of us.

Mr. SHEPHERD. Attached to this statement are the environmental resolutions passed by the Conference during its annual meeting in June, 1978. These policy statements originated in the Energy and Environment Committee on which I serve. I also serve on the National League of Cities and National Association of Regional Councils. As Mayor, I serve on many of the bodies which are charged with planning and implementing Federal environmental efforts, I head up a Section 208 agency and work on 201 projects, many involved in air quality. I served on the 208 advisory group with EPA on the preparation of the regulations.

Mr. BOLAND. What do you do in your spare time?

Mr. SHEPHERD. I have an advertising agency which I work at about three hours a week. That is in a heavy week.

The Conference appreciates the opportunity to comment on the fiscal year 1980 appropriation for the Environmental Protection Agency.

Mr. Chairman, I am aware of the time constraints under which this Subcommittee is laboring, as well as the difficult decisions which you face in the coming weeks. Because of this, the Conference has determined to make its presentation brief and to the point, and, frankly, it is the briefest statement I have ever presented to any Congressional Committee.

Our primary focus this morning is the constructions grants program. The recent recommendation of the Surveys and Investigation staff of the full Appropriations Committee of zero funding for fiscal year 1980 is unacceptable to cities.

The President's proposal for $3.8 billion funding in fiscal year 1980 would have caused some tightness in this important program.

Indeed, it was this proposed level, a reduction of some $400 million over the previous year, which led the Conference of Mayors, along with the Association of Metropolitan Sewerage Agencies, AMSA, to propose the borrowing pool concept. The borrowing pool would permit States which are ready to proceed with construction beyond current allocations to do so, without penalty to States which are not yet ready to make best use of their yearly allocation.

We offer the borrowing pool idea not as a finished product but rather as an indication that mayors are ready to accept their share of fiscal restraint if Congress is ready to structure programs with sufficient flexibility and creativity to minimize the negative impacts of budget cutbacks on the programs which our cities depend upon for survival. Zero appropriations for fiscal year 1980 in construction grants would be a blunt instrument which would deliver a terrible blow to clean water programs across the country. It would stop the construction grants program in 15 States in fiscal year 1980 and would penalize most of the States and cities which have made the greatest progress in the program—the ones which have been the first and have gone the farthest.

My own State of Michigan is an excellent example of the problem the Congress is inviting if the program is reduced substantially below $3.8 billion. Under a $3.8 billion appropriation, Michigan would receive $154.8 million. Under a $2.8 billion appropriation, the Michigan share would fall to $114.1 million, a decrease of $40 million, or more than 25 percent. We are presently involved in a program in Detroit which is operating under court orders, which is going to require about $400 million to provide tertiary treatment. I am particularly interested in that because the sewage for my city flows into that system. This program must proceed, yet we have all kinds of difficulties.

The decrease most likely would not stop the Michigan program, but it would slow it unnecessarily. It would make it virtually impossible to accelerate the program at any time in the near future. Michigan is adequately funded at its present stage. But we face massive future needs. Funding for construction grants places that future in jeopardy.

Oregon is an example of another sort. According to information supplied to the Conference of Mayors by the City of Portland, Oregon's communities could immediately use three times the State's share under a $3.8 billion funding scenario. In the State's second largest urban area, for example, with less than $3.8 billion in national funding, one project faces a two-year delay with inflation adding $12 million to the project's cost. Indeed, all of Oregon's cities will face similar problems. This type of situation will prevail not only in Oregon's cities, but also in the cities in Illinois, Massachusetts, Pennsylvania, California, Wisconsin, Washington, and many others.

Mr. Chairman, whether a State's programs are slowed or stopped, the impact will be substantial. It can be avoided.

We urge this Subcommittee to accept the recommendations of the President and the House and Senate Budget Committees and fund this program at the usable level of $3.8 billion for fiscal year 1980.

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Mayors are fully aware of the necessity at this time for economies in spending at the Federal, State and local levels. We believe, however, that the reduction of $400 million from the construction grants program is a cut which is sufficient to properly address the problems in the program which have been suggested by EPA, the Committee staff, and States and cities across the country. This is a highly complex and technical program which has required a great amount of work on the parts of cities in bringing it to this point. The Conference of Mayors urges you to recognize the necessity for the long-term stabilized funding for this program which will be necessary if it is to make an effective and timely contribution to environmental quality.

Mr. Chairman, as I promised at the start of my statement this afternoon, I wish to be brief in light of your crowded agenda. Therefore, I will simply close my remarks by noting that while the Conference of Mayors' primary current concern in the environmental field is for the adequate, assured and stable funding for the construction grants program, we do have additional areas of interest which we hope will merit your attention as you deliberate the fiscal year 1980 EPA appropriation. These include:

One, funding at the Administration's requested level of $40 million for the 208 water planning program. This program is the only program that gets at non-point source pollution, and I don't think we can abandon that. This program has had a huge investment, not only in dollars, but in time and people. Throughout the country there is no other environmental program that has received as much support and participation and effort as the 208 program on the local level, not only by elected officials but also by citizens and technicians, and I believe we must continue to urge that type of participation.

Two, additional funding of at least $25 million for local air quality planning under Section 175 of the Clean Air Act.

Three, thorough consideration of the Administration's request for the establishment of the Integrated Environmental Assistance Act of 1979. We have many other environmental concerns as the policy statements attached indicate, and we look forward to very frank and candid discussions with this Subcommittee in the future.

Mr. Chairman, the Conference of Mayors appreciates the opportunity to present its views this morning concerning the fiscal year 1980 EPA appropriation. We would be pleased to respond to any questions the Committee might have.

[The attachments to Mayor Shepherd's statement and the complete statement follows:]

Introduction

Mr. Chairman, members of the Subcommittee, I am David Shepherd, Mayor of Oak Park, Michigan. I am here today on behalf of the United States Conference of Mayors, which represents cities with population in excess of 30,000. Attached to this statement are the environmental resolutions passed by the Conference during its annual meeting in June 1978. These policy statements originated in the Energy and Environment Committee on which I serve. As Mayor, I also serve on many of the bodies which are charged with planning and implementing federal environmental efforts.

The Conference appreciates the opportunity to comment on the fiscal year 1980 appropriation for the Environmental Protection Agency.

Mr. Chairman, I am aware of the time constraints under which this Subcommittee is laboring as well as the difficult decisions which you face in the coming weeks. Because of this, the Conference has determined to make its presentation brief and to the point.

Construction Grants Program

Our primary focus this morning is the Construction Grants Program. The recent recommendation of the Surveys and Investigation staff of the full Appropriations Committee of zero funding for fiscal year 1980 is unacceptable to cities.

The President's proposal for $3.8 billion funding in FY80 would have caused some tightness in this important program. Indeed, it was this proposed level, a reduction of some $400 million over the previous year, which led the Conference of Mayors, along with the Association of Metropolitan Sewerage Agencies (AMSA) to propose the "borrowing pool" concept. The "borrowing pool" would permit states who are ready to proceed with construction beyond current allocations to do so, without penalty to states which are not yet ready to make best use of their yearly allocation.

We offer the "borrowing pool" idea not as a finished product but rather, as an indication that Mayors are ready to accept their share of fiscal restraint if Congress is ready to structure programs with sufficient flexibility and creativity to minimize the negative impacts of budget cutbacks on the programs which our cities depend upon for survival. Zero appropriations for FY80 in construction grants would be a blunt instrument which would deliver a tremendous blow to clean water programs across the country. It would stop the construction grants program in 15 states in FY80 and would penalize most of

the states and cities which have made the greatest progress in the program -- the ones which have been the first and have gone the farthest.

My own state of Michigan is an excellent example of the problem the Congress is inviting if the program is reduced substantially below $3.8 billion. Under a $3.8 billion appropriation, Michigan would receive $154.8 million. Under, as an example, a $2.8 billion appropriation, the Michigan share would fall to $114.1 million, a decrease of $40 million or more than 25 percent. While this would likely not stop the Michigan program, it would unnecessarily slow it. It wouldmake it virtually impossible to accelerate the program at any time in the near future. Michigan is adequately funded at its present stage. But we face massive future needs. Funding for construction grants places that future in jeopardy.

Oregon is an example of another sort. According to information supplied to the Conference of Mayors by the City of Portland, Oregon's communities could immediately use three times the state's share under a $3.8 billion funding scenario. In the state's second largest urban area, for example, with less than $3.8 billion in national funding, one project faces a two year delay with inflation adding $12 million to the project's cost. Indeed, all of Oregon's cities will face similar problems. This type of situation will prevail not only in Oregon's cities but also in the cities in Illinois, Massachusetts, Pennsylvania, California, Wisconsin, Washington and many others.

Mr. Chairman, whether a state's programs are slowed or stopped, the impact will be substantial. It can be avoided. We urge this Subcommittee to accept the recommendations of the President and the House and Senate Budget Committees and fund this program at the responsible level of $3.8 billion for fiscal year 1980.

Mayors are fully aware of the necessity at this time from economies in spending at the federal, state and local levels. We believe, however, that the reduction of $400 million from the construction grants program is a cut which is sufficient to properly address the problems in the program which have been suggested by EPA, the Committee staff and states and cities across the country. This is a highly complex and technical program which has required a great amount of work on the parts of cities in bringing it to this point. The Conference of Mayors urges you to recognize the necessity for the long-term stabilized funding for this program which will be necessary if it is to make an effective and timely contribution to environmental quality.

Mr. Chairman, as I promised at the start of my statement this morning, I wish to be brief in light of your crowded agenda. Therefore, I will simply close my remarks by noting that while the Conference of Mayors' primary current concern in the environmental field is for the adequate, assured and stable funding for the construction grants program, we do have additional areas of interest which we hope will merit your attention as you deliberate the FY 1980 EPA appropriation. These include: 1) funding at the Administration's requested level of $40 million for the 208 water planning program; 2) additional funding of at least $25 million for local air quality planning under Section 175 of the Clean Air Act; 3) and thorough consideration of the Administration's request for the establishment of the Integrated Environmental Assistance Act of 1979. We have many other environmental concerns as the policy statements attached indicate, and we look forward to very frank and candid discussions with this Subcommittee in the future.

Mr. Chairman, the Conference of Mayors appreciates the opportunity to present its views this morning concerning the fiscal year 1980 EPA appropriation. I would be pleased to respond to any questions the Committee might have.

RESOLUTIONS ADOPTED



FORTY SIXTH ANNUAL MEETING

UNITED STATES CONFERENCE OF MAYORS

ATLANTA, GEORGIA • JUNE 21, 1978

National Water Policy

WHEREAS, President Carter has announced his water policy initiatives and has included them in a message to the Congress; and

WHEREAS, the Carter Administration is seeking a comprehensive national water policy with conservation as the cornerstone; and

WHEREAS, the availability, the quality and the distribution of water is a prime concern of cities and an inseparable element of our urban way of life; and

WHEREAS, a national water policy would have a major impact on the cities of this country who purify and deliver most of the nation's municipal and industrial water; and

WHEREAS, the nation's cities have been excluded from the formation of this policy to date,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges the Carter Administration to involve the nation's cities in the formation of a national water policy; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges the Carter Administration to recognize the following points in developing a national water policy:

- the development of a national water policy should be a cooperative effort between the federal, state and local government;
- the national water policy should not usurp state or local rights or the ability of state or local governments to control their water rights;
- the issues of water quality and water quantity should not be considered separately in formulating a national water policy;
- conservation should be the cornerstone of a national water policy;
- the water conservation needs of each area of the country should be addressed by the water policy and the federal and state governments should assist local governments in meeting these needs either through existing federal programs or new public works programs; and
- non-structural solutions to water needs should receive a high priority; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges the Administration to continue its support of funded water projects throughout the country; and

BE IT FURTHER RESOLVED that the implementation of the President's initiatives be deferred until the Congress has held full hearings on the proposals, providing local governments with ample opportunities to express their views; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors recommends that:

- municipal and industrial water rates for federal water projects should not be increased to promote conservation;

- municipal and industrial water rates for existing federal water projects should not be renegotiated; and
- communities should be allowed to develop their own water conservation strategies without the interference of federal regulatory or grant agencies.

Federal Water Pollution Control Program

WHEREAS, the U.S. Conference of Mayors had traditionally supported a strong viable federal water pollution control program to assist state and local governments in their efforts to achieve the nation's clean water objectives through development and construction of appropriate control facilities; and

WHEREAS, the full cooperative support of the federal government is essential if local governments are to be able to meet the responsibilities and obligations Congress has thrust upon them; and

WHEREAS, such full cooperative support includes:

- timely funding of local planning and properly and realistically targeted projects consistent with established needs and priorities;
- administrative process relatively free of red tape; and
- an enforcement program that can only be invoked against local government after the federal government has fully met its obligations under the law, in a timely manner, including full funding; and

WHEREAS, the present program continues to falter and sludge disposal requirements appear impossible to attain because of excessive technical constraints and the consequent increasing scarcity of disposal sites, the 1983 deadlines probably will not be met as long as federal dollars for wastewater management, planning, engineering and facilities continue to flow slowly, unevenly and unfocused on major problem areas; and

WHEREAS, non-point source pollution generally, the related problems of combined sewer overflows and urban storm water runoff and flooding are not properly addressed by federal assistance,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges the members of the Congress to hold oversight hearings on:

- the status of the national water pollution control program to examine the practicality of existing timetables, technical goals and the effectiveness of the ongoing enforcement efforts;
- the coordination of water quality standards, the definition of secondary treatment, individual permit requirements, state priority lists, federal fund allocations and enforcement activities so that all reflect agreement on common goals and on timetables for reaching those goals;
- the potential use of public lands for the beneficial use of sludge and available federal actions to encourage and promote such use in an environmentally sound manner;
- the potential for the use of sewage solids for providing organic materials and vegetation nutrients in the reclamation of mined lands under existing Mine Reclamation legislation;
- the need for direct funding to qualified local, regional and metropolitan agencies under a statutory entitlement formula;
- the need to consolidate the water pollution control program with the safe drinking water program and other water programs directly impacting urban areas; and
- the need for a continuing funding commitment to water management planning in urban regions supported by adequate 208 funds; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges the Environmental Protection Agency to reevaluate its existing enforcement posture towards local governments and the long-term implications of an adversary policy which tends to pit the federal government against local government when such a relationship should be cooperative and mutually self-supporting.

Water Pollution Control and Industrial Cost Recovery

WHEREAS, all cities are required to abide by the Federal Water Pollution Control Act Amendment of 1972, Public Law 92-500 for the adequate control of water pollution; and

WHEREAS, Section 204(b)(1) of this Act requires local governments to make provisions for industrial cost recovery/user charge systems for the purpose of defraying cost of construction of treatment systems by charging industries based on their industrial wastes; and

WHEREAS, many cities throughout the country have not implemented industrial cost recovery systems because of financial hardships and inadequate regulations; and

WHEREAS, the implementation of industrial cost recovery systems requires sophisticated accounting systems, pollution detection systems and means of enforcement; and

WHEREAS, undue complications will develop because of overlaps in service areas over political boundaries; and

WHEREAS, stringent methods of coordination will be difficult to institute among participants to avoid duplication of effort, as well as gaps in the data base; and

WHEREAS, all cities must achieve maximum water pollution control as efficiently, economically and quickly as possible to assure the health and welfare of their residents; and

WHEREAS, the Environmental Protection Agency has exceeded the intent of the Congress by acting administratively to expand the definition of "industrial users" to include all non-governmental dischargers of over 25,000 gallons per day of sanitary waste,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges the Congress and the Carter Administration to recognize the tremendous difficulties involved in the implementation of existing industrial cost recovery requirements and to seek more practical and cost-effective ways to reasonably and equitably permit local government to assess industrial polluters for the costs of treating their wastes; and

BE IT FURTHER RESOLVED that Section 204(b)(1) and (2) be appropriately modified to take due cognizance of the rights and responsibilities of local governments independently to set rates, assessments and charges for waste treatment services; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges the Environmental Protection Agency to modify its proposed regulations to continue the previous definition of "industrial user", as anticipated by the Congress.

EPA's Interim Drinking Water Standards

WHEREAS, the U.S. Environmental Protection Agency (EPA) proposes amendments to the national primary drinking water regulations under the Safe Drinking Water Act, Public Law 93-523, which will require the establishment in communities of 75,000 or more: 1) a maximum contaminant level for drinking water of 100-PPB for total trihalomethanes (THM's), including chloroform; and 2) water treatment techniques utilizing granular activated carbon for the control of trace amounts of other synthetic organic chemicals associated with industrial pollution; and

WHEREAS, these proposed interim drinking water standards met with a great deal of controversy regarding their effectiveness in reducing environmental health risks and their ultimate costs to the taxpayers; and

WHEREAS, the installation of granular activated carbon filters may involve exorbitant capital outlays and will increase tremendously annual operating costs and subsequent increases in water bills for the taxpayers; and

WHEREAS, there are many unanswered questions regarding treatment techniques the Environmental Protection Agency has proposed; and

WHEREAS, cities do not object to the imposition by EPA of reasonable standards, but do object to the imposition of expensive requirements that may prove to be premature and not even needed,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges the Environmental Protection Agency to postpone the adoption of the interim drinking water standards until the following studies can be completed:

- additional research to establish the extent to which humans are at risk from low-level exposure to organic substances in drinking water;
- plant-size research programs in various parts of the country using granular activated carbon filter systems to gage the effectiveness of these systems on a large scale; and
- research programs studying alternative technologies for reducing or eliminating organic compounds in water; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges the Environmental Protection Agency to establish the 100-PPB level for trihalomethanes and other levels for organic chemicals as goals to be achieved by the nation's water supply systems until these research projects can be completed.

Air Pollution Control

WHEREAS, the U.S. Conference of Mayors has traditionally supported strong comprehensive air pollution control efforts on the part of all levels of government and the objectives of federal clean air legislation; and

WHEREAS, the Clean Air Act Amendments of 1977, in providing mid-course corrections in the program for achieving national ambient air quality standards place enormous responsibility on state and local general purpose governments and require new patterns of interaction between all levels of government; and

WHEREAS, the 1977 Clean Air Act Amendments impose strict and demanding schedule standards to be met basically through implementation programs which will be the exclusive responsibility of local governments; and

WHEREAS, the state implementation plans called for by the Act must be in place and in the process of implementation by July, 1979; and

WHEREAS, most local governments now designated as non-attainment areas have neither the technical, financial or staff resources to provide adequate monitoring, modeling, inspection and enforcement for either stationary or mobile sources of pollution; and

WHEREAS, Section 105 real levels of grant funds for support of air pollution control activities are being reduced by the Congress, while, at the same time, more control responsibilities are being assigned to local governments; and

WHEREAS, appropriation committees and subcommittees of the Congress have refused to appropriate funds authorized by the Congress to provide support for the technical control program mandated in the 1977 amendments; and

WHEREAS, local governments are in general agreement that the trade-off between environmental considerations and the need for continued economic growth is the single most difficult issue faced by local governments,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors seeks support of legislation which sets more realistic, reasonable and achievable time schedules for attainment of the ambient air standards, based on established hard scientific fact and supported by realistic levels of funding on the part of the federal government which will enable local governments to acquire the technical staff,

Mr. BOLAND. Mayor Shepherd, thank you very much. You have indicated a viewpoint that is expressed by many others with respect to the Section 201 program, the water pollution control program. I think you have seen that this Subcommittee is aware of the concerns expressed by the various organizations, public and private. We intend to give your ideas just consideration.

Mr. SHEPHERD. We certainly appreciate it.

Mr. BOLAND. So thank you very much, Mr. Mayor, and good luck to you in Oak Park.

CONSTRUCTION OF PUBLICLY OWNED SEWAGE TREATMENT PLANTS UNDER SECTION 201 OF PUBLIC LAW 92-500

WITNESSES

ADELBERT L. ROARK, COMMISSIONER, BUREAU OF ENVIRONMENTAL PROTECTION, DEPARTMENT FOR NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION, FRANKFORT, KY.

BOB BLANZ, DIRECTOR OF WATER QUALITY PROGRAM, BUREAU OF ENVIRONMENTAL PROTECTION

Mr. BOLAND. Mr. Adelbert Roark? You were due to appear with another group—we had you originally scheduled with Cal Sudweeks, of the Association of State and Interstate Water Pollution Control Administrators. Nevertheless we shall be glad to hear you now.

Mr. ROARK. I will be very brief, Mr. Chairman.

Mr. Chairman, Committee members, I am Adelbert L. Roark. With me today is Bob Blanz, Director of our water quality program. I would like to express my gratitude for you giving us an opportunity to speak here today on some concerns that we do have about reduced funding for Sections 201 and 208 under Public Law 92-500.

I would like to submit my written comments and emphasize some points that maybe have not been mentioned yet today.

[The complete statement follows:]

Chairman Boland, Committee Members, Ladies and Gentlemen, I am Adelbert L. Roark, Commissioner of Environmental Protection for the Commonwealth of Kentucky. I am sure I am speaking for Governor Carroll by extending his sincere gratitude for this opportunity to voice some concerns about appropriations for the construction of publicly owned sewage treatment plants under Section 201 of P.L. 92-500. The Commonwealth pledges it's continued efforts for the complete implementation of the Statewide Water Quality Management Plan under Section 208 of that Act.

The Commonwealth of Kentucky joins the National Governor's Association in endorsing passage of the Interagency Environmental Coordination Act. We feel that this type of program interaction and co-operation will ultimately eliminate many of the frustrations and delays that have characterized the construction grants program in the past. We also recognize and appreciate the unique role played by the Environmental Protection Agency in developing this salutary piece of legislation.

Today I want to indicate to this committee that there will be some unfortunate consequences for us and other states if the 1980 funding is not forthcoming. I urge this committee to recognize Kentucky's steady progress and growing expertise in Section 201 planning. Kentucky simply must be in a position to continue it's efforts in the field of construction grants. This committee's continued stewardship of this appropriation has been thoughtful and considered in the past. I look forward to continued leadership as we move to actual implementation of the program.

THIS SUB-COMMITTEE HAS ALWAYS BEEN DEEPLY CONCERNED THAT THE TAXPAYERS GET WHAT THEY PAY FOR. THE 1978 COMMITTEE HEARINGS HEARD AND RESPONDED TO COMPLAINTS VOICED ABOUT THE COST OF AWT. THIS COMMITTEE REQUIRED THE EPA TO INSTITUTE A "QUALITY ASSURANCE PROGRAM IN CONSTRUCTION GRANTS". AT THAT TIME, WE WERE FEARFUL THAT THE COMMITTEE WAS TREATING THE SYMPTONS OF WASTE AND CONFUSION, RATHER THAN THE DISEASE ITSELF. P.L. 92-500 HAS AS ONE OF IT'S MAIN PURPOSES THE MEETING OF NATIONAL WATER QUALITY STANDARDS. THE PUBLIC POLICY BEHIND THE PROFUSION OF CAPITAL INTENSIVE CONSTRUCTION GRANTS WAS TO DEVELOP SEWER PROJECTS THAT WOULD BE IN COMPLIANCE AND REMAIN IN COMPLIANCE WITH THOSE SAME WATER QUALITY STANDARDS. UNFORTUNATELY, THE UNIQUE ROLE PROVIDED BY THE STATUTE FOR THE STATES HAS OFTEN BEEN OVERLOOKED IN A CAVALIER MANNER.

THIS IS ESPECIALLY THE CASE FOR KENTUCKY. THE EPA DIDN'T LIKE OUR WATER QUALITY STANDARDS, AND INSTEAD PROMULGATED STANDARDS FOR US IN DECEMBER, 1974. THE CONSEQUENCES OF THIS PRECIPITOUS ACTION ARE REAL AND IMPINGE DIRECTLY ON THE DAY-TO-DAY OPERATION OF MY BUREAU, WHICH IS CHARGED TO ADMINISTER THE 208 PROGRAM. THERE IS AT PRESENT NEITHER ADEQUATE SUPPORT FOR NOR UNDERSTANDING OF THE ADVANCED SECONDARY REQUIREMENTS MADE NECESSARY PURSUANT TO THE FEDERALLY ISSUED STANDARDS. WE ARE EXPERIENCING A SEWER PROJECT AND FUNDING BACKLOG, THAT WE ARE JUST NOW BEGINNING TO WORK OUT OF.

WE HAVE MADE EVERY EFFORT TO REMAIN APACE OF THE FEDERAL REQUIREMENTS. KENTUCKY HAS DEVELOPED A PROJECT PRIORITY LIST WHICH WE FEEL ALLOWS FOR THE ORDERLY FLOW OF PROJECT FUNDS. WE ARE PROUD TO SAY THAT WE HAVE JUST RECENTLY CERTIFIED THE LAST CITY WITH A COMPREHENSIVE SEWER SYSTEM AND NO TREATMENT. BUT THIS IS JUST THE TIP OF THE ICEBERG. THERE ARE HUNDREDS OF COMMUNITIES WITHOUT SEWERS AND HUNDREDS MORE CITIES WITH INADEQUATE OR ANTIQUATED COLLECTION AND TREATMENT SYSTEMS. THIS COMMITTEE CAN GUARANTEE KENTUCKY'S FUTURE PROGRESS BY ASSURING THE 1980 APPROPRIATION. THE FUNDING THAT HAS BEEN APPROVED IN THE PAST IS THE BARE MINIMUM NECESSARY FOR ADEQUATE FORWARD MOTION.

IN FACT, THE NEEDS OF OUR TWO LARGE METROPOLITAN AREAS, LOUISVILLE AND LEXINGTON, COULD EASILY CONSUME ALL OF OUR GRANT AWARD ALLOCATIONS EVEN IF WE RECEIVE OUR FULL APPROPRIATION BETWEEN NOW AND 1986. TO CUT BACK ON THE APPROPRIATIONS FOR 1980 IN THIS PROGRAM WILL FURTHER COMPLICATE MANAGEMENT OF OUR PRIORITY SYSTEM BY DELAYING PROJECTS WHICH ARE READY TO PROCEED. THIS WILL IN TURN CURTAIL GRANT DEVELOPMENT AND IMPLEMENTATION IN THE RURAL CITIES, WHICH ARE LOWER ON THE PRIORITY LIST.

To eliminate funding in 1980 will force the states to completely re-prioritize on-going projects. Lexington, a city of some 185,000, for example, will be forced to either halt growth within it's service area or allow a plethora of small private "package plants". The package plants are inadequately financed and add point source discharges to urban drainage ways. The proliferation of the package plants has serious public health implications and is a giant step backward for meeting the goals of the Clean Water Act.

The rural communities would inevitably be pushed downward on the priority list. The rural town would be slighted once again by being delayed approximately 18-24 months. There is no end in sight for burgeoning metropolitan and small town growth in Kentucky. Lexington alone grows by the thousands every year. The absence of the 1980 appropriation will virtually insure that services in those communities will be inadequate for the foreseeable future. Programs for community development block grants and Section 8 housing will also be adversely affected.

These delays are only exacerbated by the additional quality assurance program in it's present format. The quality assurance program has not resolved and co-ordinated on-going program requirements with the involvement of the Corps of Engineers and EPA. Such uncoordinated program delegation will, only drive up construction cost and abolish any anticipated savings from the quality assurance program.

THE UNITED STATES HAS GOT TO GET COMMUNITIES SOLVENT ENOUGH TO FUND THEIR OWN GROWTH AT SOME POINT IN TIME OR WE'LL BE BUILDING SEWAGE WORKS WITH FEDERAL DOLLARS FOREVER. THE SOONER WE BUILD THESE REVENUE GENERATING FACILITIES, THE CLOSER WE'LL BE TO THAT DAY.

THIS IS WHY I HAVE BEEN SO EMPHATIC ABOUT CONTINUED 208 FUNDING. IT IS IMPORTANT TO NOTE THAT KENTUCKY RECEIVED ONLY $500,000 FOR STATEWIDE PLANNING--COMPARED, FOR EXAMPLE, TO $10 MILLION FOR FLORIDA. OUR PLANNING AND IMPLEMENTATION PROJECT ARE, THEREFORE, IN THEIR INFANCY AND MUST HAVE CONTINUED FUNDING JUST TO ADDRESS ALL THE PROGRAM ELEMENTS REQUIRED BY EPA. WE FEEL THAT WE HAVE A DYNAMIC, UNIQUE APPROACH TO WATER QUALITY MANAGEMENT AND TO THE CONTROL OF NON-POINT SOURCE POLLUTION. OUR GROWING EXPERTISE IN CONTROLLING BOTH POINT AND NON-POINT WATER POLLUTION CAUSED BY STRIPMINING IS A CLEAR EXAMPLE.

IN A RURAL STATE LIKE KENTUCKY, WE MUST BALANCE OUR CONCERN WITH NON-POINT SOURCES OF POLLUTION BY EDUCATION, CONTINUED ASSESSMENT, AND DEMONSTRATION PROJECTS. THE LACK OF 1980 OR ANY SUBSEQUENT FUNDING IN THIS AREA WILL MAKE FURTHER POINT SOURCE CONTROLS MEANINGLESS. KENTUCKY DESERVES THE OPPORTUNITY TO SOLIDIFY IT'S GAINS IN CONTROLLING BOTH SOURCES OF WATER POLLUTION. CONTINUED 208 FUNDING IS A VITAL ASPECT OF THIS DEVELOPMENT.

THANK YOU FOR YOUR ATTENTION.

Mr. ROARK. First, we would like to express our support for the Interagency Environmental Coordination Act, which has been submitted to Congress during this session. We feel that this will help to overcome several of the problems that have existed in the construction grant program for the last several years.

Second, there has been some discussion concerning the abilities of States to expend all of their funds. If Kentucky receives full funding between now and 1986, we could use the entire allotment for just our two major cities, namely, Lexington and Louisville. If funds are cut for 1980, this will mean a community such as Lexington, with a population of about 185,000, would probably be returning to numerous package treatment plants. Obviously this has an adverse effect not only in terms of the economy, but also in terms of water quality standards.

Third, I would like to point out that when Kentucky promulgated its water quality standards in 1974, these were found to be very unacceptable by EPA. Therefore, they promulgated their own standards for us, and, as you know, under the requirements for the quality assurance, we now find ourselves with a large demand for projects especially in rural areas, trying to justify, trying to understand, trying to support advance treatments that are designed to meet EPA standards rather than our own standards.

Kentucky has just certified its last comprehensive sewer community, but this by no means takes care of all our communities. We have many rural communities that have inadequate or unacceptable sewer systems by anyone's standards. By eliminating the funding, we will create more problems by continuing the movements from the rural areas of Kentucky to the metropolitan areas. Obviously all this is going to do is produce more of the problems associated with urban growth.

Finally, very briefly, I would like to express our support for continued funding of Section 208. Kentucky originally has received only $500,000 in funding for 208 programs whereas some of our sister States, even in the Southeast, such as Florida, have received over $10 million for their 208 programs.

This means that while we have a need for this program in nonurban areas, we have had to move very slowly therefore, our program is lagging behind many of the other States by several years. To eliminate this funding would put the completion of the entire program in jeopardy.

I want to thank you very much for allowing me to speak today.

Mr. BOLAND. Thank you very much, and thank you for joining us today.

The Committee will stand in recess until two o'clock this afternoon.

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AFTERNOON SESSION

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

HAROLD SCHAITBERGER, LEGISLATIVE DIRECTOR
PAULA D. LUCAK, LEGISLATIVE STAFF ASSISTANT, IAFF

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS AND THE U.S. FIRE ADMINISTRATION

Mrs. BOGGS. The Committee will please come to order.

We are very happy to welcome Mr. Harold Schaitberger, the Legislative Director of the International Association of Fire Fighters.

You are accompanied by?

Mr. SCHAITBERGER. I am accompanied by Paula Lucak.

Ms. LUCAK. I am Staff Assistant to Mr. Schaitberger.

[The complete statement follows:]

Statement of Harold A. Schaitberger, Legislative Director, International Association of Fire Fighters

Mr. Chairman, my name is Harold Schaitberger and I am Legislative Director of the International Association of Fire Fighters, representing 175,000 professional fire fighters nationally. I am pleased to appear before the Subcommittee today to express the views of the IAFF on fiscal year 1980 appropriations for the U.S. Fire Administration.

The U.S. Fire Administration was established to provide a national focus and strategy for eliminating the enourmous fire losses in life and property being experienced in the United States. When the National Commission on Fire Prevention & Control submitted its report, America Burning, it recommended an $124 million annual appropriation for the U.S. Fire Administration to carry out an effective, and let me stress that word effective,program to alleviate our national fire problem.

The comparatively low USFA appropriation levels of the past have made effective fire prevention and control on a national level, difficult. Nonetheless, the accomplishments of the U.S. Fire Administration have been many; for example, the initiation of the Fire Fighters' Integrated Response Equipment System Project (FIRES), the creation of a National Fire Academy, and the success of the National Fire Incident Reporting System.

We are pleased to see that the U.S. Fire Administration is responding to the national outcry for arson reduction, by assigning a high priority to anti-arson programs in its fiscal year 1980 request. We would also like to express our support for the "Antiarson Act of 1979" which has recently been introduced in both the House and Senate. The spiralling national arson rate clearly demonstrates the need for Federal initiative and support in the fight against arson. The "Antiarson Act of 1979" meets that need.

Today, the U.S. Fire Administration's total request is for less than $20 million for fiscal year 1980, which is a decrease of $611,000 from the 1979 appropriation level. With fire losses in the United States continuing to be among the highest for industrial nations similar to us in development and life style, such decreases are insupportable. They ignore the need for the initiation of new programs and the expansion of current ones.

Our recommendations fall into three broad programmatic areas: professional training and education, public education, and research.

In the area of training and education, we are pleased to see that a final site for the National Fire Academy has been purchased in Emmitsburg, Maryland, and we are looking forward to classes beginning in January 1980, as currently scheduled. Although the National Fire Academy will have a strong impact on fire fighter training, it is not a fire fighter training facility, and programs for the benefit of working fire fighters should also be made available. We, therefore, recommend the continuation and implementation of Phase III of the Open University Program, which allows working fire fighters to achieve a degree in fire science and fire administration through correspondence courses and is affiliated with major accredited universities.

In the area of public education,the IAFF notes an appalling lack of knowledge and awareness of the seriousness of the national fire problem. We suggest that funds be made available so that an in-depth education program can be initiated in all public and private school systems to alleviate this serious problem.

Research is one of the most important programmatic areas in the U.S. Fire Administration. The death and disability rates for fire fighters continue to be the highest among all professions, yet little has been done to advance research into the occupational safety and health areas of our profession. A Fire Fighter Safety & Health Technology Section has recently been established within the USFA, but the Fire Administration's 1980 request fails to specify any funding for that section. We would hope that funding will be provided, so that a study of the occupational safety and health areas of fire fighting can finally be initiated.

In order to improve our country's fire protection delivery system, many other research questions will have to be answered.

U.S. Fire Administration efforts must include: an investigation into what the safe and appropriate manning levels for engine and truck companies are; the development of a death, injury and illness analytical system; the research and development of more effective protective clothing and equipment for fire fighters, and the continuation and expansion of Project FIRES; an investigation of the affects of toxic substances and fumes on fire fighters; and the development of a standard medical protocal for emergency care and treatment of fire fighters injured in the line of duty.

Losses of life and property to fire in the United States continue to be unacceptably high. U.S. Fire Administration efforts in the fight against fire must not only be continued, but they will also have to be expanded and refined if they are to meet with success. Half-hearted efforts can only create the illusion of safety. Only a total commitment to fire prevention programs can tranform this illusion into a reality. We, therefore, ask that the Subcommittee support the program recommendations we have made by appropriating sufficient funds for their implementation.

I would like to thank the Subcommittee for this opportunity to express the views of our organization and its members.

Mr. SCHAITBERGER. I am Harold Schaitberger, and I am Legislative Director of the International Association of Fire Fighters, representing 175,000 professional fire fighters nationally.

I am pleased to appear before the Subcommittee today to express the views of the IAFF on fiscal year 1980 appropriations for the U.S. Fire Administration.

The U.S. Fire Administration was established to provide a national focus and strategy for eliminating the enormous fire losses in life and property being experienced in the United States.

When the National Commission on Fire Prevention & Control submitted its report, "America Burning," it recommended an $124 million annual appropriation for the U.S. Fire Administration to carry out an effective, and let me stress that word effective, program to help alleviate our national fire problem.

The comparatively low USFA appropriation levels of the past have made effective fire prevention and control on a national level, difficult. Nonetheless, the accomplishments of the U.S. Fire Administration have been many. For example, the initiation of the Fire Fighters' Integrated Response Equipment System Project (FIRES), the creation of a National Fire Academy, and the success of the National Fire Incident Reporting System.

We are pleased to see that the U.S. Fire Administration is responding to the national outcry for arson reduction by assigning a high priority to anti-arson programs in its fiscal year 1980 request.

We would also like to express our support for the Anti-arson Act of 1979, which has recently been introduced in both the House and Senate. The spiralling national arson rate clearly demonstrates the need for Federal initiative and support in the fight against arson. The Anti-arson Act of 1979 meets that need.

Today, the U.S. Fire Administration's total request is for less than $20 million for fiscal year 1980, which is a decrease of $611,000 from the 1979 appropriation level. With fire losses in the United States continuing to be among the highest for industrial nations similar to us in development and life style, such decreases are insupportable. They ignore the need for the initiation of new programs and the expansion of current ones.

Our recommendations fall into three broad programmatic areas: Professional training and education; public education, and research.

In the area of training and education, we are pleased to see that a final site for the National Fire Academy has been purchased in Emmitsburg, Maryland. By the way, this is the old St. Joseph's College which you may be familiar with.

Mrs. BOGGS. It is a beautiful spot.

Mr. SCHAITBERGER. Yes; it is. We are looking forward to classes beginning in January 1980, as currently scheduled. Although the National Fire Academy will have a strong impact on fire fighter training, it is not a fire fighter training facility, and programs for the benefit of working fire fighters should also be made available.

We, therefore, recommend the continuation and implementation of Phase II of the Open University program, which allows working fire fighters, both volunteer and professional, to achieve a degree in fire science and fire administration through correspondence courses and is affiliated with major accredited universities.

It is my understanding that there are 17 universities which have accepted the program and will be offering degrees in these areas.

In the area of public education, the IAFF notes an appalling lack of knowledge and awareness of the seriousness of the national fire problem. We suggest that funds be made available so that an indepth education program can be initiated in all public and private school systems to alleviate this serious problem.

If I may, in addition to this, just make note that recently I am sure you have been aware of the unfortunate tragedies which have just happened in this city alone, which seems to be bringing before the public and certainly the Congress, the serious problem which fire is causing of recent times mainly with the homes for the elderly and those mental patients which have recently been released.

It seems unfortunate that it takes these kinds of tragedies to finally bring a focus to the problem of fire which has really been with us for a long, long time.

Research is one of the most important programmatic areas in the U.S. Fire Administration. The death and disability rates for fire fighters continue to be the highest among all professions, yet little has been done to advance research into the occupational safety and health areas of our profession.

A Fire Fighter Safety & Health Technology Section has recently been established within the USFA, but the Fire Administration's 1980 request fails to specify any funding for that section. In addition, I would like to say that this is an area our organization has been striving to see created for some time.

We are pleased that structurally it is being created. Unfortunately, it seems as though it is being created without any funding which we hope is not an indication that it will be within the organization structure but really have no impact as far as programs begun or continued.

We would hope that the funding will be provided, so that a study of the occupational safety and health areas of fire fighting can finally be initiated.

In order to improve our country's fire protection delivery system, many other research questions will have to be answered.

The U.S. Fire Administration efforts must include:

An investigation into what the safe and appropriate manning levels for engine and truck companies are;

The development of a death, injury and illness analytical system;

The research and development of more effective protective clothing and equipment for fire fighters, and the continuation and expansion of Project FIRES;

An investigation of the effects of toxic substances and fumes on fire fighters;

And the development of a standard medical protocol for emergency care and treatment of fire fighters injured in the line of duty.

In addition to that, being a fire fighter for ten years myself prior to coming onboard with the IAFF in my capacity, I can say that of all the safety, health and rescue programs and policies which are in place and in operation for the general public during times of

fire, there has not been anything done about how to treat and take care of fire fighters injured while performing their duties.

Many times we become the worst victims and have the least amount of treatment provided because there are no programs for that.

Losses of life and property to fire in the United States continue to be unacceptably high. U.S. Fire Administration efforts in the fight against fire must not only be continued, but they will also have to be expanded and refined if they are to meet with success. Half-hearted efforts can only create the illusion of safety. Only a total commitment to fire prevention programs can transform this illusion into a reality.

We, therefore, ask that the Subcommittee support the program recommendations we have made by appropriating sufficient funds for their implementation.

As you may have noticed, we have not tried to recommend actual numbers or dollars. We are quite aware and sensitive that there is a strong interest and concern in the Administration and in the Congress that the Federal budget must be reduced and the deficit must be reduced.

So rather than try to arbitrarily pick those numbers which we feel would be appropriate, we hope to impress upon the Committee the need for the areas that should be continued or implemented and hope that in the Committee's wisdom they will assure appropriations which will allow those kinds of programs to exist.

We would like to thank you for the opportunity to present our thoughts and if there are any questions we will attempt to answer them.

Mrs. BOGGS. We are very grateful to you for being with us.

I would like to ask you one or two things.

You referred to the District of Columbia difficulties in the recent weeks and the disastrous fires that have been especially difficult on the elderly and on the mentally handicapped persons who have been de-institutionalized and are living a halfway house situation.

I was wondering, do the personnel within those types of organizations get fire training, evacuation training, or anything of that sort?

Mr. SCHAITBERGER. I would be reluctant to try to cast an opinion on the types of programs that the halfway homes or the placement homes, whatever the proper term is, provide for their tenants. I do have an opinion on some of the problems which exist that add to the dangers which ultimately result in the types of tragedies that have recently happened.

First of all, many times you will find that the fire department lacks the authority to enforce many of the code violations which take place, not only in those types of establishments but in any establishment, commercial or residential. They have the responsibility to inspect and they usually have the responsibility to promulgate regulations but they really do not have the teeth in enforcing violations of those regulations.

So you find that most of your tragic fires end up resulting in human error because of the reluctance to abide by the types of fire regulations that exist. The other problem is the lack of adequate fire detection devices. This is one area where I think the United

States Fire Administration could provide some Federal and national leadership.

There really has been little done to adopt what is the best and most proper fire detection device. There are many types—smoke, ionic, or heat rise detectors. There are many varieties on the market and they are quite popular but no one has really determined what is the most efficient for what type of use.

In fire fighting, the lack of early detection or proper detection is usually our biggest enemy and is usually the biggest threat toward property and the loss of life.

Mrs. BOGGS. For instance, the evacuation plans and training of the personnel and also of the patients in the Silver Spring fire in the home for the elderly was very well done. It showed in the easy evacuation of that facility.

Is this a type of program that the Fire Academy will be developing for use?

Mr. SCHAITBERGER. This will be the type of program where the public education section would be involved, yes. There seems to have been, if I may say so, a lack of real national understanding and attention toward the fire problem in general. The problems of crime are certainly no less than they ever have been but there isn't the lack of public attention here, whether it is through the television or school systems.

There has always been that national focus on police and crime. That has been lacking in the fire communities or in the fire profession. Unless we can, through public education, promote these types of training programs starting in the elementary school level, then we are going to continue to experience these unnecessarily high rates.

Mrs. BOGGS. It is unfortunate that we have to have a special case made for arson-related crimes in order to get some attention.

Mr. Coughlin?

Mr. COUGHLIN. Thank you.

I have no questions.

Mrs. BOGGS. Mr. Sabo?

Mr. SABO. I have no questions.

Mrs. BOGGS. If you do not get the $611,000 that has been cut from the program, will this have a very severe adverse impact on the coordinated programs that you are trying to institute and implement?

Mr. SCHAITBERGER. Had the National Fire Academy begun its classes in early October, as it originally had planned, I would probably answer yes, it would have some serious impact. To be quite honest with the Committee, I think that by trying to start on a January 1 date, and this involves a few positions, that even though it would certainly be very helpful and useful, I don't think that it would have a disasterous impact on the functions of the Academy.

Mrs. BOGGS. I am advised that there may be a supplemental in the amount of $7 million for the Academy.

Mr. SCHAITBERGER. Yes, Madame Chairman.

Mrs. BOGGS. I am sure that at St. Joseph's College, the home of Mother Elizabeth Seton, our first American recognized Saint, that you have very good protection.

I thank you very much for your testimony.

Mr. SCHAITBERGER. Thank you.

HUD BUDGET

WITNESS:

SISTER KATE McDONNELL, EXECUTIVE DIRECTOR, NATIONAL FEDERATION OF HOUSING COUNSELLORS

Mrs. BOGGS. We now have the National Federation of Housing Counsellors.

Sister Kate McDonnell, I am so glad to see you.

Sister MCDONNELL. I am Sister Kate McDonnell, with the National Federation of Housing Counsellors and also the Executive Director of Housing Counselling Services in Washington, D.C.

I want to thank you, Mrs. Boggs, and the Committee, for your interest in housing counselling in the past and for this opportunity to share with you our experience and also to make some substantive recommendations.

I take it that possibly you have read the short presentation. In the interest of brevity I will highlight it.

Mrs. BOGGS. Sister, if you would like, we can put your entire statement in the record at this point and you may proceed to highlight as you wish.

Sister MCDONNELL. Is that all right with you?

Mrs. BOGGS. That is fine.

[The statement follows:]

Statement of Sister Kate McDonnell

The Federation would like to again thank this Committee for its interest in Housing Counseling, and for this opportunity to offer you our experiences and recommendations.

It was in your hearings on March 9, 1976 that the housing counseling program received its first real support from the federal government: although counseling had been listed as a HUD program since the Housing Act of 1968, only some demonstration projects and an emergency rescue operation for mortgage defaults in certain impacted cities had been funded by HUD. At that time, there existed a network of HUD-approved counseling agencies which were barely surviving, and many of them were unable to hire professionally competent counselors. This Committee listened to testimony presented by the National Federation of Housing Counselors and decided to recommend funding for counseling, even though HUD had submitted no budget request.

On that occasion, the Federation pointed out that, without some stability to their funding and without the development of a professional training program, the housing counselors across the nation could not be expected to prepare new homeowners or save defaulted mortgagors or help them obtain recourse after they purchase a bad house or help a low-income family relate to its subsidized apartment, or assist both homebuyers and renters with money management advice. We stated that counseling agencies should meet certain standards (which had not yet been set) for the comprehensive services they provide, as well as for the competence of their staffs, before they participate in a federal funded program. The Federation clearly called for funding for agencies, but with the development and application of a training program as an essential component.

During the intervening three year period much progress has been made along these lines, but much more should have been achieved.

In September 1977 HUD issued operating support grants to about 200 counseling agencies, and at the same time issued grants for the design and implementation of a national training program for housing counselors.

The operating grants were extremely beneficial to most of the recipient agencies: during the Summer of 1978, the Federation conducted a survey of those agencies, with the following major findings:

-- budgets have increased an average of 80%
-- full-time staff have increased 170%, while reliance on part-time staff has decreased 6%
-- pre-purchase counseling workload has increased 46%
-- post-purchase workload has increased 76%
-- rental counseling has increased 58%

Even though the HUD grants were relatively small, the support added appreciably to the stability and output of the recipient agencies, especially in areas other than the default counseling of mortgagors.

With the increased appropriation approved by Congress for fiscal 1979, and with a successful beginning to the training program conducted by the Federation with HUD funding, it looked as if the national housing counseling program was finally on its feet and ready to support the HUD housing programs and participate in the local CD efforts to prevent housing deterioration.

But problems have developed: renewal of the operating grants was delayed until just this month, with a completely different funding formula which caused severe dislocation among the agencies. Many of the agencies which had continued operations with the understanding that grant levels would be maintained (since Congress had increased the appropriation by 180% over the previous year) went into debt in order to keep their trained staff, but when the operating grants for 1979 were finally announced, about half of the previous recipients received funding cuts: even though HUD's new grant formula increased the number of agencies receiving grants, much of the gain in agency stability and staff competence was lost where recipients were unexpectedly cut back in funding.

The Federation's HUD-funded training program produced reasonably good results, despite a slow start caused by requirements of the grant document. A body of knowledge on housing counseling was pulled together, a standardized curriculum for training counselors was developed and tested, a corps of experienced counselors was selected to act as trainers, a training manual was compiled and then revised as a result of field experiences, the real training needs of counselors were identified, coordination was established between the Federation's staff and trainers and the HUD field staff, and three hundred counselors were trained at 11 sites around the country.

Unfortunately, since the final report was submitted to HUD in December 1978, no response has come from the Department on the Federation's proposal for continuation of the training program. Our proposal pointed out that the first year's work had not achieved the completion of the goal set by this Committee in the 1977 Appropriations Act.

Much of the confusion which has caused these setbacks and delays in fiscal 1979 seems to be related to a dispute between HUD and the Office of Management and Budget as to the intent of Congress with regard to counseling: OMB felt that Congress was supporting only default counseling for homeowners, whereas HUD's counseling program calls for comprehensive advice and guidance to homeowners, homebuyers, and renters in connection with governmental housing programs.

The Federation fully supports comprehensive housing counseling, and regrets the confusion that has led to the funding cutbacks and to delay in continuation of the training program. A retreat to D & D counseling only would severely curtail the ability of counseling agencies to support the variety of HUD-FHA programs, and would render them less valuable to local communities in support of the "bricks and mortar" programs supported by Community Development Block Grants.

Given these considerations, the following recommendations are offered to the Committee;

- That housing counseling be more closely integrated into the federal mortgage insurance and subsidy programs.

  We believe that counseling is a beneficial support to these programs and to the people who use them, and suggest that anything which might reduce failure rates should be given an adequate chance.

- That counseling services be available to governmental and private housing to the extent that any failures in housing have a negative effect on the surrounding neighborhood area.

  We believe that the housing crisis, now accelerated by inflation and predicted shortfalls in new construction, can be alleviated for the neighborhoods only to the extent that the consumers of housing are better prepared to make the best use of their available housing and their available housing dollars.

- That housing counseling should be specifically listed among the projects eligible for CDBG funding by local communities.

  Our experience has been that many localities overlook the need for this crucial housing support service or relegate it to the "software" category, because it is not specifically mentioned in the Act as a program, but merely included among allowable administrative expenses in the regulations.

- That the Congress continue to encourage the professionalization of the housing counseling agencies who are recipients of HUD grants or CDBG funds.

  In the report attached to the 1977 Appropriations Act, the Congress called for the institution of a training program for HUD-

approved counseling agencies, and suggested that the Department work directly with The National Federation of Housing Counselors in its design and implementation: the first step was taken last year with good results considering the difficulties, but the training program has not yet been completely developed and HUD may not continue its support for further development.

- That the Congress clarify its support for comprehensive housing counseling.

  Experienced housing counselors would prefer to work with clients and their problems in a preventative mode, before a $30,000 mortgage or a million dollar project is devastated by those problems: the Federation believes in the elimination of small problems before they contribute to personal and neighborhood and housing program disasters.

- That the Congress consider a funding level of $12,000,000 for the fiscal year 1980, to support a HUD program which features operating support and professional training to comprehensive counseling agencies.

  NFHC continues its commitment to second-dollar funding of agencies who receive local support, including CD grants, and wishes to repeat its dedication to the increased professionalization of housing counselors.

It is the conviction of the Federation, based on the field experience of our members and upon research conducted by HUD, that a compentent housing counseling agency, staffed with trained professionals, is the most effective and least costly means of protecting the federal and local investment in America's housing, and will prove to be a valuable tool in the support of housing preservation and the prevention of neighborhood blight, major goals of the Community Development Act.

On behalf of the members of the Federation, please accept our thanks to the Committee for its attention to this statement.

Charles G. Stocker
President

Sr. Kate McDonnell
Legislative Chairperson

Sister McDONNELL. In 1968, the Housing Act included counselling as a component, but no funding was forthcoming. The operation was sporadic until 1972 when a few agencies on a trial basis were funded. That trial was heavily researched by two or three groups and declared to be effective.

As a result of our testimony in 1976 before this Committee, we had the good fortune of receiving funding for counselling. At that time we pointed out that some stability of funding and development of professional training programs were needed in order for housing counsellors to deal with the problems across the country of pre-purchase counselling, default, delinquency, of families who had received sub-standard housing and needed help, and of low income families in the multifamily units which at that time were beginning to wobble—the 235 and 221 (d)s.

In order to assist home buyers and renters, we believed that both a substantial funding and a good background of training was needed for these counsellors in order that the money be well spent both by the agencies and by the government which was producing the subsidies for the housing. So in the three years that have past since then we feel that substantive progress has been made and we know that there is still more progress to come.

In 1977, 200 agencies were funded. These 200 agencies also had the advantage of a training program which came out of the Congress and was funded by HUD for housing counsellors. As a result of the funding, the increase in the workload of the agencies was about 60 percent across the board. The increase in their budgets was 80 percent, but that 80 percent was not completely and entirely HUD money.

It was HUD and other monies. The staff increased about 170 percent. That was obviously needed because in order to carry out the work that HUD had requested, we needed the professional people. In the light of the fact that this funding was relatively small and was more or less geared toward default counselling, the agencies continued with comprehensive housing counselling, handling all the cases.

In 1979, with increased appropriations offered by Congress for this fiscal year, the agencies beefed up their staffs, went out and sought the problem families they believed might want to participate in the expanded programs. At that point the problem began to develop.

The problems consisted of the delay of the renewal of the operating grants. They were delayed for three long months during which time some agencies borrowed money to continue at the level at which they had been operating. More than 50 percent of the agencies that we polled last week lost an average of one qualified housing counselling staff member.

The dislocation that followed this action was really sad. Once you have had an experience like this it is very hard to recoup your forces and continue at the level at which you had been operating. The agencies that we polled received an average cut in their budget of 63 percent from the HUD grant.

Already we are six months into the fiscal year. The agencies we polled showed that they had produced 152 percent of the work that HUD had asked them to do and paid them for. So that they are

going well over what is required. In terms of that 152 percent, that means that the work was out there and needed to be done and they were doing it.

Half of those agencies that were cut had produced 200 percent of the work that HUD required. So the work is out there and the agencies are in place and things are very difficult at that moment. About half of the previous recipients of the funding for fiscal 1978 and 1977 received substantial cuts in their budget right in the middle of fiscal year 1979.

Now, I'll talk about the training program that we developed. We developed a training program by gathering together experienced counsellors, by coming up with a fund of knowledge that was needed, standardizing a curriculum, and picking experienced counsellors to act as trainers.

We developed a manual which we have, as a result of one session of training, revised in view of the need of counselling agencies and the needs of the clients. That program has really identified the basis for further training. Unfortunately, we have not heard from HUD to date whether they are going to refinance this program.

I say unfortunately because we have in place right now the whole operation. We are ready to go tomorrow. The longer that HUD waits to respond to this the less we will be in place because the funds have given out on the last program.

Some of these setbacks and delays were caused by the dispute between HUD and the Office of Management and Budget which took place last fall. The basis of that dispute was the definition of what Congress required and wanted in comprehensive housing counselling and what the OMB believed that HUD defined and wished.

It took a long time for those two to come together and arrive at some type of compromise. The counselling program that we believe Congress wants calls for comprehensive advice and comprehensive guidance to homeowners, home buyers, and renters in connection with their government housing.

The Federation is supporting this kind of counselling as a result of many years of counselling. My agency has been in existence for ten years. We certainly regret and we believe you do, too, the confusion that ensued and the delay of training that has been caused.

We believe, too, that a retreat to default and delinquent counselling is really a step backward and will severely curtail the ability of the agencies operating to support the variety of HUD programs.

Under HUD programs, we include the city programs and the CD housing programs. In this city alone in the last three months they have developed two or three very creative programs under the CD Block Grant program. Those programs also require counselling.

We have considerations that we would like to ask you to think about and to make recommendations when you are doing your mark-up and looking at the 1980 budget.

The first one is that counselling be closely integrated with the Federal and city and county housing programs. The importance of that is that it will be a support. It has proved to be a support in the past to all people who are going to be in programs that are funded by taxes—the Federal tax programs, and the local tax programs.

Our second recommendation is that all government and private housing in one way or another be able to receive this kind of support. We say that because we believe that the present housing crisis requires many different solutions in order to keep people in that most basic need, a roof over their heads.

As an aside to that consideration, one of the solutions that we see becoming very important in the city is the cooperative housing thrust. Cooperative housing is really proving a solution to low and moderate income families, but it takes education and supportive help. Many counselling agencies are developing along those lines and are going to be able to give that service.

I know this Committee has looked at the Co-op Bank bill. I see that Co-op Bank as the source of mortgages for these co-ops.

Another recommendation is that counselling should be specifically listed among the projects that are eligible for CD Block Grant funding. It is, in a veiled way, expressed in the CD Block Grant but it needs to be clarified and laid out as a specific need in the cities.

The next is that Congress continue to encourage and support the professionalization of housing counselling. You can do a lot of harm if you don't know what you are doing. We don't need to spend money on doing harm. The training program that HUD suggested, and that Congress suggested that HUD carry out under the auspices of the National Federation, has gone through its first phase.

We have had good results with great difficulties. But we believe now that a year has gone by and we have had that experience, that we are going to be able to carry out that program effectively.

The next consideration, and this is a very important one, is that Congress clarify its support for comprehensive counselling. I think that was the basis of the disagreement between OMB, HUD, and Congress over what Congress really meant. The wording within the appropriations language is extremely important.

Millions of dollars have been placed in jeopardy, really Federal monies which have contributed to great personal, neighborhood, and housing programs.

Our final consideration is that in fiscal year 1980 HUD consider a funding level of $12 million. This year it is $9.4 million to support a program which features operating support and professional training. NFHC is continuing its commitment to second dollar funding. We are looking at the CD money. We are also looking at the Farmers Home Administration which has just developed a counselling program.

Now, that is not for the city but there are many agencies that have redefined "rural" and allowed much larger populations within the training areas of cities that could be eligible for Farmers Home Administration funds.

It is the conviction of the Federation that a competent housing counselling agency is the most effective and least costly means of protecting the Federal dollars and the local investment and will provide a tool to prevent neighborhood blight.

I thank you.

Mrs. BOGGS. Thank you very much.

Mr. Sabo?

Mr. SABO. No questions.

Mrs. BOGGS. Sister Kate, we are very, very grateful to you.

As a Member of this Committee, I would like to tell you that I am delighted to hear that you are looking at the second dollar considerations because, of course, you have had to use them. I know what disruption the change in your funding has created in all of the programs this fiscal year. You will be glad to know that we are considering a supplemental for the Cooperative Bank for fiscal 1979.

Furthermore, we have it under consideration in fiscal 1980.

I wonder if, by any chance, OMB misunderstood our housing counselling intentions, because we felt so strongly last year about pre-purchase counselling, and default counselling. We actually set aside $1 million that could be used only for pre-purchase, pre-conditioning counselling.

Did that cause a difficulty?

Sister MCDONNELL. No; I think the principal difficulty was to define comprehensive housing counselling. The reports that HUD received from the agencies showed that the agencies were doing pre-rental for HUD subsidized housing. That, of course, was mostly multi-family.

They were doing default and delinquency counselling to renters as well as to homeowners. Also, they were doing the home improvement loan program. The Sections 235 and the 221(d)2 and the 203(b), the pre-ownership programs that came into operation in 1968 were widely used and thousands and thousands of families were housed.

Now, we are seven or eight years along. Those families were getting into trouble with the house. If the house could not be kept up they were not staying in it. A lot of families were walking away from their houses. That was just as detrimental to the program as not paying the mortgage note because of poor financial management. So that was an area that needed attention.

I think that by saying only default and delinquent counselling was being funded meant that they were handling all these other problems which in the long run were keeping the families in the houses and keeping the projects going. Of course, renters were not included in it, OMB said, so it was only owners. I don't have the figures in my head but I imagine the national figures on the number of families in subsidized rental versus the number of families in subsidized ownership, is a very much larger figure.

So what we were looking at was the whole range of ways to keep people in their houses and to keep housing up and to keep the multifamily projects going. That was the range.

Mrs. BOGGS. We do thank you for your efforts at clarification. We hope that we will be successful in our own efforts so that there will not be discrepancy in the opinions about the counselling program. There is no way that you can counsel the public in needed activities without a comprehensive program.

Sister MCDONNELL. I think so. Thank you, Mrs. Boggs.

Mrs. BOGGS. Thank you very much, Sister.

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WITNESS

EDWARD F. SNYDER, FRIENDS COMMITTEE ON NATIONAL LEGISLATION

Mrs. BOGGS. We next have Mr. Edward F. Snyder of the Friends Committee on National Legislation.

Welcome, Mr. Snyder.

Mr. SNYDER. Thank you, Mrs. Boggs.

If it is acceptable to you, I would like to have the statement filed and speak to it.

I have tried to state things as succinctly as I can but there are some parts I think I can leave out.

Mrs. BOGGS. We will be very happy to do that.

[The statement follows:]

TESTIMONY OF EDWARD F. SNYDER IN BEHALF OF THE FRIENDS COMMITTEE ON NATIONAL LEGISLATION BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON HUD/INDEPENDENT AGENCIES REGARDING FISCAL YEAR 1980 APPROPRIATIONS FOR THE SELECTIVE SERVICE SYSTEM, APRIL 25, 1979

We appreciate this opportunity to present our views on funding for the Selective Service System and the related issue of the military draft. While our Committee does not purport to speak for all Friends, opposition to conscription has very broad and deep support in the Religious Society of Friends in the United States. We wish to make three points in this testimony:

I. We are opposed to military draft and the related Selective Service System and oppose appropriations for its functioning.

We oppose draft registration as unnecessry and as a first step toward reactivation of the military draft in the United States.

We oppose conscription because in peacetime it imposes more totalitarian controls over, and denies more civil liberties to, law-abiding citizens than any other institution in our form of government. It gives the military establishment unwarranted influence over our nation's youth. It denies American history and tradition, which favor volunteerism over compulsion.

We oppose conscription because it is an integral part of the war system, whose ultimate intent is the destruction of human life. This is deeply abhorrent to our religious values.

We believe the tremendous human and material resources now devoted to the illusory search for security through arms in our own and other nations should be used instead to build alternative institutions to settle disputes without resort to threats or use of force and to move rapidly toward comprehensive worldwide disarmament.

II. This Subcommittee should not recommend any appropriation for the Selective Service System which would be at such a level that it would permit draft registration. According to information from Acting Director Shuck in a letter to Armed Services Committee Chairman Melvin Price, this figure would be something in excess of $10 million. If draft registration is to be considered, it should be reported to the floor in a specific authorization bill from the Armed Services Committee, where at least seven bills related to this issue are now pending.

FRIENDS COMMITTEE ON NATIONAL LEGISLATION, 245 2 St NE Washington DC 20002 Y-6

It should not be accomplished through the back door via increased appropriations.

We recall that after President Gerald Ford ended draft registration in 1975 he sharply reduced his appropriations request for the Selective Service System from $37.5 million in FY76 to $6.8 million in FY77. An Armed Services Subcommittee disagreed with this presidential action. It recommended that this Appropriations Subcommittee increase the Selective Service System appropriation by $11.2 million to $18 million in order to reactivate draft registration. This Subcommittee and the full Appropriations Committee did recommend this increased Selective Service System appropriation. But considerable opposition developed in the House to the increased funding--opposition led by Rep. Robert Drinan and the late Rep. William Steiger. Indeed, when the matter was on the House floor, a member of this Subcommittee offered a motion, which was adopted, to delete the increased Selective Service funding.

Last year in the Senate an attempt was made by Senator Robert Morgan of North Carolina to add some $10 million to the Selective Service System appropriation bill to mandate draft registration. This amendment was decisively defeated on the Senate floor 16-71. Among those voting against it was Senator John Stennis, who argued against reviving draft registration via an appropriations bill.

III. Before any proposal to require draft registration is adopted or funded, many pertinent questions must be answered. For example:

* *Why should Congress approve funds for draft registration when neither the President, the Secretary of Defense, nor the Acting Director of Selective Service has requested such funds?*

* *Why is draft registration necessary when the Acting Director of Selective Service has informed the Congress that he can meet the new and very stringent mobilization requirements of the Department of Defense without draft registration and with only about $2.5 million more in funds annually?*

* *Can a draft registration program withstand a legal challenge if it does not also include women? If Pentagon planning is based on a massive land war in Europe, shouldn't older men and women also be registered?*

* *Bearing in mind that non-compliance with draft registration laws was a problem in World War I, World War II, the Korean War, and particularly in the Indochina War, what additional costs would be incurred in enforcing a draft registration law by pursuing, trying, convicting, and imprisoning non-registrants for up to five years?*

* At a time when taxpayers are acutely aware of government spending, bureaucracy, and red tape, why is this multi-million dollar program--which will intrude into the daily life of millions of American families--being pursued?

* Do efforts to reactivate the draft suggest a new, more militant direction in United States foreign policy? Why do we need 2.1 million people under arms, with more than 400,000 troops abroad?

* What factors were taken into account in setting the new more stringent Department of Defense mobilization requirements which required the Selective Service System to revise its plans? Is it realistic to base the new requirements on a prolonged, intense conventional war in Europe between the U.S. and the U.S.S.R.?

* Is it true, as some have suggested, that return of the draft is being pushed with the hope of reducing manpower costs, thus releasing more money for weapons?

Mr. SNYDER. I have three points I would like to make quickly.

The first is that our group is opposed to the military draft and the related Selective Service System and we oppose appropriations for its function.

We oppose the suggestions for draft registration which even on the record made by the Administration appear to be a first step foward reactivation of the military draft.

We are opposed to conscription because in peace time it imposes more totalitarian controls and denies more civil liberties to more citizens than any other system. It denies the system of government which favors the volunteer.

We oppose it because it is part of the war system which ultimately results in the destruction of human life. We see the tremendous resources now devoted through the illusory search for arms. If we could turn that around and build institutions to work toward world-wide disarmament we think we could make a breakthrough.

Indeed, the move to revive the draft suggests another spiral in the arms race.

The second point I would like to make is to urge this Subcommittee not to recommend any appropriations for the Selective Service System which would be at such a level that it would permit draft registration. According to the information from Acting Director Shuck, in a letter to Chairman Melvin Price of the Armed Services Committee, this figure would be in excess of $10 million.

If draft registration is to be considered it should be reported to the Floor in a specific authorization bill from the Armed Services Committee where at least seven bills related to this issue are now pending.

It should not be accomplished through the backdoor via increased appropriations. I have cited on page 2 of my testimony an instance in 1975 when this Committee's recomendations, at the urging of the Armed Services Committee, attempted to increase the money for draft registration, but it was moved to delete that money when it came to the Floor.

Last year in the Senate when a Senator attempted to add $10 million to mandate draft registration in the appropriation bill it was resoundingly defeated 16 to 71. Among the people voting against it was Senator Stennis who argued against reviving draft registration via an appropriations bill.

The third point I would like to make is that before any proposal to require draft registration is adopted or funded, many pertinent questions must be answered.

For example:

Why should Congress approve funds for draft registration when neither the President, the Secretary of Defense, nor the Acting Director of Selective Service has requested such funds?

Why is draft registration necessary when the Acting Director of Selective Service has informed the Congress that he can meet the new and very stringent mobilization requirements of the Department of Defense without draft registration and with only about $2.5 million more in funds annually?

Can a draft registration program withstand a legal challenge if it does not also include women? If Pentagon planning is based on a

massive land war in Europe, shouldn't older men and women also be registered?

The fourth problem has to do with noncompliance with draft registration—in pursuing these people and imprisoning these non-registrants for up to five years as the law permits.

At a time when taxpayers are acutely aware of government spending, why is this multi-million dollar program which will intrude into the daily life of million of American families being pursued?

We are wondering whether this is suggesting a new more militant direction for U.S. policy? We think any Committee should ask why we need 2.1 million people under arms with more than 400,000 of them abroad already.

Also, what factors were taken into account in setting the new, more stringent Department of Defense mobilization requirements which require the Selective Service System to revise its plan?

Is it realistic to base the new requirements on a prolonged, intense conventional war in Europe between the U.S. and the U.S.S.R.?

Some people have suggested that a return to the draft is being pursued with the hope of reducing manpower costs and releasing more money for weapons. Is this part of the picture?

We are suggesting all these questions need to be dealt with if the Committee is going to move ahead with a draft registration program. We are suggesting also that you should reject that, any request for an increase in appropriations which would move in that direction.

Thank you very much.

Mrs. BOGGS. Thank you very much, Mr. Snyder, for your very forceful and succinct testimony in regard to the draft.

Mr. Sabo, do you have any questions?

Mr. SABO. No questions.

Mrs. BOGGS. Thank you. We are very grateful to you for your testimony.

SELECTIVE SERVICE SYSTEM

WITNESS

DAVID E. LANDAU, STAFF COUNSEL, AMERICAN CIVIL LIBERTIES UNION

Mrs. BOGGS. Mr. David Landau, Staff Counsel of the American Civil Liberties Union is our next witness.

We welcome you to our Committee.

Mr. LANDAU. Thank you, Mrs. Boggs.

I would like to have my statement included in the record and I will briefly summarize it.

Mrs. BOGGS. Very well.

[The statement follows:]

Statement of David E. Landau

We appreciate this opportunity to appear before the Subcommittee. The American Civil Liberties Union is a nation-wide organization of over 200,000 members dedicated to the preservation and enhancement of the Bill of Rights. Throughout its history, the Union has played an active role in the debate over the Selective Service System. Indeed, the ACLU traces its origin to the National Civil Liberties Bureau which was founded in 1917 to assist conscientious objectors during World War I. Since that time it has consistently opposed the inequities of the Selective Service System in judicial, legislative and other public forums and today continues to oppose peacetime military conscription and an active Selective Service System as a severe infringement on individual liberties.

The issues before the Subcommittee today reach far beyond the 1980 budget authorization for the Selective Service System. An expanded budget for the Selective Service would insure a shift from the Service's current stand-by status to a more active role. We strongly object to an expanded budget authorization for the Selective Service until the Congress and the nation have had an opportunity to evaluate our military personnel requirements and to fully debate the drastic consequences of the various proposals for a more active Selective Service.

The sole function of the Selective Service is to provide inductees into the Armed Forces. It is necessary under a system of compulsory military service. In 1973, the United States ended compulsory military service and the All-Volunteer Force (AVT) was instituted. The Selective Service went into a deep stand-by status and has remained there ever since. An active Selective Service System is only required if we return to compulsory military service. Such a move is now being considered by Congress which is why the Subcommittee is considering substantial increases in the Selective Service budget.

There are currently two reasons being offered for returning to a conscripted military: First, the AVF has failed to provide adequately for the national defense in peacetime and a conscripted force is now necessary. Second, even if the AVF is successful, the United States must be prepared for a rapid mobilization of a conscripted army in times of national emergency and an active Selective Service System in peacetime is essential for this mobilization. Both statements are patently false.

The All-Volunteer Force is more than adequately providing for the nation's defense. First, since the end of the draft, the active forces have remained within 1.5% of congressional authorized levels. Second, and more importantly, DOD reports "the quality of those serving on active duty personnel and the average test scores of new recruits has not declined as popularly believed but has markedly and steadily improved since the end of the draft." Third, retention of enlisted personnel has increased under the AVF and is

well above pre-Vietnam rates. Discipline has shown a steady and in some cases dramatic improvement. Moreover, the AVF has offered better opportunities for women and minorities. While the AVF may have its problems, the DOD report indicates that it has not failed to provide manpower for our defense system. Finally, we already have an enormous number of personnel available to meet an emergency situation, and history demonstrates that additional volunteers are always generated in times of crisis.

In the judgment of DOD, conscription is not necessary. It is our view that the inevitable curtailment of individual rights and liberties which results from the Selective Service System is constitutionally impermissible unless an overwhelming national necessity can clearly be demonstrated.

The constitutionality of the draft in peacetime has never been squarely addressed by the Supreme Court. Thus, whether there can be conscription without a declaration of war is an open question. See Justice Douglas' dissent in Holmes v. United States, 391 U.S. 936 (1968), (petition for certiorari denied). When the Supreme Court has spoken of the constitutionality of a draft, it has always been in the context of declared war. Chief Justice White in a 1918 opinion upholding the World War I draft, enacted after a congressional declaration of war, recognized the "obligation of the citizen to render military service in case of need", Arver v. United States, 245 U.S. 366 (1918).

And, Mr. Justice Sutherland, in the famous Macintosh case of 1931, referred to the draft as a power which could be executed only "in the last extremity", United States v. Macintosh, 283 U.S. 608 (1931). The constitutionality of the World War II draft law was never ruled on by the Supreme Court, but in an analogous case, the Court upheld other World War II emergency statutes as "part of a national policy adopted in time of crisis in the conduct of total global warfare...". There can be no doubt that military conscription is an infringement on rights normally guaranteed by the Constitution. It is nothing less than a form of involuntary servitude. It is a harsh system which in the past has been arbitrarily implemented, denying due process of law to those who are subject to it.

Testifying before the Subcommittee on HUD, Space, Science and Veterans of the House Appropriations Committee in May 1973, the late Marvin Karpatkin, then General Counsel to the ACLU, characterized the Selective Service System in the following way:

> "I would like to concentrate my remarks on what we regard as the most conspicuous and notorious character of any system of military conscription - its near total subjugation of civil liberties. It is difficult to conceive of any activity of government which imposes more total - indeed totalitarian controls on the citizen than a military draft. The right to reside where one wishes; to pursue an education; to select one's own employment, and to negotiate working conditions through collective bargaining; to travel or not as one desires and can afford; to marry and raise a family - all of these are destroyed by a draft. The citizen who is drafted looses much of his valuable right of privacy, and even more of his invaluable rights of free speech and expression. He becomes subjected to a system of military law,

> which strips him of his right to trial by jury before independent judges, and many other fundamental due process guarantees. He may disagree with and even execrate the foreign and military policies of his government, yet he is compelled by law to become an instrument of its implementation. It goes without saying that the draft imposes by definition the ever-present peril of serious injury, physical and mental permanent disability and loss of life. But perhaps the most profound aspect of a system of military conscription - that which makes it different in kind from taxation, licensing, recordkeeping, enforcement of ordinary criminal laws, or any other governmental regulation, is the ubiquitous consciousness of its ultimate raison d'etre. A military draft system exists, in its essence, because a government asserts the power to compel its citizens to learn to kill, and when ordered, to in fact kill other human beings, as a matter of national policy. This is the ultimate power of Leviathan over the individual."

Until recently, this system was a habit of mind for this country, winning a lazy acceptance from adults beyond its reach, but creating havoc and hostility from young men whose lives it disrupted and too often took. Conscription should be the last resort of a nation facing imminent threat. It must rest upon the interests of national security, what James Madison called "the impulse of self-preservation." The ACLU submits that the government has a duty to prove to the public that so drastic a step as conscription is required today. No such showing of national preservation has yet been made.

Assuming that the AVF will continue, some Members of Congress have proposals for upgrading the Selective Service System ranging

from reinstitution of Selective Service registration and classification to a Privacy Act exemption for the Service. Each of these options would still result in substantial deprivations of civil rights and liberties. In the past, the Selective Service classification system has been Draconian in its implementation. Congress and the courts denied registrants due process of law. Young men became criminals for disobeying the verdicts of local draft boards--verdicts which were issued without the right to counsel and without the benefit of a de novo review in a court of law prior to induction. Equally important, the classification system favored the wealthier, more educated groups and discriminated against the poorer segments of society. The injustice of the classification system was one of the reasons for the move to the AVF. The wounds left by the system are just beginning to heal. We oppose a return to such a divisive and inequitable system in peacetime.

Another option, one suggested by the Congressional Budget Office (CBO), is the use of existing computerized lists to form a registration data base. IRS and Social Security data would be matched. The GAO has suggested a Privacy Act exemption for the Selective Service and the use of drivers' license information, voter registration lists, and lists of high school graduates to facilitate the compilation of registration data. This use of computerized personal data for a purpose entirely different from

the purpose for which it was compiled, poses a massive threat to invidivual privacy. It exemplifies precisely the kind of manipulation of personal data that people fear most when they contemplate the vulnerability of their privacy in a computer age. The demonstration of public concern in recent years over the proliferation of the uses of the Social Security Number and its de facto transformation into a universal identifier is an indication of a growing awareness of the ease with which separate data systems can be brought together for comparison and amalgamation.

The concern of the American people about the misuse of personal information led to the enactment of the Privacy Act of 1974. Recently, Congress enacted the Financial Privacy Act and is now considering proposals on medical privacy and improving credit record privacy. The matching of computer data for Social Security purposes would reverse this trend and deal a severe blow to personal privacy.

If this computer data is coupled with a return to registration and the draft card, Congress will have instituted a universal identifier system. All persons, men and women would be required to carry this identifier document. The past abuses of the draft card system have been well documented. However, the advent of advanced computer technology and data matching for the Selective Service would usher in a new era of governmental intrusion into the lives of Americans. Each of the

proposed options for upgrading the Selective Service, therefore, would have an enormous adverse impact on the lives of American citizens.

In the final analysis, none of these proposals for an active Selective Service System can be justified in peacetime. The Congressional Budget Office recently reported that the most costly and inefficient method of providing inductees would be to reconstitute the Selective Service System. (See Congressional Budget Office, The Selective Service System: Mobilization Capabilities and Options For Improvement, November, 1978). CBO reported that advanced data processing techniques make such a structure obsolete. If the Selective Service upgraded its computer capabilities, it could have 85% of all names in any age group within five days after mobilization. Face-to-face Selective Service registration in peacetime would only gain ten days over this method. However, this ten day gain is largely irrelevant since the Army training facilities would not have its expanded training facilities ready. Thus, there are ways of generating names of potential inductees which are less costly and just as efficient as face-to-face registration. The Selective Service itself prefers the advance data processing methods. (See statement of Robert Shuck, Acting Director of Selective Service before the Senate Subcommittee on HUD-Independent Agencies, March 9, 1979).

The question, then is, why is the House Subcommittee on Military Personnel recommending a 20 million dollar increase (30 million dollars total) in the Selective Service budget so that the system may be reactivated? The answer is that their real intent is to dismantle the AVF. Proponents of pending bills have made it clear that they view the return of Selective Service registration and classification as a major step toward phasing out the AVF and returning to conscription. The CBO report of options for the Selective Service only confirms that the present call to revive Selective Service registration and classification is in fact a move to bring back the draft.

The ACLU, accordingly, opposes not only the call for the draft, but the return to Selective Service System. A system of military conscription including registration, by whatever means, can only be justified by a showing that it is required for the preservation of the nation. No such showing can been made until the nation is faced with imminent threat. As Marvin Karpatkin said: "What is too easily forgotten is that the draft, in theory and in practice, is so diametrically opposed to individual liberty that nothing short of the preservation of the nation can justify it. Anyone who contends that the draft, or its system, should be retained for any other reason, has not learned the lessons of our history, and does not comprehend the difference between freedom and totalitarianism."

Thank you.

Mr. LANDAU. I appreciate the opportunity to appear before the Subcommittee.

The American Civil Liberties Union has long been interested in the Selective Service System. In fact, we were founded to represent objectors during World War I.

I endorse the remarks of the previous witness about the increased appropriations for the Selective Service which would permit registration and possibly classification to begin.

I would just like to summarize my statement briefly.

The sole function of the Selective Service System is to induct people into the Armed Forces; it is to provide manpower for the Armed Forces. It is only necessary if we have compulsory military service, which we do not have anymore. That is why the Selective Service is in deep standby status.

In our minds the only reason to move the Selective Service to a more active status would be if people were contemplating dismantling the all-volunteer force and bringing back a conscripted Armed Force. There are two reasons we see for activating the Selective Service.

First, there is a feeling among Members of Congress that the all-volunteer force is not working and not adequately providing for the nation's defense.

Second, a feeling among Members that I see is that if the all-volunteer force is to be successful; the United States must be prepared for rapid mobilization in times of national emergency and that a Selective Service system in peace time is essential for that kind of mobilization.

I think both statements are false. The all-volunteer force is working. The Department of Defense report, "America's Volunteers," released in December, 1978, comes out against conscription. It says that the all-volunteer force is successful and is a much higher quality force than we had during the draft years. They prefer to keep it all-volunteer.

We agree with that assessment. There are some problems. It is not a perfect force. They claim there are some problems in the Reserves and the Army and other Armed Forces. They are addressing those problems through the structure of the all-volunteer force.

I think there is a general agreement that they ought to be given that opportunity before we begin talking about whether the all-volunteer force is failing or not. I would like to note that the ACLU believes that conscription in peace time is unconstitutional because drafting people into the Armed Forces results in a substantial depreciation of civil rights and liberties.

People in the Armed Services do not have the same rights as other citizens and that can only be justified if the nation is faced with a threat of war and we don't see that right now.

The second reason that Members of Congress are suggesting we need an active Selective Service System is the new manpower mobilization requirement of the Defense Department which requires 100,000 inductees within 60 days and the first inductees within 30 days.

The way the bills before the Armed Services Committee are proposing to meet those requirements is by bringing back face to

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face registration and classification, or by other methods of gathering names of potential inductees.

I think if you look at the Congresional Budget Office report, "Selective Service Mobilization Capabilities and Options for Improvement," they report that face-to-face registration is the most inefficient way of meeting the demands of the Defense Department.

There is a range of options suggested in that report which would be less costly and less onerous than requiring all youth of a certain age group to register. We wonder why Members of Congress have chosen to endorse the most costly way of going about it. We see the real reason is that they are thinking of dismantling the all-volunteer force.

Senator Nunn has admitted this is a step forward in phasing out the all-volunteer force and bringing back the conscripted Army. In terms of the practicality of the operation, we do not see any reason to bring back Selective Service registration if there are other options that need to be explored which can adequately prepare us for meeting any kind of a threat to the nation.

In conclusion, we oppose an increased budget appropriation for the Selective Service which would permit it to begin registration; that is not to say that some increase in the Selective Service budget is not necessary to upgrade computer capabilities and to generally make the Selective Service more effective.

We think that may be entirely appropriate. But anything beyond that we oppose.

I will be glad to answer any questions.

Mrs. BOGGS. Thank you very much for your testimony.

We are very grateful to you.

SELECTIVE SERVICE SYSTEM

WITNESS

FRANCIS GREENLIEF, MAJOR GENERAL (RET.), EXECUTIVE VICE PRESIDENT, NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

Mr. SABO. Our next witness is Francis Greenlief, National Guard Association of the United States.

General GREENLIEF. Good afternoon. I am Major General Francis Greenlief.

With your permission I would ask that my statement be filed for the record and I will present a very short summary which is indicated by the underlining on your copy.

It might make it easier to follow.

[The statement follows:]

STATEMENT OF FRANCIS GREENLIEF, MAJOR GENERAL (RET.)

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

ONE MASSACHUSETTS AVENUE, NORTHWEST • WASHINGTON, D.C., 20001 • (202) 789-0031

BIOGRAPHY

MAJOR GENERAL FRANCIS S. GREENLIEF (Ret.)
Executive Vice President
National Guard Association of the United States (1974-)

Major General Francis S. Greenlief joined the staff of the National Guard Association of the United States in September 1974, after retiring as Chief, National Guard Bureau on 1 July 1974. He was appointed the Executive Vice President of the 48,000-member Association in September 1975.

General Greenlief was born in Hastings, Nebraska on 27 July 1921. He completed high school there and enrolled in the University of Nebraska in 1939 to study business administration.

He enlisted in Company G, 134th Infantry, Nebraska National Guard in Hastings on 5 July 1940, and was ordered to active duty with his unit on 23 December 1940 as a corporal. At the time of his entrance to Infantry Officer Candidate School in May 1942, he was Acting First Sergeant of the same Company.

General Greenlief was graduated from Officer Candidate School and was commissioned a second lieutenant, Infantry, on 25 August 1942. He served as Platoon Leader and Commanding Officer, Company L, 134th Infantry in the European Theater of Operations from May 1944 until August 1945, participating in the Normandy, Northern France, Rhineland, and Ardennes Campaigns. He was released from active duty on 5 January 1946.

On 3 November 1947, General Greenlief rejoined the Nebraska National Guard as Commanding Officer, Company G, 134th Infantry. He subsequently served as S-3 of the 134th Infantry Regiment, acting Assistant Adjutant General of Nebraska, G-4 of the 34th Infantry Division and Division Chief of Staff. He was promoted to colonel on 1 July 1957.

As a colonel, he was ordered to active duty from the Nebraska Army National Guard and assigned as Executive Officer, Army Division, National Guard Bureau on 1 January 1960. He was appointed brigadier general and designated Assistant Chief (Army), National Guard Bureau, on 3 November 1962.

General Greenlief was appointed as Deputy Chief, National Guard Bureau, on 14 September 1963 and was promoted to major general on 9 February 1965. On 13 September 1967, he was extended for an additional four-year term. On 20 April 1970, he was appointed Director, Army National Guard in addition to his duties as Deputy Chief, National Guard Bureau.

He was appointed by the President and confirmed by the Senate to be Chief, National Guard Bureau, for a four-year term and was sworn into office on 1 September 1971.

He completed flight training and was designated an Army Aviator on 22 May 1969. He is qualified in fixed and rotary wing aircraft.

AWARDS AND DECORATIONS include Distinguished Service Medal, USA, w/cluster; Distinguished Service medal, USAF; Silver Star, Bronze Star, Purple Heart with three Oak Leaf Clusters, Croix de Guerre with Gold Star, European-African-Middle Eastern Campaign Medal with four Battle Stars, the Combat Infantry Badge and the Army Aviator Badge, Distinguished Service Medal, NGAUS; and many State awards.

--NGAUS--

Mr. Chairman, and members of the subcommittee, I am Major General Francis S. Greenlief, Executive Vice President of the National Guard Association of the United States. I appreciate your providing me this opportunity to appear before you, to discuss the Fiscal Year 1980 Budget Request for the Selective Service System.

A great debate is shaping up in the Congress on the question of revitalizing the Selective Service System. At least six bills have been introduced in the House of Representatives to revitalize the Selective Service System. Hearings have been conducted by the House and Senate Committees on Armed Services on the All-Volunteer Force (AVF).

Many knowledgeable members of Congress hold that the AVF is a failure. The Department of Defense (DoD) holds that the peacetime Army is adequately supported by the AVF, but admits that the AVF has not been a success for the National Guard and Reserves.

In our view, the question of whether or not the peacetime Army is adequately supported by the AVF is not relevant. The real question to be answered is: Will adequate numbers of trained men and women be available to permit the Army to fight and win? The answer to that question is no.

Currently, the Active Army is somewhat understrength -- significantly short of infantry and armor personnel in Europe. The Army National Guard (ARNG) and the United States Army Reserve (USAR) are seriously short of personnel, and the Individual Ready Reserve (IRR) is a disaster area.

The Department of Defense (DoD) has stated a requirement that the Selective Service System deliver the first untrained man for training at M + 30 days, 100,000 untrained men by M + 60 days, and 650,000 untrained men by M + 180 days.

The Director of the Selective Service System has reported to the House Armed Services Committee that the Selective Service System from its deep standby posture cannot meet that stated DoD requirement. Today, the first drafted and trained man could not be available to the Army until about M-Day plus seven months.

If war occurred in Europe, several hundred thousand casualties would occur within the first six months of war.

Those facts cause me to conclude that if war occurs in Europe, ARNG and USAR units will be mobilized and will be almost immediately stripped of trained manpower to provide personnel as combat loss replacements.

Perhaps those Guard and Reserve units scheduled to deploy by M + 30 days will be filled to full strength and deployed, but inescapably, the rest of the force will have to be used as fillers.

The destruction of ARNG and USAR units would demoralize all of those Guardsmen and Reservists who are being told that they are training to fight as units. More importantly, breaking up trained Guard and Reserve units would have the effect of destroying one-half of the deployable force structure of the U.S. Army.

The inability of the existing Selective Service System to fulfill the requirements of current law contributes greatly to our current inability to fight and win an intense war in Europe.

The Military Selective Service Act of 1971 requires that: "...the Selective Service System ... shall ... be maintained as an active standby organization, with (1) a complete registration and classification structure capable of immediate operation in the event of a national emergency, and (2) personnel adequate to reinstitute immediately the full operation of the System, including military reservists who are trained to operate such System and who can be ordered to active duty for such purpose in the event of national emergency." (From Appendix Title 50 U.S.C. 460(h)).

The Selective Service System, having been denied adequate funds and personnel, has been precluded from carrying out the mandate of the existing law.

The Administration, in recommending a $9.8 million budget for Selective Service in Fiscal Year 1980, apparently believes that the requirement of the law can be met in FY 1980. We disagree.

As we understand it, the FY 1980 Budget Request supports the operation of the National Headquarters, and 10 Regional Headquarters. It supports 715 National Guard and Reserve officers who train in an inactive duty status for wartime operation of the Selective Service System.

What the Administration proposes to do with their $9.8 million budget is to develop registration plans for a mass one-day registration of up to three year-of-birth groups within 10 to 15 days of mobilization; to recruit and train local and appeal board members prior to an emergency; to expand its field organization from six to 10 Readiness Regions, with each Region equipped and trained for implementation of the emergency reconstitution and registration plans. In addition, it provides a computer terminal at

Selective Service System Headquarters which can be used to test the system.

In our view, the Administration's FY 1980 program is a developmental program -- not an operational program. We believe that the FY 1980 Budget Request continues to hold the Selective Service System in a position which fails to meet the requirement of existing law.

We believe that at least $13 million is needed to provide a minimally capable, operable Selective Service System.

The add-on which we propose would provide funds to install a computer terminal and the required communications modem which provides for teletype or teleprinter transmission via telephone lines at each of the 10 Selective Service Regional Headquarters. A functioning Selective Service System must have this hardware when a mobilization emergency arises and the FY '80 budget does not provide it.

However, we recommend that the bulk of the add-on which we propose be used to improve and increase Selective Service manpower. The System depends upon the availability of pre-trained National Guard and Reserve officers for immediate active duty when the System is activated. Currently, the System has about 715 Guard and Reserve officers assigned. These officers train for their mobilization mission by attending 48 weekend training assemblies and one 15-day active duty training period each year. It takes about two years of this training to produce a fully trained, capable Selective Service System officer. Normal attrition removes about 100 officers a year from the program. Thus, about one-third of those officers are less than fully qualified at any one time. We do not believe that the current number of National Guard and Reserve officers is adequate to operate this system.

We recommend that the current officer force be expanded by at least one-third, and that the training of this force be accelerated. We recommend that 16 additional training assemblies be authorized for each National Guard and Reserve officer assigned to the Selective Service System.

Cost of the added computer terminals and communications modems will be about $700,000. Adding about 204 more Guard and Reserve officers to the Selective Service System will require about $1,100,000 per year. Increasing the training time available for these officers by 16 training assemblies each year will also add about $1,100,000 to the FY '80 budget.

This nation spends vast sums of money each year to provide very expensive weapons systems because of the threat to our nation's independence and freedom, yet trained manpower remains as a most critical resource in the event of conventional warfare.

Mr. Chairman, the modest $3.2 million add-on to the Selective Service System budget which we seek is a small price to pay to produce a system which would have at least a marginal capability of complying with the Military Selective Service Act of 1971.

Mr. Chairman, again, I appreciate this opportunity to appear before you, and I will be pleased to attempt to answer any questions you may have.

General GREENLIEF. Mr. Chairman and Members of the Committee, I am Major General Francis S. Greenlief, Executive Vice President of the National Guard Association of the United States.

I appreciate your providing me this opportunity to appear before you to discuss the fiscal year 1980 budget request for the Selective Service System.

Currently, the active Army is somewhat understrength, and significantly short of infantry and armor personnel in Europe. The Army National Guard and the United States Army Reserve are seriously short of personnel, and the individual Ready Reserve is a disaster area.

The Department of Defense has stated a requirement that the Selective Service System deliver the first untrained man for training at M-plus 30 days, 100,000 untrained men by M-plus 60 days, and 650,000 untrained men by M-plus 180 days.

The Director of the Selective Service System has reported to the House Armed Services Committee that the Selective Service System in its deep standby posture cannot meet that stated DOD requirement. Today, the first drafted and trained man could not be available to the Army until about M-Day plus seven months.

If war occured in Europe, several hundred thousand casualties would occur within the first six months of war.

Those facts cause me to conclude that if war occurs in Europe, ARNG and USAR units will be mobilized and will be almost immediately stripped of trained manpower to provide personnel as combat loss replacements.

The destruction of ARNG and USAR units would demoralize all of those Guardsmen and Reserves who are being told that they are training to fight as units. More importantly, breaking up trained Guard and Reserve units would have the effect of destroying one-half of the deployable force structure of the U.S. Army.

The inability of the existing Selective Service System to fulfill the requirements of current law contributes greatly to our current inability to fight and win an intense war in Europe.

The Military Selective Service Act of 1971 requires that:

"the Selective Service System shall be maintained as an active standby organization, with (1) a complete registration and classification structure capable of immediate operation in the event of a national emergency, and (2) personnel adequate to reinstitute immediately the full operation of the System, including military reservists who are trained to operate such System and who can be ordered to active duty for such purpose in the event of national emergency."

The Selective Service System, having been denied adequate funds and personnel, has been precluded from carrying out the mandate of the existing law.

In our view, the Administration's fiscal year 1980 program is a developmental program—not an operational program. We believe that the fiscal year 1980 budget request continues to hold the Selective Service System in a position which fails to meet the requirement of existing law.

We believe that at least $13 million is need to provide a minimally capable, operable Selective Service System.

The add-on which we propose would provide funds to install a computer terminal and the required communications. However, we

recommend that the bulk of the add-on which we propose be used to improve and increase Selective Service manpower.

We recommend that the current officer force be expanded by at least one-third. We recommend that 16 additional training assemblies be authorized for each National Guard and Reserve officer assigned to the Selective Service System.

Mr. Chairman, the modest $3.2 million add-on to the Selective Service System budget which we seek is a small price to pay to produce a system which would have at least a marginal capability of complying with the Military Selective Service Act of 1971.

Mr. Chairman, again, I appreciate this opportunity to appear before you, and I will be pleased to answer any questions you may have.

Mr. SABO. Thank you. We appreciate your statement.

General GREENLIEF. Thank you, sir.

INSTRUMENTATION RESOURCES IN THE UNITED STATES

WITNESS

DR. OLEG JARDETZKY, DIRECTOR, STANFORD MAGNETIC RESONANCE LABORATORY, STANFORD UNIVERSITY

Mr. SABO. Oleg Jardetzky is our next witness.

Dr. JARDETZKY. Thank you very much, Mr. Chairman. I would like to express my appreciation for the opportunity to appear here. On February 26, 1979, I presented testimony before the House Committee on Science and Technology, and, in the interest of brevity, I will not repeat this testimony here. I would like to request my statement be read into the record, and I will address myself to the main points.

Mr. SABO. Fine.

[The complete statement follows:]

Statement of Dr. Oleg Jardetzky
Professor and Director, Stanford Magnetic Resonance Laboratory
Stanford University, Stanford, California
before the
Subcommittee on HUD / Independent Agencies
U.S. House of Representatives

Mr. Chairman and Members of the Subcommittee:

On February 26, 1979 I have presented testimony before the House Committee on Science and Technology, calling its attention to the reports of various committees, including that of the ad hoc Committee on Instrumentation Funding for which I served as chairman. All of these reports clearly point out the dangers of continued inadequate support of instrumentation resources in this country. We are encouraged to note that as a result of the hearings before this Committee no major reductions have been proposed to the instrumentation budget of the National Science Foundation submitted by the President for FY 1980.

One dangerous exception to this observation, however, exists. It involves the proposed cutback of the allocation to the entire Division of Biological, Behavioral and Social Science, which is bound to adversely affect the budget of its newly established Program of Biological Instrumentation.

Instrumentation plays a vital role in modern biological as well as medical research. It is clear from recent congressional recommendations that its role in science in general is well recognized. It must be recognized in the area of biology as well. Programs such as Biological Instrumentation, which provide instrumentation facilities on a shared basis are absolutely critical as long as we cannot afford to provide costly instrumentation to every individual scientist. The proposed budget for this program, $500,000 for FY 1980, was deplorably small to begin with. If it is further reduced as a result of the proposed general cut, the viability of the program becomes questionable. I would therefore like to call to the attention of the Committee the urgent need to mandate a specific increase in the funding of Biological Instrumentation.

Dr. JARDETZKY. The main points are as follows: One, the continued development and access to the sophisticated scientific instrumentation is absolutely crucial if this country is to remain in the forefront of scientific and technological development.

The second point is this is an area which has been severely neglected in the past decade. Funds have been difficult to get for the development of instrumentation, and access to scientific instrumentation has not been meeting the demands.

The third point is the result of this neglect is that we as a country, are in danger of being outstripped in scientific and technological developments.

The fourth point is the National Science Foundation has generally responded to the counsel of the scientific community on this point and has included provisions in its budget to meet the need.

The fifth point is these provisions should be preserved without reduction.

The sixth point is there is one exception which needs to be attended to, and that is the funding for biological instrumentation in the Division of Biological Behavior and Social Sciences. The funding of that program is grossly inadequate, and if the proposed reduction in the division's budget is enacted, that program is in danger of extinction.

Instrumentation is just as crucial to biological and medical science today as it is to physical and chemical sciences and engineering. It is very difficult to really discover new biological facts without access to rather expensive and sophisticated instrumentation. Therefore, the existence of such a division is important. And the adequate funding of this division is important.

If the reduction in the budget of the entire Division of Biological Behavior and Social Sciences is to be enacted, a specific exception should be made for the budget of the biological instrumentation program, and the budget of that program should be increased.

Mr. SABO. I take it you favor the budget as presented by the President and are unhappy with the action of the House?

Dr. JARDETZKY. No; so far, it has been doing reasonably well.

Mr. SABO. Except for the amendment adopted on the House floor?

Dr. JARDETZKY. That is right.

Mr. SABO. Is most of this equipment going to institutions of higher learning?

Dr. JARDETZKY. It is mostly going to institutions of higher learning. Our original recommendation was to strengthen programs which establish regional facilities and national facilities for expensive instrumentation because it is impossible to provide every competent and productive investigator in this country with items which cost $200–$500,000, or more. Therefore, these have to be set up as regional facilities. The staff has been doing well in starting last year and proposing to continue this year precisely in that vein.

Mr. SABO. Thank you. We appreciate your concise statement.

HUD Indian Housing Program

WITNESS

EDWARD SYMES, III, VICE PRESIDENT, QUADEL CONSULTING CORP., BETHESDA, MD.

Mr. Sabo. Mr. Edward Symes, welcome to the Subcommittee.

Mr. Symes. Thank you. Mr. Chairman, ladies and gentlemen, thank you for granting me the opportunity to testify before you today.

My name is Edward Symes, and I am Vice President of Quadel Consulting Corporation, a firm located in Bethesda, Maryland. The majority of Quadel's work is in the field of housing and community development. During the past two-and-one-half years we have provided consulting assistance to over 45 Indian Housing Authorities. I personally have provided on-site management assistance and training to 15 Authorities and have supervised work performed at many others. This experience has given me a sharp awareness of the housing needs of Indian people and what I hope is a fairly objective understanding of the HUD Indian housing program.

I am greatly concerned that the HUD fiscal year 1980 budget request calls for a substantial reduction in funding for the Indian housing program. The fiscal year 1979 HUD budget provides annual contract authority for $28.3 million, or enough funding to support 6,000 new units of housing. The fiscal year 1980 budget request includes annual contract authority for only $20 million, or enough funding to support 4,000 new units. By any standard, this is a huge budget cut—one which does not seem to be justified by any consideration of the housing needs of Indian people. Even more difficult to understand is the fact that this relatively small program has been singled out for a budget cut which far exceeds that faced on any other HUD housing production program.

For the past 10 years, the Federal Bureau of Indian Affairs has completed an annual survey of housing conditions on Indian reservations in the U.S. This has become a sophisticated undertaking with quite accurate results.

For fiscal year 1978, the results of the survey were as follows: Total Indian families were approximately 154,000; total existing housing units were approximately 126,000. Units needing replacement were approximately 32,000, and total new units needed were approximately 60,173.

The living conditions reflected in these statistics are appalling; 18.1 percent of Indian families do not have any housing at all and live with relatives and friends. Doubling up in inadequate quarters is a way of life on Indian reservations—a fact which puts a terrible strain on family life, health, and housing. The 20.1 percent of Indian families who live in housing that needs to be replaced are experiencing some of the worst rural housing conditions in this country. These dilapidated units need more than indoor plumbing and central heating facilities; this is housing which is inadequate from the start and is now so worn out and overcrowed that it is literally shelter only.

Looking at the above figures from another perspective, we find that only 41.7 of all Indian families live in standard housing.

Anyone should agree that the situation is deplorable and should be corrected at a rate faster than 4,000 units of new housing per year will allow.

We should note that in 1968 the BIA survey identified a need for a total of 48,866 new units. Thus, despite the fact that HUD has built over 30,000 units in the last decade, the need for housing appears to have increased. This situation reminds us of the Queen's comments in Lewis Carroll's *Alice Through A Looking Glass:*

"A slow sort of country," said the Queen, "Now, here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else you must run at least twice as fast as that."

Regarding housing on the Indian reservations, we are not even keeping in the same place at our present running speed.

This is not surprising. Any housing stock deteriorates over time, and units which were substandard but repairable years ago may need replacement today. More significant as a factor creating this need for housing is the increase in the population living on Indian reservations. Natural increase is an important element here, as is the current trend toward migration back to the reservations.

The Federal Government is investing substantial amounts of funding in activities which are making reservations more attractive places to live. Economic development, health, welfare, education, and public works projects abound on most reservations, and even the smallest tribe may receive dozens of Federal agency grants during the course of a year. The housing program also makes an important contribution to the reservation economy, and offers symbolic testimony to the fact that things are improving on the reservation.

The result of this activity is that reservations are becoming more attractive places to live, a fact which encourages more young people not to leave home and invites many Indian people who have left to return. It is incredibly inconsistent that while other Federal agencies are pursuing policies guaranteed to increase the need for housing on reservations, the one agency responsible for providing new housing resources to the Indian population is proposing a massive program cut.

Largely because of the peculiar legal status of Indian lands, and also because of the low level of economic development on reservations, there is virtually no private investment in housing on Indian reservations. Therefore, the HUD Indian housing program is, in effect, the only vehicle through which Indian people living on reservations may receive decent housing. On the reservation, unlike in the urban areas or other rural areas of this country, there is no private sector to pick up the slack. There are no landlords to provide even housing which is marginally substandard or too costly.

The Indian housing program has a local impact that may not be appreciated by HUD and OMB officials who make up the Federal budget. There is no question but that new Indian housing units directly serve the needs of low income people who have no other housing options. These housing units are utilized to their maximum—perhaps over-utilized in some cases where families are doubling up and overcrowding units. Vacant, unoccupied units are

unheard of, and selecting a family to fill a new or vacated unit often requires the combined skill of a politician and a Solomon with so many families in need.

It may be argued that Indian people are better served by HUD subsidized housing programs than any other population group in this country. This may be true, but it should be remembered that no other population group has a lower level of personal income, worse current housing conditions, or lives on restricted land where there is little or no private economic base.

The Indian housing program is relatively small by HUD and other agency standards, but it has a major impact and is indispensable to Indian people.

To be sure, the Indian housing program does not work as well as it might. And, of course, the Indian housing authorities and their allies are the first to criticize HUD concerning program shortcomings. The relationship between HUD and the Indians reminds me of one of the classic Irish "Pat and Mike" stories, which goes like this: Pat and Mike were IRA types who had been having a rough time with a particular British inspector who was a fixture in the community and always seemed to be making their life difficult. Periodically, they would do something to the inspector to teach him a lesson. One night they planned to jump the inspector and give him a working over. At a few minutes before 11 p.m., they lay waiting for the inspector to pass on his normal evening rounds. Well, 11 p.m. came and went, 11:30 p.m. came and went—and the boys were getting restless. Finally, at 12 midnight, Mike turned to Pat and said, "Damn, I hope nothing's happened to him."

The Indian housing authorities like to give HUD a good working over once in a while, but they are now greatly concerned because something might have happened to their program.

The Indian housing program is administered in each HUD regional and field office with a style and substance which reflects the peculiarities of the local situation. It has taken several years of this working relationship between HUD official housing authorities, architects, contractors, the BIA, the Indian Health Service, and other parties to be smoothed out. To a great extent, capability had to be developed at all levels, and was developed and justified based on the expectation of continued program funding.

If the fiscal year 1980 HUD budget is approved as requested, some of the present delivery system will be destroyed. Authorities will have to eliminate experienced development staff, HUD will reduce its staffing, and some building contractors and architects specializing in Indian housing will need to commit themselves to other work. This is a waste for all concerned.

The Indian housing program does have certain development and management problems. The proposed severe budget cut for the program may be, in part, a punitive measure in reaction to slow production by some authorities and HUD offices and perceptions of poor management almost everywhere. If this is the case, the logic seems little better than that of throwing debtors into debtor's prison.

Some progress is being made toward correcting deficiencies. The recently published proposed revised Indian housing regulations promises to remedy some problem areas in the development proc-

ess. Individual housing authorities and HUD are correcting other points on a case-by-case basis. The Management Initiatives for Indian Housing, (MIFIH) program, which HUD funded for $2.5 million in fiscal year 1975 and 1976, is now being completed and has had some positive effects.

However, much remains to be accomplished in shaping up the management of the program. Perhaps legislative action or further regulation changes are needed.

The authorities, I would like to emphasize, are painfully aware of their development and management problems. They know all too well that they need to reduce their accounts receivable, balance their budgets, and address other issues. They also know that they need technical assistance and consistent policy support from HUD in order to accomplish this.

HUD's intentions in this area are unclear. My discussions with HUD staff at all levels indicate a universal agreement on the need for management improvements. However, no action seems to be in the offing.

In conclusion, I would like to thank you for allowing me the time to make this testimony. The need for housing on Indian reservations is acute; now is not the time to dismantle the housing development vehicle that has taken so long to refine and which does accomplish so much good.

I hope you will see fit to recommend a HUD budget for fiscal year 1980 which contains adequate funding for the Indian housing program. As well, I hope that your budgetary concern for this program will encourage you to work with HUD and the Indian housing authorities to address the still outstanding management and development issues that need action.

Mr. SABO. Thank you.

In the State of Minnesota we adopted a substantial Indian housing program.

Mr. SYMES. You do have a fairly large one.

Mr. SABO. Have any other States done that, that you are aware of?

Mr. SYMES. I know you have some Federal reservations in Minnesota, don't you? I am trying to remember—you have at least five Indian housing authorities, I know.

Mr. SABO. We passed a special State law that provided appropriated funds for Indian housing, both on the reservation and off the reservation, and I am curious if other States are moving in that direction.

Mr. SYMES. Oklahoma has established a State housing authority chartered under State law—Minnesota has and so has Wisconsin.

Mr. SABO. I am curious about the special funded programs for the Indian reservations.

Mr. SYMES. The State of North Carolina is now beginning to do something. Virginia has passed enabling legislation, and the State of Maryland did this year. It seems to be a growing movement, even in States that don't have Federally established reservations to allow these Indian housing authorities to be established, and they provide some State funding for each of the programs.

Mr. SABO. Do you have any good ideas on how to structure a housing program for urban Indians?

If you have some, I wish you would forward them to me, because, frankly, I think that is a need within the overall Federal housing program. It is a unique problem that we don't address at all.

Mr. SYMES. I know it is a problem. In fact, some projects are underway now in Minneapolis.

Mr. SABO. I think they are tied into our State program.

A final question: Do you have any Indians that work for Quadel Consultants?

Mr. SYMES. We don't have any now. We are getting ready to hire some in our Denver office.

Mr. SABO. Thank you. We will insert your complete statement in the record at this point.

[The complete statement follows:]

Statement of Edward Symes

Introduction

Mr. Chairman and distinguished members of the House Appropriations Sub-Committee on HUD and Independent Agencies; Ladies and Gentlemen. Thank you for granting me the opportunity to testify before you today concerning the Fiscal Year 1980 Budget for the Indian Housing Program of the Department of Housing and Urban Development.

My name is Edward Symes, and I am Vice President of Quadel Consulting Corporation, a firm located in Bethesda, Maryland. The majority of Quadel's work is in the field of housing and community development; during the past two and one-half years we have provided consulting assistance to over forty-five (45) Indian Housing Authorities. I personally have provided on-site management assistance and training to fifteen (15) Authorities and have supervised work performed at many others. This experience has given me a sharp awareness of the housing needs of Indian people and what I hope is a fairly objective understanding of the HUD Indian Housing Program.

I am greatly concerned that the HUD Fiscal Year 1980 Budget Request calls for a substantial reduction in funding for the Indian Housing Program. The Fiscal Year 1979 HUD Budget provides annual contract authority for $28.3 million, or enough funding to support 6,000 new units of housing. The Fiscal Year 1980 Budget Request includes annual contract authority for only $20 million, or enough funding to support 4,000 new units. By any standard, this is a huge budget cut--one which does not seem to be justified by any consideration of the housing needs of Indian people. Even more difficult to understand is the fact that this relatively small program has been singled out for a budget cut which far exceeds that faced on any other HUD housing production program.

The Need for Housing

For the past ten years, the Federal Bureau of Indian Affairs has completed an annual survey of housing conditions on Indian Reservations in the United States. This has become a sophisticated undertaking with quite accurate results.

For Fiscal Year 1978, the results of the survey were as follows:

Total Indian Families			154,707
Total Existing Housing Units			126,676
Standard Units		64,500	
Substandard Units		62,176	
Units Needing Replacement	32,141		
Units Needing Renovation	30,035		
Families Without Housing			28,031
TOTAL NEW UNITS NEEDED (Units Needing Replacement + Families Without Housing)			60,173

The living conditions reflected in these statistics are appalling. 18.1 percent of Indian families do not have any housing at all and live with relatives and friends. Doubling up in inadequate quarters is a way of life on Indian Reservations--a fact which puts a terrible strain on family life, health, and the housing itself. The 20.1 percent of Indian families who live in housing that needs to be replaced are experiencing some of the worst rural housing conditions in this country. These delapidated units need more than indoor plumbing and central heating facilities--they are housing which was inadequate from the start and is now so worn out and overcrowded that it is literally "shelter" only.

Looking at the above figures from another perspective, we find that only 41.7 of all Indian families live in standard housing. Anyone should agree that the situation is deplorable and should be corrected at a rate faster than 4,000 units of new housing per year will allow.

We should note that in 1968 the BIA survey identified a need for a total of 48,866 new units. Thus, despite the fact that HUD has built over 30,000 units in the last decade, the need for housing appears to have increased. This situation reminds us of the Queen's comments in Lewis Carroll's Alice Through A Looking Glass: "A slow sort of country!" said the Queen, "Now here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else you must run at least twice as fast as that!" Regarding housing on the Indian Reservations, we are not even keeping in the same place at our present running speed.

This is not surprising. Any housing stock deteriorates over time, and units which were substandard but repairable years ago may need replacement today. More significant as a factor creating this need for housing is the increase in the population living on Indian Reservations. Natural increase is an important element here, as is the current trend toward migration back to the Reservations.

The federal government is investing substantial amounts of funding in activities which are making reservations more attractive places to live. Economic development, health, welfare, education, and public works projects abound on most Reservations, and even the smallest tribe may receive dozens of federal agency grants during the course of a year. The housing program also makes an important contribution to the Reservation economy, and offers symbolic testimony to the fact that things are improving on the Reservation.

The result of this activity is that Reservations are becoming more attractive places to live, a fact which encourages more young people not to leave home and invites many Indian people who have left to return. It is incredibly inconsistent that while other federal agencies are pursuing policies guaranteed to increase the need for housing on Reservations, the one agency responsible for providing new housing resources to the Indian population is proposing a massive program cut!

Importance of the HUD Indian Housing Program

Largely because of the peculiar legal status of Indian lands, and also because of the low level of economic development on Reservations, there is virtually no private investment in housing on Indian Reservations. Therefore, the HUD Indian Housing Program is, in effect, the only vehicle through which Indian people living on Reservations may receive decent housing. On the Reservation, unlike in the urban areas or other rural areas of this country, there is no private sector to pick up the slack. There are no landlords to provide even housing which is marginally substandard or too costly.

The Indian Housing Program has a local impact that may not be appreciated by HUD and OMB officials who make up the federal budget. There is no question but that new Indian housing units directly serve the needs of low income people who have no other housing options. These housing units are utilized to their maximum (perhaps over-utilized in some cases where families are doubling up and overcrowding units). Vacant, unoccupied units are unheard of, and selecting a family to

fill a new or vacated unit often requires the combined skill of a politician and a Solomon with so many families in need.

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The Indian Housing Program is relatively small by HUD and other agency standards, but it has a major impact and is indispensable to Indian people.

Program Issues

To be sure, the Indian Housing Program does not work as well as it might. And, of course, the Indian Housing Authorities and their allies are the first to critize HUD concerning program shortcomings. However, the relationship between HUD and the Indians reminds me of one of the classic Irish "Pat and Mike" stories, which goes like this:

> Pat and Mike were IRA types who had been having a rough time with a particular British Inspector who was a fixture in the community and always seemed to be making their life difficult. Periodically, they would do something to the inspector to teach him a lesson. One night they planned to jump the inspector and give him a working over. At a few minutes before 11:00 p.m., they lay waiting for the inspector to pass on his normal evening rounds. Well, 11:00 p.m. came and went, 11:30 p.m. came and went--and the boys were getting restless. Finally, at 12:00 midnight, Mike turned to Pat and said "Damn, I hope nothing's happened to him!"

The Indian Housing Authorities like to give HUD a good working over once in a while, but they are now greatly concerned because something might have happened to their program.

The Indian Housing Program is administered in each HUD Regional and Field Office with a style and substance which reflects the peculiarities of the local situation. It has taken several years of this working relationship between HUD officials, Housing Authorities, architects, contractors, the BIA, the Indian Health Service, and other parties to be smoothed out. To a great extent, capability had to be

developed at all levels, and was developed and justified based on the expectation of continued program funding.

If the Fiscal Year 1980 HUD Budget is approved as requested, some of the present delivery system will be destroyed. Authorities will have to eliminate experienced development staff, HUD will reduce its staffing, and some building contractors and architects specializing in Indian housing will need to commit themselves to other work. This is a waste for all concerned.

The Indian Housing Program does have certain development and management problems. And, the proposed severe budget cut for the program may be, in part, a punitive measure in reaction to slow production by some Authorities and HUD Offices and perceptions of poor management almost everywhere. If this is the case, the logic seems little better than that of throwing debtors into debtor's prison.

Some progress is being made toward correcting deficiencies. The recently published proposed Revised Indian Housing Regulations promise to remedy some problem areas in the development area. Individual Authorities and HUD are correcting other sticking points on a case-by-case basis. The Management Initiatives for Indian Housing (MIFIH) Program, which HUD funded for $2.5 million in Fiscal Year 1975 and 1976, is now being completed and has had some positive effects.

However, much remains to be accomplished in shaping up the management of the program. Perhaps legislative action or further regulation changes are needed.

The Authorities themselves are painfully aware of their development and management problems. They know all too well that they need to reduce their accounts receivable, balance their budgets, and address other issues. They also know that they need technical assistance and consistent policy support from HUD in order to do this.

HUD's intentions in this area are unclear. My discussions with HUD staff at all levels indicate a universal agreement on the need for management improvements. However, no action seems to be in the offing.

Conclusion

Thank you for allowing me the time to make this testimony. The need for housing on Indian Reservations is acute; now is not the time to dismantle the housing development vehicle that has taken so long to refine and which does accomplish so much good.

I hope you will see fit to vote out a HUD Budget for Fiscal Year 1980 which contains adequate funding for the Indian Housing Program. As well, I hope that your budgetary concern for this program will encourage you to work with HUD and the Indian Housing Authorities to address the still outstanding management and development issues that need action.

WITNESS

CUSHING N. DOLBEARE, PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

Mr. SABO. Cushing Dolbeare, welcome. You are President of the National Low Income Housing Coalition, right?

Ms. DOLBEARE. Yes, sir. I am delighted to be here today and delighted to meet you.

Mr. SABO. Thank you.

Ms. DOLBEARE. I have a fairly lengthy statement, and I thought rather than try to even hit the highlights, I would speak somewhat off the cuff, relating my comments to that statement.

Mr. SABO. We will put the entire statement in the record.

[The statement follows:]

Statement of Cushing Dolbeare

The National Low Income Housing Coalition is a relatively new organization, formed in December 1978 as the successor to the Ad Hoc Low Income Housing Coalition. Our members include individuals, and local, state, and national organizations concerned with the housing needs of low income people, the housing opportunities which are provided for them, and the quality of the neighborhoods and communities in which they live.

We come before you at what is clearly a difficult time for housing. The Administration budget for 1980 is woefully inadequate to meet the housing needs of lower income people. At a time when housing costs are rising more rapidly than ever, and the housing needs of low income people are intensifying, the Administration is proposing to reduce its commitment to housing assistance programs. The Congressional Budget Office estimates that the administration request for 1980 will fund 266,000 additional units of Section 8 and public housing. This is slightly more than half of the number of units provided during the last year of the Ford Administration. It is almost a 20% reduction from the 326,000 units funded for this year. The reduction in HUD's lower income housing programs is $4.3 billion in budget authority -- more than one third of the total reductions made in the budget from current service levels.

It would appear that the moratorium by fiat imposed by the Nixon Administration in 1973 is being replaced by a moratorium by attrition: each year the Carter Administration is proposing funding for fewer units.

Not only does the proposed budget reduce the number of assisted units which will be provided, it also hamstrings the capacity of present programs to serve low income people. Managers of assisted projects will be faced with the choice of cutting back even further on maintenance and services or increasing their rental income. In public housing, this is done by selecting higher income tenants. In other assisted programs, such as 236 and 221(d)(3) projects, present tenants will be asked to pay higher rents -- often beyond their capacity, thus frustrating the public purpose of the programs. This is the real impact of the inadequate funding of the flexible subsidy program enacted last year for HUD-assisted projects, the cut in public housing operating subsidies by 14% from HUD's initial request to OMB, and a cut in modernization funds to 75% of the 1979 level.

This statement will briefly describe the impact of the proposed cuts, compared with low income housing needs. It will then present our recommendations for minimum program levels to deal with these needs. Included is a detailed estimate of the cost of our proposals. We emphasize that we are aware both of the longterm cost of our recommendations and that they will have little impact of the deficit in 1980. There simply is no inexpensive way to meet low income housing needs.

Our housing supply is out of kilter with housing needs, and the 1980 budget means that things will get worse. All of the subsidized housing programs of the last 45 years have produced less than four million units -- about three million through the Department of Housing and Urban Development and less than a million through the Farmers Home Administration. But there are still some ten million households with incomes below the poverty level.

In 1976, the latest year for which figures are available:

- There were 11 million households with incomes below $4000, but only 4.7 million housing units renting for less than $80 or valued below $7,500 -- within their theoretical economic reach. Thus, at the bottom of the income scale, there was a gap of more than 6 million units.

- There were 5.7 million households (8% of all households) living in physically inadequate housing. Most of these were low income people, unable to pay what decent unsubsidized housing costs.

- One million home owners and 3.5 million renters were paying more than 50% of their incomes for shelter -- and these were almost all very low income people, who could least afford it.

In sharp contrast to the cuts in lower income housing programs stand the increased expenditures -- through the tax system -- for middle and upper income people. Because the President's budget request basically deals only with appropriations and not with the tax code, the result is to frustrate totally the Administration's announced intention to reduce the deficit in ways which will not hurt low income people. In housing, he has done just the opposite: while the cuts fall on low income people, the growth in housing-related tax expenditures contributes $2 billion to the deficit.

The total cost to the Treasury of the deductions and credits which taxpayers are expected to claim this year is now estimated at $18 billion. This is $5 billion more than Treasury's estimate for this year contained in the 1979 budget. This increase in tax expenditures is $1 billion more than the total payments for the three million units which will be receiving HUD assistance in 1980.

The 1980 budget calls for a $5.5 billion appropriation for assisted housing payments, and estimates housing-related tax expenditures at $20 billion. (See attached table) Thus, the total cost to the federal government of direct and indirect housing assistance is $25.5 billion.

- Of this total, we estimate that $4.3 billion will go to the roughly one third of all households with incomes below $6,000, while $4.9 billion will go to the 2% of all households with incomes above $50,000.

- Moreover, the total going to low income households has increased by only $2 billion since 1977, while the total going to households with incomes above $50,000 has increased by almost $3 billion.

The rationale for the cuts in the budget is that they are needed to control inflation, and that inflation hurts poor people more than others. However, it is questionable whether the cuts in the housing programs will have any impact whatsoever on inflation; it is certain that they will increase the impact of inflation on low income people because they will have to continue to pay more for housing.

The National Low Income Housing Coalition makes the following specific recommendations for making the 1980 budget more nearly adequate and ending the real decline, since 1976, in our efforts to meet the housing needs of low income people.

The budget should provide for 600,000 units of assisted housing for lower income people, through HUD and the Farmers Home Administration.

The Administration's request calls for a total of 443,000 units: 325,000 through HUD and 118,000 through Farmer's Home. (See table at end of this statement.) This is 88% of the number of units to be provided this year, and only 68% of the 649,982 units placed under reservation in 1976.

Not only is the request inadequate in light of the needs cited above, it is substantially below the national goal for assisted housing set in 1968. Since the 1968 goal was established, the need for assisted housing has grown, as costs have increased far more rapidly than incomes. Moreover, the 1968 goal did not include provision of assistance in existing standard units: it was for new or substantially rehabilitated units only. Only 70% of the units in the 1980 budget proposal are to be new or rehabilitated.

Even provision of a full 600,000 units will leave us far short of meeting the housing needs of lower income people. If we are serious about achieving the national goal of providing a decent home for every American family, we need to address ourselves to increasing the level of low income housing assistance, and set ourselves a new goal which is realistic in the light of present needs and capabilities.

This year marks the first time since enactment of the Housing and Community Development Act of 1974, which lifted the moratorium on subsidized housing, that an administration has failed to request 400,000 units of additional Section 8/public housing. We urge the Congress to rectify this failure, and to set the level of 400,000 units as a floor for this program. This will enable communities to plan ahead and to be realistic in their assessment of the federal assistance they can expect to meet housing needs.

The HUD budget calls for a modest expansion of the 235 program, for which funds are already available, to provide housing for people displaced by revitalization. However, with an increased cost ceiling and an interest rate of 4%, 235 can hardly be considered a lower income housing program. The real need is to provide low income families with an opportunity for home ownership. We support an increased 235 program, at a level of 30,000 units, modeled on the new Farmers Home home ownership assistance program, under which FmHA assistance covers the difference between 25% of household income and the total estimated cost of principal, interest, taxes, insurance, utilities and maintenance. Enabling low income families to purchase existing housing on these terms will prove far less expensive than constructing or rehabilitating Section 8 units, if three or more bedrooms are required, and few rental units of this size are available on the existing market.

Under the allocation provisions of Section 213(d) of the Housing and Community Development Act of 1974, about 35,000 of the HUD units will be designated for nonmetropolitan areas. In addition, we propose a substantial expansion of the rural programs of the Farmer's Home Administration, to a total of 170,000 units of low income housing. Particularly critical here is expansion of the FmHA deep subsidy programs to enable very low income rural people -- those whose needs are most intense -- to benefit from FmHA home ownership and rental programs. Provision of loans at 1% interest rates -- the minimum under the 502 and 515 programs -- is no longer adequate for very low income needs. Likewise, we propose roughly doubling the very low income home repair loan and grant program, and raising the number of units assisted through farm labor housing loans and grants from 1,400 to 4,000. While these are substantial expansions of the FmHA budget, they are modest in comparison to rural housing needs, which too often are overlooked by the framers of housing policy and programs. The self-help housing program should be funded with at least the $30 million provided in 1979. The technical and supervisory assistance appropriation of $2.5 million this year to start the program should be doubled in 1980. Finally, a 25% increase is needed for FmHA salaries and expenses to handle the program levels proposed.

The budget should provide additional operating subsidies for public housing and HUD-assisted housing (236 and 221(d)3), to enable them to provide shelter for very low income people. To preserve the existing stock of public housing, the modernization program should be maintained at the level established last year, and the security demonstration program should be continued.

One major and continuing problem of the low rent public housing program has been the lack of resources for adequate maintenance and operations. In a laudable effort to avoid rewarding poor management, HUD has devised a "performance funding system" for calculating operating subsidies which few understand and none support. The result has been to squeeze the resources of housing authorities to the point where they are unable to provide decent housing to their tenants.

The HUD budget compounds the difficulties faced by large housing authorities by both providing inadequate levels of operating subsidies for 1980 and impounding $43 million which was distributed late in 1978 to enable them to meet urgent needs. The proposed increase from 1979 is only 2%. Unless the amount is increased, housing authorities will be faced with the choice of further curtailing maintenance and services or discriminating against very low income applicants in order to raise rental income.

HUD is reported to have requested $817 million in its initial submission to OMB, including $12 million for an appeals fund to meet needs not handled by the performance funding system. This was slashed by 14%.

Low income people cannot be adequately served by the public housing program unless operating subsidies are provided in amounts sufficient to provide the services and maintenance that are needed in all rental housing. There are three major needs which operating subsidies should meet: (1) covering the gap between tenant rents and other housing authority income and the cost of decent operations; (2) meeting routine and deferred maintenance needs; and (3) enabling the public housing program to continue to draw a substantial portion from very low income applicants. We urge the Congress to press HUD for realistic estimates on the cost of meeting these goals. Our recommendation for a funding level of $1,381 million is based on the HUD estimate of $817 for performance funding plus $163 million for outstanding routine maintenance and $401 million for deferred maintenance. These needs were identified by HUD as of December 1976. Clearly, current estimates should be provided, but the need can hardly have shrunk during the past two years.

Just as public housing requires operating subsidies to serve very low income people, so do the projects assisted under the 236 and 221d3 programs. Initially established as moderate income programs at a time when operating costs were substantially lower than they are today, these programs have become low income programs. In 1977, the national median family income was $16,008. HUD's 1977 Statistical Yearbook reports that more than four-fifths of all Section 236 tenants had incomes below $8,000, or 50% of the national median. One quarter had incomes below $4,000. Over 90% were dependent on assistance or benefits for all or part of their income. Most pay more than 25% of their incomes for rent.

The inadequacy of the low interest subsidy is the major reason for the existence of "troubled projects" as Congress recognized last year when it enacted the flexible subsidy program. This program addresses only part of the problem: it ignores the additional subsidies needed to enable very low income tenants to occupy 236 and 221d3 projects at rents they can afford. In the past a portion of this need has been met by the rent supplement program, but rent supplements have been arbitrarily limited to 20% of the units in a project, unless special exceptions are made.

A recent and still incomplete HUD field survey places the need for flexible subsidies at $134 million, with about $20 million available from other sources. Thus, the 1979 need is for $114 million. In 1980, state-financed projects are also to be eligible for flexible subsidies -- a provision of the law that HUD is now trying to delete. In addition to the flexible subsidies, rent relief for very low income tenants paying unbearably high rents in proportion to their incomes is also needed. This could be provided either through an expanded flexible subsidy program, through use of rent supplements, or in some other way. The important thing is to bring rents for very low income people in HUD-assisted housing down to levels of affordability. We recommend at least $225 million for flexible subsidies and rent relief. We oppose the proposed rescission of $5 million in contract authority (and $200 million in budget authority) for the rent supplement program; these funds are badly needed and should be used now to provide rent relief.

Funds for public housing modernization are also decreased for 1980. Last year, Congress, recognizing that it is preferable to repair and maintain our present stock of assisted housing, rather than to let it deteriorate to the point of unlivability, provided $50 million in contract authority for modernization of public housing. This amount will generate $545.5 million of capital improvements. Moreover, until last year it was difficult to use modernization funds for older projects -- those obviously requiring it most -- because of the short life remaining on their annual contribution contracts. This was changed last year, with a standard 20-year amortization of modernization costs. Ironically, just as HUD is now in a position to meet the needs of older projects, it proposes to reduce the level of the program. We recommend at least the 1979 level, adjusted for inflation: $54 million in contract authority.

The public housing performance funding system does not provide adequately for security, which has become a major problem in many projects. Congress enacted a public housing security demonstration program last year, and provided 1979 funding of $12 million. The program is intended to be used in a wide variety of project types, locations, and tenant populations including both aging and family projects. Not only has HUD failed to request funds for 1980, but there are reports that it will not use the 1979 money, arguing that the LEAA funds which are part of the "urban initiatives" program for troubled public housing projects serve the same purpose. Patently, these funds, which are limited to a small number of large projects, do not. We urge a 1980 appropriation of $12 million to extend and expand the demonstration.

We urge provision of at least 30,000 units of housing for elderly and handicapped people under the 202 program and continuation of the congregate services program in 202 and public housing.

In 1976, there were 1.5 million elderly households living in inadequate housing, and almost 90% of them were income-eligible for Section 8. In the face of this need, our proposal to expand the 202 program from 20,000 to 30,000 units is modest indeed.

Our recommendation is based on the need to expand the 202 and other elderly housing programs. HUD reserved 30,000 units of 202 in 1976. We believe that this is a minimum which should be provided in 1980.

The congregate services program for elderly people marked an important initiative in the Housing and Community Development Act of 1978. It is one that should be fully tested and the $10 million provided for 1979 is a first step. We call for the second step in 1980, with provision of the full $25 million authorized. HUD's preliminary estimates are that the $10 million provided this year will fund about 50 projects. The $25 million authorized for 1980 would therefore fund about 125 projects. In addition to the 202 projects for the elderly, an estimated 45% of all public housing units are occupied by elderly households.

We urge revision and expansion of the 106b nonprofit sponsor assistance program. This program is now limited, by HUD regulation and not by law, to sponsors of 202 projects. We urge that it be opened up to nonprofits using any HUD-assisted programs, and that particular emphasis be placed on providing assistance to minority and community based nonprofits in low income areas. The $8.9 million we propose is HUD's initial request to OMB.

We urge appropriation of $230 million to enable the 312 program to operate at the level established for 1979. With the expansion of 312 to multifamily housing and the linking of 312 assistance with Section 8, community groups in low income neighborhoods are using the program, and find few other resources which enable them to repair and occupy their housing. We urge that 312 funds be targeted to lower income people, so that these activities can continue and expand.

We urge expansion of prepurchase counseling for home buyers and continuation of default counseling at the level provided this year. Default counseling has proven its worth, and the funds saved by avoiding default and foreclosure on FHA-insured properties more than offset the modest cost of counselling programs. Prepurchase counselling is equally needed and, we are convinced, will prove cost-effective. We urge provision of a total of $12 million for counselling, with $4 million earmarked for prepurchase counselling.

We support the supplemental and 1980 appropriations for the neighborhood self-development program, and are pleased to find them included in the budget. We believe that the livable cities program also has considerable potential for assisting neighborhood groups in low income areas; however, the program needs to be targeted to such neighborhoods and not arbitrarily limited to large cities or metropolitan areas. If this is done, we would support the supplemental and 1980 appropriations for the livable cities program as well.

Finally, we urge approval of the requested $3.7 million to improve enforcement of fair housing legislation.

In the light of what are widely seen as present budget constraints, our recommendations may seem ambitious. In the light of the housing needs of lower income people, they are modest indeed.

The amounts recommended are substantial, but they will have little impact on the deficit in 1980. The budget authority required extends to 2020 in some instances (public housing and some Section 8). While we recommend increased budget authority of $11 billion for these programs, the impact on outlays in 1980 will be about $2.4 million.

The rural programs we support are financed largely from the Rural Housing Insurance Fund. The budget impact, again, will occur largely in the future. Net costs to the federal government are the difference between the cost of borrowing and the subsidized rates of the loans, the additional cost of the rental and home ownership assistance programs, and losses. These costs are funded by appropriations, which are made with a two-year time lag.

If all of our recommendations are enacted, and the bulk of the expenditures for current programs are made in 1980, the budget impact will be approximately $1.5 billion above the proposal submitted by President Carter. This amount could be provided by a one-third reduction in the housing-related tax expenditures benefitting people with incomes above $50,000.

In response to a question as to why the administration was proposing to cut human service programs instead of limiting home owner and other housing deductions, Alfred E. Kahn, Chairperson of the Council on Wage and Price Stability, replied "because the middle and upper income class is unwilling to take the cuts that are needed." We hope that the Congress, in dealing with the 1980 budget proposal, will demonstrate that Mr. Kahn is wrong.

Note: attached to this testimony are three tables

Housing Units Placed Under Reservation Since 1974

Housing-related Tax Expenditures for 1976, 1979, and 1980

Comparison of Administration and Coalition Recommendations

46-105 O - 79 - 36

SUBSIDIZED HOUSING UNIT RESERVATIONS SINCE THE 1974 ACT WAS ADOPTED

		1975	1976 + TQ	1977	1978	1979	1980	Change 1979-80
HUD	Section 8:							
	New construction	36,798	157,116	145,272	99,342	129,362	105,600	-23,762
	Substantial rehabilitation		18,971	24,124	22,703	51,882	41,800	-10,082
	Moderate rehabilitation	---	---	---	---	39,000	40,000	+1,000
	Existing	55,322	203,046	140,480	98,300	70,118	62,600	-7,518
	Loan Management	---	111,448	21,101	37,172	14,000	---	-14,000
	Subtotal, Section 8	92,120	490,581	330,977	257,517	304,362	250,000	-54,362
	Public housing							
	New construction	NA	NA	29,759	49,023	48,000	42,000	-6,000
	Substantial rehabilitation	NA	NA	2,185	7,287	8,000	8,000	0
	Existing	NA	NA	25,672	12,199	---	---	0
	Indian	(2,845)	(6,888)	(8,065)	(4,888)	(6,000)	(4,000)	(-2,000)
	Subtotal, public housing	39,324	26,140	57,436	68,509	56,000	50,000	-6,000
	Subtotal, lower income	131,444	516,721	388,413	326,026	360,362	300,000	-60,362
	Section 235	1,138	18,574	4,719	11,378	18,000	25,000	+7,000
	Section 236	22,634	11,515	---	283	1,700	---	-1,700
	Rent supplement	1,444	-4,443	---	---	---	---	---
	Section 202	---	(29,857)	(24,791)	(19,973)	(21,200)	(19,700)	(-1,500)
	TOTAL, HUD	156,660	542,367	393,132	337,687	380,062	325,000	-55,062
FmHA	Grants: 504 very low income repair*	---	---	1,882	3,183	6,300	7,650	+1,350
	Loans:							
	502 Home ownership							
	New construction, purchase	39,422	54,325	39,337	35,663	37,600	34,220	-3,380
	Existing, purchase	16,480	21,447	20,796	26,089	29,400	28,750	-650
	Existing, repair or rehab	458	618	841	1,013	1,400	1,530	+130
	Subtotal, 502	56,360	76,390	60,974	62,765	68,400	64,500	-3,900
	504 very low income repairs	2,099	3,115	3,028	4,393	8,300	8,000	-300
	515 rental or cooperative	17,350	27,244	30,175	30,446	38,875	36,324	-2,551
	514 farm labor housing	1,097	866	1,208	512	1,920	1,400	-520
	Subtotal, FmHA loans	76,906	107,615	95,385	98,116	117,495	110,224	-7,271
	TOTAL, Farmers Home	76,906	107,615	97,267	101,299	123,795	117,874	-5,921
	GRAND TOTAL	233,566	649,982	490,399	438,986	503,897	442,874	-60,983

*Some or all counted again under 504 loans.

Source: HUD Budget Summary and Federal Budget Appendices, 1977, 1978, 1979, 1980.

HOUSING-RELATED TAX EXPENDITURES, FISCAL YEARS 1978, 1979 and 1980
(Millions of dollars)

	1978	1979	1980	Change 1979-80
Home-owner deductions				
Mortgage interest on owner-occupied homes	$7,595	$8,225	$9,290	+1,065
Property tax on owner-occupied homes	5,495	5,290	6,615	+695
Subtotal	13,090	14,145	15,905	+1,760
Residential energy credits	--	715	435	-280
Deferral of capital gains on home sales	955	1,125	1,010	-15
Exclusion of capital gains on home sales	110	300	535	+235
TOTAL	14,155	16,285	17,885	+1,600
Investor deductions				
Expensing of construction period interest and taxes	640	615	700	+85
Excess first-year depreciation	175	185	185	0
Depreciation on rental housing in excess of straight-line	375	360	350	-10
Five-year amortization for rental housing rehabilitation	20	15	15	0
Preservation of historic structures	--	10	10	0
Exclusion of interest on state and local housing bonds	340	540	820	+280
TOTAL	1,550	1,715	2,080	+365
GRAND TOTAL	$15,705	$18,010	$19,965	+2,055
Total tax expenditures	$133,902	$149,910	$165,475	+15,565
Housing as percent of total	11.7%	12.0%	12.1%	13.2%

Note: Tax expenditures are defined in the budget as "Losses of tax revenue attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or provide a special credit, preferential rate of tax, or a deferral of tax liability affecting individual or corporate income tax liabilities."

Source: Special Analyses, Budget of the United States Government, 1980, pp. 207-211.

NATIONAL LOW INCOME HOUSING COALITION

COMPARISON OF ADMINISTRATION BUDGET REQUEST AND COALITION MINIMUM RECOMMENDATIONS, FY 1980 (dollars in millions)

	Program	Administration Units	Administration Dollars	Coalition Units	Coalition Dollars
HUD	Section 8				
	New	105,600	$10,501.0 BA	140,975	$14,308.0 BA
	Substantial Rehab	41,800	5,165.2 BA	55,735	6,977.5 BA
	Moderate rehab	40,000	1,872.0 BA	43,335	2,059.0 BA
	Existing	62,600	2,507.1 BA	83,465	3,173.4 BA
	Subtotal	250,000	20,045.3 BA	333,330	26,517.9 BA
	Public Housing				
	New (regular)	38,000	4,529.6 BA	50,000	6,040.4 BA
	Indian	4,000	640.0 BA	7,500	1,216.2 BA
	Substantial rehab	8,000	953.6 BA	9,170	1,107.8 BA
	Subtotal	50,000	6,912.9 BA	66,670	8,364.4 BA
	Amendments to prior years		--	?	1,916.0 BA
	Subtotal, lower income	300,000	26,958.3 BA	400,000	36,798.3 BA
	Section 202 elderly	(19,700)	800.0	(30,000)	1,234.7
	Section 235	25,000	(1,366.5)	30,000	(2,447.1)
	Total, assisted housing	325,000	27,758.3 BA	430,000	38,033.0 BA
	Public housing operating subsidies		741.5		1,381.0
	Flexible and rent relief subsidies		82.0		225.0
	Public housing security		--		12.0
	Public housing modernization		750.0 BA		1,080.0 BA
	Congregate services		--		25.0
	Nonprofit sponsor assistance		(3.6)		(8.9)
	Neighborhood self-help		15.0		15.0
	Livable cities		5.0		5.0
	Fair housing assistance		3.7		3.7
	312 rehabilitation loans		130.0		230.0
	Counseling for home owners and purchasers		9.0		12.0
FmHA	Loan Programs				
	502 home ownership, new	34,220	1,112.0°	67,000	2,177.2°
	existing, purchase	28,750	870.0°	36,500	1,104.5°
	existing, repair	1,530	25.0°	2,500	40.8°
	Subtotal	64,500	2,007.0°	106,000	3,322.5°
	Farm labor housing (514)	1,400	30.0°	4,000	71.4°
	515 rental and coop	36,324	820.0°	45,000	1,015.9°
	504 repair loans	8,000	24.0°	15,000	45.0°
	Grants and expenses				
	Low income home ownership	(15,094)	985.0°°	(50,000)	3,262.7°°
	rural rental assistance	(20,000)	393.0°	(50,000)	982.5°
	very low income repairs	7,650	24.0	(15,000)	47.0
	farm labor housing (516)	(1,400)	25.0	(4,000)	85.7
	self-help housing		5.0		30.0
	technical assistance (525)		1.2		5.0
	salaries and expenses		226.0		282.5

BA budget authority, extends 15-40 years; ° rural housing insurance fund; °° subject to recapture. ( ) already counted or funds now available.

METHOD OF CALCULATING COST OF COALITION RECOMMENDATIONS

Section 8 and Public Housing: Administration figures used for per unit costs; budget authority for prior year amendment from press report of HUD request to OMB. Per unit costs adjusted to allow for 6% inflation instead of 4.6%. Using an 8% inflation factor would result in an additional $670.8 million budget authority, for a total of $38,174.6 million for these programs.

Section 202: Administration per unit costs, adjusted for 6% inflation.

Section 235. Per unit cost of FmHA Home Ownership Assistance Program, which provides 1% interest rate and portion of operating costs exceeding 25% of income, plus 25% increase to allow for higher costs in urban areas. This includes cost of revising 235 so tht it can serve low income people, as well as increasing the number of units.

Public housing operating subsidies: (1) $817 million, reported to be HUD's initial funding request to cover performance funding formula plus $12 million appeals fund, plus (2) $163 million for outstanding routine maintenance and $401 million for deferred maintenance (HUD's estimates as of December 1976; more recent information not available to us at this time, but funds have not been made available to housing authorities to meet these needs, except through urban initiatives program. Our assumption is that continued inflation and unmet maintenance needs make these figures very conservative estimates.)

Flexible and rent relief subsidies. Flexible subsidy needs are from HUD field survey showing needs for repairs,and deferred maintenance, reserves for replacement and operating deficits at $134 million, with about $20 million available from other sources. Rent relief subsidies for very low income tenants estimated at $111 million. According to HUD 1977 Statistical Yearbook, 24% of all households in 236 housing have incomes below $4,000. Average rent-income ratio in 236 units last year was 31%. Rent relief subsidies would go to reduce rents of lowest-income tenants. Since 90-95% of 236 tenants are dependent on assistance or benefits, their capacity to pay higher rents is tightly limited.

Public housing security. The authorization contained in the 1978 act is $12 million annually, subject to appropriation. The full $12 million is needed, to broaden the demonstration program to include a variety of projects and situations and to begin to fund security needs.

Public housing modernization. The budget authority proposed represents $54 million in contract authority, last year's level adjusted for inflation at 8%. This will finance $589 million in capital costs. Modernization funds are needed to restore vacant public housing to livable conditions, to maintain older projects in viable condition, and to retrofit for energy conservation purposes.

Congregate services. The $10 million funded in 1979 will provide 5-year contracts for an estimated 50 projects. The $25 million authorized for 1980 would therefore fund about 125 projects. In addition to the 202 projects for the elderly, an estimated 45% of public housing units and 36% of 236 units are occupied by elderly households.

Nonprofit sponsor assistance. The amount is from HUD's initial submission to OMB, and loans are recovered when projects receive permanent financing. The increase should be used for an expanded program, not limited to 202 sponsors.

Neighborhood self-help, livable cities and fair housing assistance. We support the Administration recommendations, with the proviso that livable cities funds should be specifically directed to community groups in low income neighborhoods, and that there be no arbitrary limitation which would preclude small, nonmetropolitan cities from participating.

312 rehabilitation loans. We urge the 1979 level. The 312 program is now being used in many low income neighborhoods for multi-family rehabilation by community groups. Coupled with Section 8 assistance, it can provide good housing for lower income people. HUD has also adopted policies which will minimize displacement resulting from 312 activities. We support the program at its recently expanded level provided that funds are directed to rehabilaition which will benefit lower income families.

Counseling for home owners and purchasers. The HUD budget would provide $8 million for default counseling and only $1 million for prepurchase counseling. We would maintain default counseling at its present level, and increase funds for prepurchase counseling to $4 million.

Farmers Home Programs

502 Home Ownership Program. Our estimates based on FmHA unit costs.

Farm labor housing. Our estimates based on FmHA unit costs. We assume that all farm labor housing will require both loans and grants to make occupancy viable for farm workers.

515 rental and cooperative housing. Again, our estimates are based on FmHA's per unit cost

504 repair loans and grants. Based on FmHA per unit costs.

Low income home ownership. Estimate based on FmHA per unit cost. These are costs based on the unlikely assumption that continued assistance will be required for the life of the loan. Also, the FmHA assistance is subject to recapture, in whole or in part, at the time of sale, so that net cost will be much lower.

Rural rental assistance. Based on FmHA per unit cost, which includes the run-out cost of the lease contract, estimatcd at 20 years by FmHA.

Self-help housing. The 1979 level is recommended.

Technical assistance grants. This program was funded for the first time in 1979 at $2.5 million; we recommend doubling it in 1980.

Salaries and expenses. A 25% increase is proposed to handle program expansion.

Impact on outlays in 1980

While the amounts recommended are substantial, there will be little discernible impact on the deficit if our proposals are fully funded.

The Rural Housing Insurance Fund is a revolving fund, and the budget impact of the difference between RHIF's borrowing cost and the cost of lending at a lower interest rate, plus losses, is paid from appropriations with a two-year time lag.

Therefore, it will be several years before the increased Rural Housing Insurance Fund activities have an impact on the budget.

Similarly, outlays resulting from the increased budget authority for the HUD Section 8/public housing program will be insignificant in 1980. The increase in outlays, based on HUD estimates, will be only $2.4 million in 1980; total increased outlays through 1983 will be $290.0 million.

All other increases in the HUD budget, except for public housing modernization, total $1,357.2 million.

Increases in FmHA grants and expenses total $169.0 million.

Thus, if our recommendations are enacted, 1980 outlays will increase by less than $1,528.6 million. Most of these increased outlays fall under the income security budget function.

Ms. DOLBEARE. I would appreciate that very much, and I wonder if you would also be willing to put in the record a list of the members of our board of directors, which gives an indication of organizations which are actively participating in and represented on the National Low Income Housing Coalition.

[The information follows:]

National
Low Income Housing Coalition

215 Eighth Street, N.E., Washington, D.C. 20002 • (202) 544-2544

Hon. Edward W. Brooke, *Chairperson*

Cushing N. Dolbeare, *President*

OFFICERS AND BOARD OF DIRECTORS, ELECTED DECEMBER 18, 1978

Chairperson:	Hon. Edward W. Brooke
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James H. Schuyler, Minority Counsel, Senate Housing Subcommittee
Leon Shull, National Director, Americans for Democratic Action
Glenda Sloane, Supervising Attorney, Center for National Policy Review; Chairperson, Housing Task Force, Leadership Conference on Civil Rights
Walter L. Smart, Executive Director, National Federation of Settlements and Neighborhoods Centers
*Jerry Tucker, Legislative Representative, UAW
Nan Waterman, Chairperson, Common Cause
Harold O. Wilson, Executive Director, Housing Assistance Council
Rose Wylie, National Tenants Organization

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*Member of Executive Committee

(Affiliations for identification only)

January 1979

Ms. DOLBEARE. We are a fairly new organization. We are an outgrowth of an ad hoc low-income housing coalition established in 1974, and functioned informally for about four years until we decided that low-income housing needs were not about to disappear and we should organize to stay on the scene for as long as necessary.

Our chairperson is former Senator Ed Brooke, from Massachusetts. Our statement is a comprehensive one which, in fact, goes beyond the jurisdiction of this Committee, because we like to look at low-income housing problems from the perspective of what are the needs and what should be the role of the Federal Government and who should be undertaking the programs. In addition to addressing the HUD programs and appropriation, our statement also includes the related programs of the Farmers Home Administration.

On page 11 of the statement, there is a table that really summarizes our recommendations. It shows in the left-hand column the Administration budget request and the right-hand columns, the dollar and unit amounts that are proposed by the Coalition as a more adequate but still not wholly adequate approach to meeting low income housing needs.

In 1973, the Nixon Administration imposed a moratorium by fiat on assisted housing programs, simply cut them off. We are now in a different kind of moratorium, but still a significant one—one that we refer to as a moratorium by attrition, and I think some figures will demonstrate that.

There is a table on page 9 which shows subsidized housing units through HUD and the Farmers Home Administration since the moratorium was lifted in 1975. That table shows that in 1976 HUD actually placed under program reservation 517,000 units of housing assisted by the public housing and Section 8 programs. This Committee has pointed out repeatedly that some of those reservations have a tendency to drop by the wayside, but we figure close to 400,000 of those units are probably now occupied. In 1977, HUD was able to reserve only 388,000 units, because it didn't have the funds available for very much more. In 1978, it had funds for 360,000 units and only reserved about 326,000 units. In 1979, the current year, the appropriation provides for 326,000 units. With the carryover HUD will come closer to 360,000 if they use all their money, as we expect they will.

For 1980, we are estimating in a range of 225–300,000 units. In other words, we are talking about quite possibly less than half of the number of units which was actually placed under program reservation in 1976. That is the reason we have used this term moratorium by attrition. Every year we get a substantially smaller allocation.

The Administration's budget request and the House Budget Resolution, which you will be considering next week on the Floor, calls for funding for approximately 300,000 units. The Senate Budget Committee, unfortunately, has proposed a budget resolution which will permit funding of only 225,000 units unless major changes are made in the assistance housing programs. I recognize this Committee must operate within the framework of budget resolutions and authorizations. We urge that you appropriate the maximum amount and that you do so without arbitrary restrictions proposed

in the Appropriation Act on the mix of units between new and substantial rehabilitation or on the mix of program between public housing, Section 202, and the regular Section 8 program.

We also strongly urge that there be no change made in the present rent income ratios which are provided under the public housing amd Section 8 programs.

As other major proposals in our statement, we are concerned with the need for additional operating subsidies for public housing and for the Section 236 and 221(d)(3) programs. The public housing operating subsidies request is an increase of only two percent. OMB has effectively managed to impound approximately $43 million, which should have been used last year, and that is to be carried over and used in 1980.

Our recommendation is $1.4 billion for operating subsidies. The reason that we are proposing almost double the HUD request is because we believe that public housing can function adequately only if the operating subsidies are provided to meet the difference between rental income from tenants and the cost of operating decent housing which is rising, plus meeting the deferred maintenance needs which have not been met over the past four or five years because operating subsidies have been inadequate. That is the basis of our recommendation.

There is a third function for operating subsidies which we did not include in our recommendation, and that is to make it possible for public housing authorities to house more of the very lowest income people whose housing needs are most critical.

In addition, we recognize a need for additional subsidies for operations for the 236 and 221(d)(3) programs. Until last year, there were really no operating subsidies built into that. There is now a Flexible Subsidy program funded at $75 million for this year. For next year, the Administration is proposing $82 million. What is generally not recognized, because 236 and 221(d)(3) were enacted as intended to be moderate income programs, is that these programs, in fact, are serving very low income tenants. The "1977 HUD Statistical Yearbook" shows that 80 percent of the tenants in 236 projects had incomes which were below 50 percent of the national need and 25 percent were below $4,000, which was 25 percent of the national need for a family income. Ninety percent of the Section 236 tenants were dependent for all or part of their income on public assistance or Social Security.

So we are talking about a population in this universe of about 600,000 Section 236 units; we are talking about a low income population; we are talking about projects which cannot be viable at rents that those tenants can afford to pay without adequate operating subsidies.

Our recommendation to you, therefore, is that you fully fund the HUD request, which we hope will be authorized for Flexible Subsidies; that you reject the proposal which is contained in the HUD budget request, but which has not been formally forwarded for rescission of some of the Rent Supplement contract authority and budget authority that has already been appropriated. I believe there is still some authorization available for Rent Supplement money which has not been appropriated, and we urge you seriously

to consider appropriating that Rent Supplement money because the Rent Supplement can be used in tandem with 236 if HUD can be persuaded to provide, in effect, operating subsidies.

Finally, I want to address the need for additional funds for public housing modernization. Last year, $50 million in contract authority was provided. That is enough for about $545 million in improvements. The estimates of modernization needs do not include any estimate on the cost of adequately retrofitting public housing projects for energy conservation. We know that there are thousands of public housing units which are now standing vacant because they need modernization. We recommend that at least $54 million in contract authority be provided for next year for modernization. That comes out of the total HUD allocation of contract authority for assisted housing.

HUD has rationalized the decrease this year by saying they didn't want to make that money available for modernization because it was important to provide additional units. We are also aware of the need to provide additional units. But, at worst, the additional contract authority that we are proposing for modernization would result in the loss of 4,300 units. This is assuming HUD figures on unit costs are correct. We estimate that the number of units which would be lost, if $54 million were provided for modernization rather than $36.5 million, which HUD is proposing, would only be about 4,000 units. We cannot conceive that modernization money would not save and make viable more units than would be lost if not provided. We believe it is penny-wise and pound-foolish not to provide adequate funds for modernization, even if that money comes at the cost of some reduction in the number of additional units which would otherwise be provided.

Our other recommendations include a restoration of the level of 202 housing for the elderly to the 30,000 units actually provided in 1976, the continuation of Congregate Housing Services program, appropriations for the Neighborhood Self-Help and Livable Cities programs which are critically important to low income neighborhoods, the funds for Fair Housing Assistance which we believe are an appropriate beginning to adequately support the Fair Housing efforts of State and local agencies charged with administering the Federal law, where they have substantially equivalent laws and, finally, an increase in the 312 programs, which has just begun to move into multifamily rehabilitation so we retain the level provided this year rather than cutting back.

The total cost of our recommendation package is not very high compared to the total budget. Housing outlays this year will be about one percent of total outlays. We have had a cost overrun on tax expenditures. Last year, the estimated housing related tax expenditures were about $13 billion. This year, Treasury has reestimated the cost of housing related tax expenditure—and there is a table in my testimony—at $18 billion. In other words, we have had a cost overrun on tax expenditures of $5 billion that relate to housing in the course of one year. That is as much as the entire amount we are spending on assisted housing.

I realize that this Committee cannot deal with the tax expenditure question, but I hope you will deal with the direct outlays that are within your jurisdiction, being conscious of the fact that what

we are talking about is an amount which is only about one-quarter of the cost of housing-related tax expenditures.

If you look at housing as a single function, and also look at tax expenditure and outlays, you find a total cost of $25 billion; four-fifths is tax expenditure. We estimate of that $25 billion, $4.3 billion will go to benefit 33 percent of all households with incomes below $6,000, those of most critical need, and $4.9 billion, almost half a billion dollars more, will go through tax expenditure to people whose taxable income is above $50,000. That is less than two percent of all taxpayers.

I present those figures because I know it is a difficult year for proposal of expanded appropriations, but I also recognize, and I hope you will recognize, that our housing expenditures are badly out of kilter with our housing needs.

Thank you very much.

Mr. SABO. Thank you. We appreciate your statement. Generally my sympathies are with housing programs. I have a tough time dealing with cuts in the housing programs because our programs have cumulative impact on the outlays of dollars; so in terms of assisted housing this year, as I understand your figures, there was about $3.6 billion in 1979, and it will go to about $4.4 billion in 1980 under the President's proposal. So what we are looking at in budget outlay is an increase in that category of over 20 percent in comparison to about an eight percent budget increase generally. I think if you exclude Social Security increases, it is actually only about a six percent increase.

So I get concerned when I hear how the proposed budget is cutting housing programs. The increased cost is substantial. There is still a huge unfilled need. But I think also, to develop understanding, we need to have people aware that actually the Federal commitment is growing very substantially and rather quickly in the amount of dollars we spend.

Ms. DOLBEARE. That is right, and if we didn't provide a single additional assisted housing unit, it would continue to grow for five years or so, and that is the reason why, unlike some of my colleagues in housing, I have felt that the use of the budget authority figure which does include in the appropriation the total current estimated cost over the next 40 years is not an unrealistic way of costing-out housing.

I do think housing is different from other programs, such as food stamps or Medicare, because they provide the assistance on the basis of eligibility. If you are eligible, you are entitled to the assistance.

With housing, it is not done that way. If you are eligible, you are entitled to the assistance provided there are some units available in your area. We have 109,000,000 households with incomes below the poverty level and less than 4 million assisted housing units available; so we have a tremendous need, and our view would be that we should not minimize the cost of meeting that need. It can't be met without substantial Federal outlays.

I would also hope, quite frankly, that this Committee, which has done a number of studies over the years that I have looked at with great interest, could undertake a study of less expensive ways of meeting our housing needs. I think there are ways in which the

cost of our present program could be reduced if we financed them, for example, directly through the Federal Financing Bank. There are ways of making savings there. I think there are other ways of making savings.

I hope we will not do what was done in 1973, which is to say there must be a better way, let's stop everything for two years while we figure it out; especially since what they figured out was a more costly way of doing it than the previous way.

Mr. SABO. Do you think public housing is more cost-effective?

Ms. DOLBEARE. It, is at the end of the line. Part of the reason for the difference in cost figures between public housing and Section 8 is that Section 8 provides more adequately for the kind of operating subsidies that are needed. The big advantage of public housing—and we are just beginning to reap it—is that at the end of 40 years, when the projects are paid for, they remain in public ownership. All that needs to be provided to keep them available for low income occupancy is a certain amount of modernization which arises more from the type of the project that was built than the age of the project. I think we have learned that and, in fact, prohibited in 1968 the construction of high-rise housing for families. That was a cause of part of the major drain. We are now getting housing projects where the bonds have been paid off. I think this is less expensive.

Unfortunately, in HUD, for a variety of reasons, the public housing program has not moved very well, since it was reactivated, and I might say the Coalition in its former incarnation was extremely active in pressing for the reopening of the public housing program. HUD has many units in the pipeline; they have applications. Housing authorities are now not applying for additional public housing even though the funds are available, because they are saying that without adequate operating subsidies and modernization money for the projects that they have, it doesn't make any sense to provide any more.

I think before we move toward a major expansion of public housing, we need to deal with some of the operational problems which housing authorities and the public housing program face. I would like to see us do that.

Mr. SABO. Mr. Coughlin?

Mr. COUGHLIN. Thank you. I agree with your feeling on the need for more adequate housing. There is no dispute on that with this Committee. It is not an easy job to do. I take it when you talk about tax expenditures for housing, you are talking about mortgage interest deductions?

Ms. DOLBEARE. Primarily. That is about 85 percent of it, I think.

Mr. COUGHLIN. Then I guess I take issue for the record with the term "tax expenditure," because that term assumes that the Government is the owner of all the money and it gives back to people what it thinks they should have.

I happen to believe that the people own all the money, and they give the Government what is necessary to finance things that cannot be otherwise financed.

Thank you, Mr. Chairman.

Mr. SABO. Thank you.

Thank you, Ms. Dolbeare. We appreciate your appearance today.

WITNESS

FLOYD R. CORREA, GOVERNOR, PUEBLO OF LAGUNA, N. MEX.

Mr. SABO. Mr. Floyd Correa, welcome.

Mr. CORREA. Mr. Chairman, my name is Floyd Correa. I am the Governor of the Pueblo of Laguna, an Indian community located in the State of New Mexico. I would like to thank you for the opportunity to testify before this Committee on the subject of Indian housing.

Much has been said about the present inadequacy of Indian housing and the inability of the Department of Housing and Urban Development to provide opportunities for the development of decent, safe and sanitary housing on Indian reservations. Indeed, this is one of the most critical problems facing Indian housing authorities and tribal governments. But, before I join the chorus of petitioners before this Committee, I would like to speak briefly about the accomplishments of the present administration at HUD.

For the first time since this Department became responsive to the needs of reservation Indians for public housing, we have an office at HUD specifically mandated to provide agency-wide input on Indian needs and concerns. The Office of the Special Assistant to the Secretary for Indian and Alaska Native programs and its first occupant, Mr. Irvin Santiago, has been a needed and welcome first step toward making the agency more responsive to Indian housing and community development programs. In the past few months, our Pueblo—and, I am sure, many other tribes—has found the Special Assistant's office useful in keeping our program and other housing problems from becoming lost in the bureaucratic tangle. We have every hope that this office can develop into an efficient and influential center for the formulation and advocacy of timely and effective Indian Housing Programs.

Second, the Department, under the current administration, has reached for imaginative solutions to serious long-term difficulties with Indian housing. Three such programs to provide management support for Indian Housing Authorities are instructive examples. The Management Initiatives for Indian Housing was designed to provide administrative capability to Indian Housing Authorities and to facilitate the development of effective financial controls. The housing counseling program was an experiment in information dissemination focusing on educating not only Indian Housing Authorities' staffs but also occupants. Finally, the management assistance program has been designed to develop and implement project-based budgeting and accounting systems, which can be used by Indian Housing Authorities across the country.

In the area of research and demonstration projects, the Department is jointly financing with HEW and the Menninger Foundation a study focusing on the need for deinstitutionalization of Indian children with limited disabilities. I should point out that my Pueblo is particularly interested in this project as we are developing, along with the Indian Health Service, a diagnostic and prescriptive center for handicapped Indian children to be located on our reservation. Both these projects should be significant steps

towards the reintegration of handicapped Indian children into their home communities.

But for all the efforts of this administration, the problems of Indian housing remain staggering. As Secretary Harris points out in her "Annual Report to Congress on Indian and Alaskan Native Housing and Community Development Programs:"

"Of all minority groups in our nation, American Indians living on reservation lands have the lowest incomes, the fewest economic opportunities, the highest mortality rates, the least education, and the worst housing."

Let me try to translate these statements into housing terms. In the Albuquerque area, where the Pueblo of Laguna is located, 35 percent of all Indian housing is substandard. Almost 1,500 housing units need major rehabilitation. Two thousand seven hundred new housing units are required. On a national basis, 60,000 new units of housing are needed, and 30,000 units need major rehabilitation. This means that more than 90,000 native Americans are living in shelter that no person in this room would consider adequate. When I tell you that 90 percent of all new housing on reservations is built with HUD financing, it will give you an idea of the extent of our dependence on this Department. A cut, therefore, in the Indian Housing Program budget is little short of disastrous.

The proposed reduction of almost $8 million for production funding in fiscal year 1980 will not only devastate the Indian Housing Program, it will entirely frustrate the stated Congressional goal of 6,000 new Indian housing units per year. That goal, as you know, has never been achieved by HUD, but the likelihood of its achievement now would be completely eliminated.

HUD estimates that under the fiscal year 1980 funding request of $20,300,000, up to 4,000 units of housing can be built. Yet in fiscal year 1979, with an appropriation of $28,000,000, only 14,858 units obtained program reservations, and only 2,677 units were actually built. In addition, we believe that HUD is underestimating the housing inflation rate by using the annualized figure of 4.5 percent in its calculations. Finally, the average per unit cost of $4,300 is clearly inadequate even by HUD projections.

In sum, a cut of $8,000,000 in the Indian housing budget effectively means that only about 2,500 new units will actually be built. I repeat: On a national basis, 60,000 new units are needed. At that rate, it will take 24 years to do the job that should be done now. What, indeed, will be the new needs 24 years from now?

The lesson of this arithmetic is clear, unless the $8,000,000 is restored to the budget, the Indian housing situation will get worse, and it will take even more money to provide Congressionally-mandated shelter for native Americans. I hope you will see to it that the needed funds are restored to the budget.

That concludes my statement, and I have submitted written testimony for the record.

[The complete statement follows:]

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STATEMENT OF
FLOYD R. CORREA
GOVERNOR OF THE PUEBLO OF LAGUNA
LAGUNA, NEW MEXICO
SUBMITTED TO THE HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
APRIL 25, 1979

Mr. Chairman:

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financial controls. The Housing Counseling Program was an experiment in information dissemination focusing on educating not only Indian Housing Authorities' staffs but also occupants. Finally, the Management Assistance Program has been designed to develop and implement project-based budgeting and accounting systems, which can be used by Indian Housing Authorities across the country.

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But for all the efforts of this administration, the problems of Indian housing remain staggering. As Secretary Harris points out in her Annual Report to Congress on Indian and Alaskan Native Housing and Community Development Programs: "Of all minority groups in our nation, American Indians living on reservation lands have the lowest incomes, the fewest economic opportunities, the highest mortality rates, the least education, and the worst housing."

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The lesson of this arithmetic is clear: unless the $8,000,000 is restored to the budget the Indian Housing situation will get worse and it will take even more money to provide Congressionally mandated shelter for native Americans. I hope you will see to it that the needed funds are restored to the budget.

Thank you.

Mr. CORREA. If you have any questions, I would like to answer them.

Mr. SABO. Thank you. I think your statement was very clear, concise and to the point. I take it your judgment is that the current program is working fairly well?

Mr. CORREA. It is working fairly well. The gentleman that is now in Indian housing in Laguna is from my reservation. I commend his efforts for beginning to take the initiative in getting the various programs started, but the housing needs are tremendous out there, and we do need your support.

Mr. SABO. Is there any State program operating in New Mexico?

Mr. CORREA. No, the only programs we have other than HUD are the Bureau of Indian Affairs home improvement programs and the Community Development Block Grants, also a HUD program. We do have what we call leasehold interest arrangements with FHA and the BIA. Some of my people are financing their own homes and building their own homes. Of course, the mortgage rate is high.

Mr. SABO. Thank you very much.

APPROPRIATIONS FOR U.S. FIRE ADMINISTRATION—FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESS

ROBERT SMITH, WASHINGTON REPRESENTATIVE, NATIONAL FIRE PROTECTION ASSOCIATION

Mr. SABO. Mr. Robert Smith, welcome to the Subcommittee.

Mr. SMITH. I am Robert B. Smith. I am here to speak as the Washington representative for the National Fire Protection Association in favor of the appropriations for the U.S. Fire Administration. We have a statement submitted, sir, and in the interest of time, I am prepared to try to summarize it.

Mr. SABO. We will put the entire statement in the record.

[The statement follows:]



NATIONAL
FIRE PROTECTION
ASSOCIATION
INTERNATIONAL

Statement of the

National Fire Protection Association

Before the

Committee on Appropriations,
Sub Committee on HUD and Independent Agencies,
U.S. House of Representatives

Hearing on

FY 80 Appropriations for the
United States Fire Administration
Federal Emergency Management Agency

Washington, D.C.
April 25, 1979

46-106 1379

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The non-profit technical and educational organization: To promote the science and improve the methods of fire protection and prevention, to obtain and circulate information on these subjects and to secure the co-operation of its members and the public in establishing proper safeguards against loss of life and property by fire.

The National Fire Protection Association supported the original establishment of the United States Fire Administration (USFA) and the principles of having a federal focus on fire. We remain convinced that there is a continuing need for this agency.

Last year, however, in our testimony on appropriations for USFA, we expressed a number of concerns about the direction that the Fire Administration had then taken, particularly in duplication of existing fire protection programs, and in an apparent failure to achieve the objectives of the Federal Fire Prevention and Control Act of 1974, in the cooperative spirit that those of us who worked to convince Congress of the need for the Act had anticipated.

We also testified in support of the transfer of the Fire Administration into the proposed new Federal Emergency Management Agency, and in giving such support explained that we felt that it was time for new direction in the management of the Fire Administration.

I raise this point now as it would be inconsistent to speak in support of the appropriations for the U. S. Fire Administration without acknowledging the concerns expressed last year and the basis for our present optimism.

Let me explain that while we still hold to the principles that led to our expression of concern last year, we have seen developments that give us encouragement that a change in direction is occurring, not the least of which is the nomination of an Administrator who knows the problems of fire and understands its complexity; is well acquainted with agencies and organizations, both public and private, which have something worthwhile to contribute; and has the qualities of character that will enable him to manage his struggling new agency efficiently and in a cost effective way.

With this encouragement we can support the U. S. Fire Administration's efforts to bring the federal focus on fire into being using cost-effective programs directed at achievable objectives.

Fire is still a national problem, in fact it is more of a problem than ever under current ecomonic conditions. Apart from the terrible waste of human life and the suffering and the disfigurement of hundreds of thousands of children and adults that occurs each year, the costs of fire are also a needless drain on this Nation's economy to the extent of billions of dollars and of resources which are destroyed forever.

With this in mind, we strongly endorse the appropriations for the U. S. Fire Administration and recommend that the following policies be applied to the Administration's operations.

1. Maximum use be made of the organizations already in the field, taking advantage of the experience and ability that exists in that quarter. This is the only way that the full resources of the country, both public and private, can be utilized to achieve significant reductions in loss to life and property from fire.

2. Establishment of priorities by the U. S. Fire Administration in concert with other fire organizations, that are directed toward the most effective solutions for specific and urgent problems; concentrating on these so that the full resources of the Administration are brought to bear on these matters.

We believe that by incorporating these two principles into the Fire Administration's policies the maximum use of federal finances and effort will be made with consequent benefit to the American public.

There is a wealth of knowledge and expertise on the fire problem available to the Fire Administration to use without the need to spend tax-produced dollars to build up a large bureaucratic operation. Use of this expertise would not only lead to quicker resolution of the problems, but would also stimulate the economy by involving local government and private organizations, both of which are being affected by the current economic climate.

Adopting this policy may well result in the Fire Administration's not fulfilling immediately every single mandate given in the Federal Fire Prevention and Control Act of 1974, but over the years as objectives are reached and priorities change, redirection can occur.

Certainly in these times of restraint on Government spending, it appears to us that this policy is called for in the public interest.

We have not addressed programmatic areas in this presentation as we are of the opinion that with the appointment of a new Administrator, it is necessary for a reappraisal to be conducted by the appointed person.

We would point out that the funding levels proposed for the U. S. Fire Administration are extremely low, when assessed against the magnitude of the fire problem of this nation, and fall far short of that estimated by the National Commission on Fire Prevention and Control as far back as 1972.

Although we have expressed reservations on the performance of the Fire Administration during the first four years of its existence, we feel strongly that there should be a greater recognition of the fire problem by both Congress and the Executive Branch by providing a funding level that would enable the USFA to function more effectively in the future under the new direction and leadership that has been opened by the reorganization and transfer into FEMA.

We would be remiss if we did not mention the National Fire Academy and the continuing need to provide not only an outreach program through existing state and local training and education programs, but also the core facility for delivery of special courses at the central location. The acquisition of St. Joseph's College at Emmitsburg, Maryland, for the Academy is an important step. It is equally important, however, that the necessary funds for continuing operation of the Academy be appropriated. The Academy is, in our opinion, the most important single program of the U. S. Fire Administration.

In conclusion, Mr. Chairman, I would reiterate that this Association support the proposed appropriations for FY 80 for the U. S. Fire Administration.

Thank you Mr. Chairman.

Mr. SMITH. The National Fire Protection Association supported the original establishment of the United States Fire Administration, USFA, and the principle of having a Federal focus on fire. We remain convinced that there is a continuing need for this agency.

Last year, however, in our testimony on appropriations for USFA, we expressed a number of concerns about the direction that the Fire Administration had then taken, particularly in the duplication of existing fire protection programs, and in their apparent failure to achieve the objectives of the Federal Fire Prevention and Control Act of 1974 in the cooperative spirit that those of us who worked to convince Congress of the need for the Act had anticipated.

We also testified in support of the transfer of the Fire Administration into the proposed new Federal Emergency Management Agency, and in giving such support explained that we felt that it was time for new direction in the management of the Fire Administration.

This point is mentioned now as it would be inconsistent to speak in support of the appropriations for the U.S. Fire Administration without acknowledging the concerns expressed last year and the basis for our present optimism.

While we still hold to the principles that led to our expression of concern last year, we have seen developments that give us encouragement that a change in direction is occurring, not the least of which is the nomination of an administrator who knows the problems of fire and understands its complexity; is well acquainted with agencies and organizations, both public and private, which have something worthwhile to contribute; and has the qualities of character that will enable him to manage his struggling new agency efficiently.

We endorse the appropriations for the U.S. Fire Administration and recommend that the following policies be applied to the administration's operations.

One, maximum use be made of the organizations already in the field, taking advantage of the experience and ability that exists in that quarter. This is the only way that the full resources of the country, both public and private, can be utilized to achieve significant reductions in loss of life and property from fire.

Two, establishment of priorities by the U.S. Fire Administration in concert with other fire organizations, that are directed toward the most effective solutions for specific and urgent problems; concentrating on these so that the full resources of the Administration are brought to bear on these matters.

We would point out that the funding levels proposed for the U.S. Fire Administration are extremely low, when assessed against the magnitude of the fire problem of this nation, and fall far short of that estimated by the National Commission on Fire Prevention and Control as far back as 1972.

We feel strongly that there should be a greater recognition of the fire problem by Congress and the Executive branch by providing a funding level that would enable the USFA to function more effectively in the future under the new direction and leadership that has been initiated through the reorganization and transfer into the Federal Emergency Management Agency.

We would be remiss if we did not mention the National Fire Academy and the continuing need to provide not only an outreach program through existing State and local training and education programs, but also the core facility for delivery of special courses at a central location. The acquisition of St. Joseph's College at Emmitsburg, Maryland, for the Academy is an important step. It is equally important, however, that the necessary funds for continuing operation of the Academy be appropriated. The Academy is, in our opinion, the most single important program of the U.S. Fire Administration.

In conclusion, Mr. Chairman, I would reiterate that this Association supports the proposed appropriations for fiscal year 1980 for the U.S. Fire Administration.

Thank you very much.

Mr. SABO. Thank you very much. We appreciate your presence with us today as well as your a nice concise statement.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

WITNESSES

NORMAN AUGUSTINE, VICE PRESIDENT, PUBLIC POLICY, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS
DR. JERRY GREY, ADMINISTRATOR, PUBLIC POLICY

Mr. SABO. Mr. Augustine and Dr. Grey, we welcome you.

Mr. AUGUSTINE. Mr. Chairman, thank you very much on behalf of the American Institute of Aeronautic and Astronautics and its 29,000 members for the opportunity to speak with the Committee today on the 1980 NASA budget.

With me, as you noted, is Dr. Jerry Grey, our Administrator for Public Policy, and he will assist in answering any questions you might have.

With the Committee's permission I would like to submit for the record our formal statement and provide a brief synopsis of it while we talk today.

We are acutely aware of the pressures that face this Committee in terms of needs for Federal expenditures. At the present time, with our backgrounds being what they are, we are also very sensitive to the fact that most studies that have been conducted show that research and development is one of the most highly leveraged expenditure areas in terms of generating future revenues, revenues to support a space program or housing, or whatever the case may be.

I would like to return to that point after I talk about a few specific parts of the 1980 budget relating to NASA.

In the aeronautics area we have for some time expressed to this Committee and others our concern that the $50 billion a year aviation industry is having its principal source of research and development funding dry up.

What is happening is that as NASA has turned more to space, we have had the military aircraft R&D oriented more toward very high performance, high maneuverability, high mach number aircraft leaving the commercial aircraft field, which has moved to

wide body high payload subsonic jets, largely without Federal support in the research area.

We are particularly concerned this year over efforts such as the variable cycle engine program which has been supported by the House Science and Technology Committee. We hope that your Committee would also support their action.

Turning to the rotary wing or the helicopter industry we have seen a sizable decay in that industry's share of the world market for helicopters. A portion of this can be traced, we believe, to the lack of expenditures on advanced technology.

In the area of space and the specific programs that we feel deserve attention, the one that stands out above all others in our minds is the Shuttle program and in particular the $185 million supplemental request.

We view this not only as a good investment in terms of reducing the long-term cost of the program but also as crucial to keeping the program on schedule such that it can move ahead and generate the efficiencies for space transportation the Shuttle was intended to produce in the first place.

We also believe the fifth Shuttle orbiter is an important investment. Again, we are very happy to see the House and Senate authorization committees both voted for the $27 million to keep the Shuttle orbiter alive.

Probably the most disappointing aspect of the NASA budget to us was the lack of any new starts that might have ranged from the Gamma Observatory program all the way to additional efforts in Earth monitoring to space exploration.

A couple of particular technologies of primary concern relating to the space effort would include the large space structures program, a program tailored to generate structures in space ranging from hundreds of feet to perhaps many thousands of feet, structures to support a space communications platform, or energy generation.

The problems in this area are wide-ranging from testing to assembly, transportation, and so on.

A second area is the lack of a reusable transfer vehicle which is needed to make the Shuttle truly pay off and would permit us to access orbits the Shuttle could not reach conveniently or could not reach at all for those payloads that demand high energy orbits.

Finally, I would mention the area of power generation for use both in space and on earth. I am referring to the 25 kilowatt electric space laboratory supplementary power package in the former case and in the latter case, earth-used energy, I refer to the solar power satellite program in the DOE budget, supported strongly by NASA.

The Institute is not prepared at this point to recommend a go-ahead in the solar power satellite in terms of full development. We do believe it is time to conduct substantial earth-based technology experiments and to continue with the economic studies that have begun.

Before closing, I would like to say a few words about the basic nature of research and development and some of the payoff as we see it.

Research and development, of course, has a payoff far in the future, typically five to ten years. As such, perhaps it is the easiest element in the budget to cut.

The impact of those cuts are not felt in the near term at all. Few would argue that R&D has had an important impact on the quality of life in this country ranging from the existence of wide body jets, microwave ovens, hand-held calculators, and so on.

At the same time, we would like to emphasize the important economic aspect of the nation's health which is dependent upon research and development. For example, it is probably not an accident that in recent years the United States, among four of the leading industrial countries in the world, has had the lowest productivity, the lowest rate of increase of productivity, the lowest rate of increase of GNP and at the same time the lowest rate of increase of R&D.

Similarly, at the other extreme, Japan, which has had the highest rate of increase in R & D expenditures, has had the highest rate of increase in productivity and GNP. As we move into the area of increasing imports, the need increases for counters to help us maintain a favorable balance of trade.

The Association conducted a study of each of the industrial sectors of the U.S. economy and found that of those eight sectors which are R & D intensive all eight carried a positive trade balance.

Of the eight sectors which are not R&D intensive, all eight carried a negative trade balance. Certainly NASA has a key role in helping to build this technology underpinning much of our economy and which will be important to the ability to raise revenues in future years.

We hope that the Committee, as it addresses the pressures of today's budgeting will be able to look to the future of building a ground work for a strong economy at the same time.

I would like to submit an elaboration of these closing remarks, if I may.

Again, we would like to thank you very much for the chance to share our views with you.

[The statement follows:]

STATEMENTS OF NORMAN R. AUGUSTINE, VICE PRESIDENT, PUBLIC POLICY, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS, ACCOMPANIED BY DR. JERRY GREY, ADMINISTRATOR, PUBLIC POLICY

The American Institute of Aeronautics and Astronautics is the technical society whose 29,000 engineers, scientists, and students represent all the disciplines of aeronautics and space technology. We are pleased to be here to discuss with you the proposed FY 1980 NASA budget.

As you may remember, we've been here before. Our perennial message to your Subcommittee, Mr. Chairman, is that a vigorous aerospace research and development program should be supported strongly by the federal government, because it represents one of our best national investments. The products of that program bring sizable returns -- in gross national product, in jobs, in support of the ever-weakening dollar (by contributing substantially to our balance of foreign trade) and, perhaps most important to this Subcommittee, in the tax revenues so necessary to help support all the desperately needed social programs, which are unable to bring in any money of their own.

We recognize, of course, the difficult task this Subcommittee faces in the all-important goal of keeping federal expenditures in line. But we contend that saving a few dollars by cutting off sources of potential income would be an unwise policy, whether for a struggling small business or for the federal government. The NASA budget is not a large one in the federal hierarchy, but it deserves careful and enlightened attention in the light of its importance in the generation of future revenues. We know you and your Subcommittee will give it that attention.

In the interest of brevity, I will not dwell at length on our overall views regarding the FY 1980 NASA budget proposal. We have already presented those views to the cognizant authorization subcommittees, and they are available to you and your staff should you wish to see them. Instead, I will address only those specific items which have been highlighted by the budget review process to date as being matters of contention.

In aeronautics, where the growing but still far too small federal research budget supports a $50 billion aviation industry, both the House and Senate authorization committees have recognized the need for a continuing sound program in variable-cycle engine technology, which will one day be needed for an economically viable, environmentally acceptable second-generation U. S. commercial supersonic airplane to compete with the daughters of the foreign-built Concorde. The House Science and Technology Committee added $8 million for variable-cycle engine work; we hope your Subcommittee will support that request.

The Senate authorization committee also restored $5 million for the development of advanced rotorcraft technology, which had originally been requested by NASA but had been deleted by the Office of Management and Budget (OMB). We had told the authorizing subcommittees of both Houses of our belief that much of the sizable decay in the U. S. share of the world's helicopter market can be traced to a lack of sufficient advanced technology; your Subcommittee is, as I am sure, aware of the importance of this concern.

Although I will not take the time to elaborate on them here, the AIAA had also identified several other aeronautical matters which call for increased budget attention, in addition to the two I have cited here. For your information, these items are as follows:

- Reinstatement of full-scale evaluation of the propfan, a promising avenue for reducing the fuel consumption of commercial aircraft by an estimated 20% to 35%.
- An increase in the aeronautical research and technology base.
- Increased attention to avionics technology by NASA.
- Increased research and testing to evaluate the prospects for utilization of alternative fuels for aircraft.
- Substantially increased effort in the pitifully small hypersonic research program.

I might note here, incidentally, our considerable disappointment in seeing no mention of civil aeronautical research or technology in the President's recent Science and Technology Message. In view of the extreme importance of aviation to the nation, as I stated earlier in my testimony, we hope the Congress will help to remedy that omission.

Turning now to space (which <u>was</u> properly addressed in the President's message, by the way!), we believe that by far the most important budget issue, supported by both the House and the Senate authorization committees, is the request for $185

million in supplementary FY 1979 funds for the shuttle. The overall savings to the taxpayer which will accrue as a result of this supplementary allocation are, we believe, more than sufficient to support this request, whether or not it appears as a new section in the FY 1980 budget as was recommended by the Senate Committee on Commerce, Science, and Transportation. We were also pleased to note that both the House and Senate authorization committees voted for the $27 million needed to keep open the option of a fifth shuttle orbiter, a key element not only in growing military needs, but also to ensure the operational viability of the shuttle, which will be "the only game in town" through the decade of the 1980's.

In this area, the House authorization committee had recommended an across-the-board cut of $5 million in space flight operations. Because this cut would mainly affect shuttle costs and would ultimately cause an increase in required labor and materials, the Senate committee elected not to make such a cut. We hope your Subcommittee will see it that way, too.

One of the most disappointing features of NASA's FY 1980 budget proposal, despite its strong funding support of "runout" efforts, was the lack of any new space-program starts. The Senate committee saw fit to reinstate $5 million for the Gamma Ray Observatory program, which had been almost unanimously endorsed by the National Academy of Science's Space Science Board as the project of highest priority. We hope the House will support that reinstatement. Both the House and Senate authori-

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zation committees also decided to reinstate the National Oceanic Satellite System program -- a $4 million item in FY 1980 -- and to start work on a multispectral resource sampler for Landsat -- a much needed instrument in view of our ever-tightening supply of global resources -- at a cost of $2 million in FY 1980. Again, we hope this Subcommittee will support these actions.

One area we had stressed in our statement, the need for increased efforts in large space structures, was recognized by the House Science and Technology Committee in its recommendation for a $1 million addition to the demonstration effort of a large deployable antenna. Communications are the only healthy, growing commercial enterprise in space; that enterprise came about almost solely as a consequence of NASA research, and it is more than appropriate that NASA continue to nurture it via advanced technology efforts such as this one. Remember the jobs and tax revenues that "new" industry now brings to the nation!

Again, as in aeronautics, we had in our statements to the authorization Subcommittees touched on not only these items, but also several others. For your information, they are as follows:

- There has been a serious erosion in our basic space technology capabilities, particularly in propulsion and power generation. The lack of the reusable orbital transfer vehicle needed to make the shuttle truly viable, for example, can be traced to the deficiency in propulsion capability. Several other aspects of this concern are discussed in the AIAA's re-

cent assessment: "Space Transportation Systems: 1980-2000", copies of which were sent previously to the Subcommittee members

- There is insufficient effort on the development of increased space power generating capability, ranging from the projected 25 kW shuttle/Spacelab supplementary power package to the DOE solar power satellite effort, in which NASA plays a major role. The AIAA has formally addressed this latter deficiency, incidentally, in an Institute position paper "Solar Power Satellites", published last November. Copies were sent to the Subcommittee members.

- The "logjam" of important space science missions caused by delaying the Venus Orbital Imaging Radar project and the perennial postponement of the Halley/Tempel comet mission will cause problems in the future. This situation is perhaps best exemplified by the recent Voyager flyby of Jupiter and its moons. Spectacularly successful as it was, we had foreclosed on an even more spectacular opportunity many years ago by postponing into oblivion a "Grand Tour" of the outer planets, which was replaced by Voyager.

In summary, Mr. Chairman, we recognize the fact that we are urging you to appropriate more rather than less money in a highly cost-conscious year, but this only highlights our inexorable need to develop sources of new or enhanced income to support expenditures in other sectors of the government. The relatively small budgetary impacts of these NASA programs represent opportunities to repay the investment many times over. We urge you to

support them.

Dr. Grey and I will be pleased to answer any questions you may have.

Attachments: Personal resumes for N. R. Augustine and J. Grey

NORMAN R. AUGUSTINE

Norman R. Augustine was born on July 27, 1935 in Denver, Colorado and was educated in the public schools in that city. He attended Princeton University where he majored in Aeronautical Engineering and was awarded a BSE, magna cum laude, a MSE, and was elected to membership in Tau Beta Pi, Phi Beta Kappa and Sigma Xi. After graduation he took various courses at Columbia University Graduate School of Business Administration, the University of California at Los Angeles and the University of Southern California.

Mr. Augustine's initial professional employment was as an Assistant in Research at the Princeton University James Forrestal Research Center. In 1958 he joined the Douglas Aircraft Company in Santa Monica, California where, during a period of seven years, he held positions as Research Aerodynamicist, Design Group Leader, Program Manager and Chief Engineer.

In 1965 he joined the Federal Government in Washington, D.C., in the Office of the Secretary of Defense where he held the position of Assistant Director of Defense Research and Engineering for Tactical Missiles and Ordnance and for Land Warfare. Upon completing his service with the government in 1970, he was presented the Secretary of Defense Meritorious Service Medal.

Mr. Augustine then joined the LTV Aerospace Corp. in Dallas, Texas, where he served as Vice President, Advanced Programs for the Vought Missiles and Space Co.

In 1973 he rejoined the Federal Government in Washington, D. C. as the Assistant Secretary of the Army (Research and Development) and in 1975 became Under Secretary of the Army. During this period he was awarded the Department of the Army Decoration for Distinguished Civilian Service and was twice awarded the Department of Defense Medal for Distinguished Public Service.

In January, 1977 Mr. Augustine joined the Martin Marietta Aerospace Corporation as Vice President for Technical Operations, having corporate responsibility for research, engineering, manufacturing, logistics and capital expenditures. He is also a member of the Board of Directors of International Laser Systems, Inc.

Mr. Augustine is an Associate Fellow of the American Institute of Aeronautics and Astronautics and is currently Vice President for Public Policy and a member of the Board of Directors. He has served as a consultant to the Department of the Army, the Department of Defense and the Executive Office of the President, in the latter capacity assisting the National Security Council and the Office of Science and Technology. He has been the U. S. member of the NATO Group of Experts on Air Defense, has been a member of the NASA Research and Technology Advisory Council, the Policy Council of the Defense Systems Management College, the Editorial Board of the Journal of Defense Research, Vice Chairman of the Executive Committee on Command and Control of the National Security Industrial Association, and has served on the Board of Directors of the American Helicopter Society and the Lone Star Chapter of the American Defense Preparedness Association. He is currently serving on the Advisory Council of the Princeton University Department of Aerospace and Mechanical Engineering, the Executive Committee of the Technical Council of the Aerospace Industries Association the Board of Advisors of the Society of Logistics Engineers, as President of the Board of Visitors of the American University Procurement and Acquisition Program, and as an Associate Editor of the Defense Systems Management Review. He is a licensed Professional Engineer in the state of Texas and is listed in Who's Who in America.

Mr. Augustine has held adult leadership positions with the YMCA and is currently chairman of the National Program Effectiveness Committee of the Boy Scouts of America. He is married to the former Margareta Engman, and they are the parents of a son, Gregory, and a daughter, Rene'.

BIOGRAPHY BRIEF FOR DR. JERRY GREY

Dr. Jerry Grey received his Bachelor's degree in Mechanical Engineering and his Master's in Engineering Physics from Cornell University; his PhD in Aeronautics and Mathematics from the California Institute of Technology.

His early career included stints as a full-time Instructor of Thermodynamics at Cornell, an engine development engineer at Fairchild, a Senior Engineer at Marquardt, and a hypersonic aerodynamicist at the GALCIT 5-inch Hypersonic Wind Tunnel. He was a professor in Princeton University's Department of Aerospace and Mechanical Sciences for 15 years, where he taught courses in fluid mechanics, propulsion, and nuclear powerplants and served as Director of the Nuclear Propulsion Research Laboratory. He formed the Greyrad Corporation in 1959 and was its full-time President from 1967 to 1971. He is now Administrator of Public Policy for the American Institute of Aeronautics and Astronautics, where he spends half his time; the other half is devoted to consulting practice, writing, and lecturing. He is also Adjunct Professor of Environmental Science at Long Island University, where he teaches courses on energy, and President of the Calprobe Corporation, a supplier of high-temperature instrumentation based on Dr. Grey's patents.

Dr. Grey is the author of six books and over a hundred technical papers in the fields of solar energy, fluid dynamics, heat transfer, rocket and aircraft propulsion and power, plasma diagnostics, instrumentation, and the applications of technology. He has served as consultant to the U. S. Congress (as Chairman of the Office of Technology Assessment's Solar Advisory Panel), the United Nations, NASA, the Department of Energy, and the U. S. Air Force, as well as over twenty industrial organizations and laboratories. He was Vice President-Publications of the AIAA for five years, Chairman of the Coordinating Committee on Energy of the Association for Cooperation in Engineering (ACE), Vice President of the International Astronautical Federation, and a member of the Explorer's Club. Dr. Grey is listed in Who's Who in America, American Men of Science, Who's Who in Aviation, Engineers of Distinction, Contemporary Authors, and the United Kingdom's Blue Book and Dictionary of International Biography. His most recent book, Enterprise, will be published by William Morrow and Company in 1979.

Mr. SABO. Thank you.

Mr. Grey, did you have a statement?

Dr. GREY. No, sir, but I would be happy to answer any questions.

Mr. SABO. Is the private commercial air industry involved in research and development?

Mr. AUGUSTINE. The companies do conduct some research and development which they pass on to their customers in the price of the aircraft they sell. I can't quote a percentage, but a vast majority of the R&D that has been conducted in the past has been funded by the Government through the industrial research and development program principally.

Dr. GREY. One of the concerns with industrial R&D is, in order to satisfy stockholder requirements, a payoff has to be indicated in a very short time, usually a few years. The nature of aircraft development, taking ten to 15 years, means the very high risk development has been traditionally borne by the Government.

The developments today were brought about by the Commission on Aeronautics in the 1950s. Private companies cannot support all that long-range type of effort, but they do a fair amount. In fact, all the R&D associated with the construction of a specific individual airplane is done by the companies, not by NASA.

Mr. SABO. Thank you. We appreciate your testimony.

Dr. GREY. Thank you.

Mr. SABO. We will adjourn until ten o'clock tomorrow morning.

THURSDAY, APRIL 26, 1979.

HUD/EPA PROBLEMS

WITNESS

JACK DELAY, COUNCILMAN, EUGENE, OREG., AND NATIONAL LEAGUE OF CITIES

Mrs. BOGGS [presiding]. The Committee will come to order.

We have the pleasure of having with us Councilman Jack Delay, from the National League of Cities, as our first witness this morning. He will be talking to us about HUD/EPA problems.

Mr. DELAY. Thank you. My name is Jack Delay, and I am President of the City Council in Eugene, Oregon, and a member of the NLC's Natural Resources Steering Committee. I am testifying today on behalf of the National League of Cities specifically on the appropriations for Section 201 of the Federal Water Pollution Control Act and Section 175 of the Clean Air Act. I would ask that our full statement be included in the record. It highlights NLC's recommendations on funding for programs in EPA and in the Department of Housing and Urban Development.

Mrs. BOGGS. We would be happy to do that. The whole statement will be in the record, and you may proceed.

[The statement follows:]

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OFFICERS:
President
Vice President
Second Vice President
Immediate Past President
Executive Director

STATEMENT BY

JACK DELAY

COUNCILMAN, EUGENE, OREGON

ON BEHALF OF THE

NATIONAL LEAGUE OF CITIES

on

APPROPRIATIONS

FOR THE

ENVIRONMENTAL PROTECTION AGENCY AND

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE

HOUSE APPROPRIATIONS

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

U.S. HOUSE OF REPRESENTATIVES

April 26, 1979

PAST PRESIDENTS: Tom Bradley, Mayor, Los Angeles, California • Henry W. Maier, Mayor, Milwaukee, Wisconsin • DIRECTORS: A. Michael Ames, Executive Director, Hartford, Connecticut • Patricia J. Baca, Council President, Albuquerque, New Mexico • Kenneth R. Bowen, Mayor, Lafayette, Louisiana • Richard Brown, Executive Director, Texas Municipal League • Kenneth G. Buechle, Executive Director, Colorado Municipal League • Maureen Bye, Council Member, Duluth, Minnesota • Nicholas R. Carbone, Deputy Mayor, Hartford, Connecticut • Richard E. Carver, Mayor, Peoria, Illinois • Henry G. Cisneros, Council Member, San Antonio, Texas • Arrington Dixon, Council Chairman, Washington, D.C. • Patricia A. Dunne, Executive Director, Mississippi Municipal Association • Margaret T. Hance, Mayor, Phoenix, Arizona • Erma Henderson, Council President, Washington, D.C. • Charles F. Horn, Mayor, Kettering, Ohio • Maynard Jackson, Mayor, Atlanta, Georgia • Carl T. Langford, Mayor, Orlando, Florida • Patience Latting, Mayor, Olympia, Washington • Jim McCann, Mayor, Houston, Texas • John M. Palmerlee, Director, Michigan Municipal League • Cathy Raymonda, Council Member, Denver, Colorado • Joseph P. Riley, Jr., Mayor, Charleston, South Carolina • Richard M. Scott, Mayor, Lancaster, Pennsylvania • Kennedy Shaw, Executive Director, Massachusetts League of Cities and Towns • Kent E. Swisher, Executive Director, Association of Washington Cities • Walter F. Swisher, Council Member, Kansas City, Missouri • Dorothy Van Horn, Council Member, Jefferson, Iowa • David J. Vann, Mayor, Birmingham, Alabama • Joel Wachs, Council Member, Los Angeles, California • Ilene Weinreb, Mayor, Hayward, California • Ted Wilson, Mayor, Salt Lake City, Utah

Good morning. My name is Jack Delay. I am a Councilman from Eugene, Oregon, and a member of NLC's Natural Resources Steering Committee. I am testifying today on behalf of the National League of Cities specifically on the appropriations for Section 201 of the Federal Water Pollution Control Act and Section 175 of the Clean Air Act. I would ask that our full statement be included in the record which highlights NLC's recommendations on funding for other programs in EPA and in the Department of Housing and Urban Development.

The National League of Cities strongly supports the Environmental Protection Agency in its efforts to protect public health and the environment. The success of these efforts will be significantly influenced by the level of federal resources that are committed to the goal of a cleaner, safer environment.

EPA WASTEWATER TREATMENT FACILITIES GRANT PROGRAM (Section 201)

NLC supports the Adminstration's budget request of $3.8 billion for EPA's wastewater treatment construction grants. This is a funding level $400 million below last year's appropriation and nearly $1.2 billion short of the $5 billion authorized by the 1977 Clean Water Act. According to EPA's own estimates, federal, state and local governments will need to spend $106 billion by 1983 to meet the requirements imposed on municipalities under the Clean Water Act. NLC is concerned at what appears to be a faltering commitment to provide $16 billion in federal assistance authorized to meet clean-up standards imposed by the Federal Government.

The Administration's request of $3.8 billion is a realistic funding level based on the total amount of unobligated funds totalling $4.3 billion which will carry-over into fiscal year 1980. With over $4 billion in unobligated funds, it is an easy time for members to propose cuts in this program. NLC maintains, however, that the situation is not a case of inability to spend available funds. We would further caution the Committee on quick judgments on the impact of reduced funding based on the numbers alone. A major cut in the funding level for 201 will do little to balance the budget in fiscal year 1980, but it will significantly slow the rate of obligation in future fiscal years. If the Committee is serious about maintaining the federal commitment to this national goal of improved water quality, then your support for the Administration's level is an important step in that effort.

The first problem is that some states have fully obligated their past year allocations. In these instances, the $3.8 billion level will necessitate the curtailment of local projects already on line. For local government officials who have proposed and secured voter support for these projects, this situation is untenable in both political and financial terms. As a case in point, the voters of Eugene and Springfield, Oregon, voted in May 1978 to put up $29.5 million to pay for the non-federal share of a regional treatment facility estimated in January 1978 to cost $105 million. The EPA budget request of $3.8 billion for FY 80 will reduce the Oregon State allotment from an anticipated $64.9 million to $49 million. This would proportionally reduce the grant to the cities from $25.5 to $19.4 million.

Local authorities estimate that potential funding cuts translate into a two-year delay in project completion, costing the people of their communities an additional $12 million in inflationary costs. This is not only a problem of additional costs to the public, but also of a perceived failure on the part of Congress and EPA to honor its commitment to fund activities mandated on communities and to move expeditiously with the improvement of water quality.

In at least half the states, there are unobligated funds from prior appropriatons. This is due to a number of factors, some within the communities, and many outside the control of local governments.

One factor outside the control of local governments is the uncertainty of local project planning due to fluctuating federal appropriations. NLC supports advance appropriations to insure program stability and effective program management. In the absence of advance appropriations, a consistent level of appropriation would do much to accomplish this purpose.

NLC does not believe that a cut in the appropriations level is the proper way to deal with some of the Committee's concerns about the Section 201 program. The President's requested level of $3.8 billion will provide the funding stability needed in fiscal year 1980 while the authorizing committees work to make adjustments in the law. These changes should include the enactment of an extension for the reallocation period from 2 to 3 years, coupled with a provision to allow EPA to shift funding to those States that can obligate monies for projects that are ready to move to construction.

AIR QUALITY

NLC urges the Committee to appropriate $25 million for local air planning under Section 175 of the Clean Air Act Amendments of 1977.

The Administration did not request any funding for this effort in the fiscal year 1980 budget request. The Administration, however, did request $25 million in new budget authority for discretionary grants under the proposed Integrated Assistance Act of 1979. NLC strongly recommends that this $25 million in new authority be used to fund Section 175 if no additional funding is available elsewhere in the EPA budget. The authority to appropriate funds for Section 175 will expire in fiscal year 1980.

We strongly supported Congress' decision in 1977 to involve local elected officials in planning and carrying out the State Implementation Plan revisions in areas with severe auto-related pollution. The League has devoted considerable resources over the past year to involving cities in the planning process required by the 1977 Amendments.

NLC feels that this local planning process is a good mechanism for including city officials in decision-making on air quality strategies. Also, it can be an excellent mechanism for building local political support for the resulting plans and their implementation. This additional $25 million

will be used to continue this planning effort, and it will help ensure continuing political support for the implementation of these plans.

No knowledgeable person can deny the need for this funding. Los Angeles alone is requesting $12 million to produce an integrated plan to bring the area into attainment by 1987. Baltimore is requesting a million dollars while San Francisco is requesting $6 million dollars. These cities know how difficult it will be to prepare a plan which includes all of the affected programs and, as EPA urges, integrates air quality with transportation, community and economic development, and energy planning. Over 100 cities, for example, prepared proposals to do just this for a special EPA technical assistance grant program. Only eight cities were funded under the special program, but EPA is encouraging the others to use Section 175 monies to fund their proposals.

A great deal of transportation control planning also remains to be done. Because Section 175 funds were not available until October 1978, EPA has allowed urban areas to delay completion of transportation planning until mid-1980. The 1979 SIP's will contain schedules to complete that planning.

The Administration does not deny the need for funding for local air planning. It says the funding should come from local transportation planning funds through the Department of Transportation. This is the same argument it used to oppose Section 175 funds last year.

NLC saw how unreliable this promise was in 1978: few DOT funds were actually used for air quality-related transportation planning despite the urging of DOT headquarters. As a consequence, EPA found it necessary to delay the date for completion of transportation control plans to mid-1980.

The ultimate success of the Clean Air Act and achievement of its goals depends on sound and thorough plans that have the support of local elected officials. It is within our grasp now. Congress should appropriate the final $25 million segment of Section 175 to insure that buck-passing between federal agencies does not interfere with the completion of this important air quality work.

WATER QUALITY MANAGEMENT PROGRAM (Section 208)

NLC supports the Administration's request of $40 million for Section 208, area-wide water quality management. A strong commitment to decentralized water quality planning and management under the Clean Water Act is in the best interest of general purpose local government and is vital to the restoration and maintenance of the nation's water resources.

Nearly 200 metropolitan areas have completed locally-approved initial waste treatment strategies for their regions. The majority of 208 plans are awaiting state certification and EPA approval (over 55 have been certified). We believe that the 208 program and process have fulfilled their major objectives by curbing many of the inherent deficiencies in the construction grants program and rationalizing complex water quality problems in many urban areas.

NLC also believes that the modest investment in 208 thus far has already paid for itself in dispelling unnecessary and overdesigned treatment facilities. In a random sample conducted last year by the National Association of Regional Councils, savings of wastewater facilities were documented in excess of $150 million. In its initial phase, 208 has successfully demonstrated that continuing planning and consideration of alternative solutions for water pollution control are the keys to cost effectiveness. In short, the 208 program, beyond producing a locally accepted and cost-effective facility plan, has dramatically increased local sophistication and understanding of water pollution and control. NLC also urges the Committee to insure that funding for Section 208 will be directed toward local planning agencies.

NOISE PROGRAM

Congress is focusing its efforts to control urban noise through The Noise Control Act of 1972, as amended by The Quiet Communities Act of 1978. The National League of Cities strongly supports this model piece of urban legislation.

NLC believes that the expanded authority given to EPA as a result of The Quiet Communities Act of 1978 has placed burdens on EPA that only increased appropriations can soften. It is doubtful that the Administration's request of $12.7 million can accommodate activities called for in the Act. NLC supports a $16.5 million appropriation. If the authorization level is less than $16.5 million, NLC urges the Committee to appropriate the maximum permitted by the authorization.

NLC would also like to see the Committee direct EPA to use no less than 60 percent of the funds appropriated for Section 14 implementation (state and local programs) and no less than $1.5 million to support EPA aircraft/airport noise efforts. The Quiet Communities Act of 1978 directed EPA to reduce its regulatory activities and significantly boost its state and local technical assistance activities. NLC supports this redirection of the program and urges this committee to give specific direction to EPA regarding allocation of resources as outlined above.

SOLID WASTE

NLC supports the Administration's request of $42.5 million for State solid waste management, hazardous waste management and resource recovery but NLC urges the Committee to appropriate an additional $25 million for Section 4004 and Section 4009 under the Resource Conservation and Recovery Act. Under RCRA many local governments will be required to upgrade and close existing dumps and yet the Administration has not requested and the Congress has not appropriated any funds to help communities meet those mandated costs. Authorizations have been provided in RCRA for rural communities under Section 4009 and for local government implementation under 4004, and both have gone unfunded for three years. EPA advocates local user fees as the means to fund these local responsibilities. Although NLC supports some type of local

funding to carryout these requirements, we urge the Committee to commit federal resources to assist in this transition to local funding.

SAFE DRINKING WATER ACT

NLC supports the Administration's request of $38.6 million for State grants to assist in the implementation of the Safe Drinking Water Act. NLC supports federal funding to meet the mandated costs associated with the organic regulations that will be issued this year by EPA. However, we recognize the budget constraints that will exist in the coming years and we urge the Committee to appropriate funding when authority is provided by the Congress.

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT FY 80 BUDGET

Our greatest concern is the level of funding for assisted housing. NLC urges adequate funding to provide 300,000 Section 8 and public housing units to help meet the housing needs of low- and moderate-income families. We support the funding level requested by the House Banking Committee to the Budget Committee.

Rental housing for those of low-and moderate-income continues to be urgently needed. This is particularly true today because of the effects of inflation. Inflation has driven up the costs of land, construction, and financing that HUD's housing assistance programs provide virtually the only source of decent housing for low-and moderate-income families. Authority for 300,000 units of housing would help greatly to provide decent housing for those who can least afford it.

NLC strongly urges the subcommittee to maintain the Administration's budget mix of 250,000 units for the Section 8 housing assistance program, to be divided according to the needs outlined by the local Housing Assistance Plans (HAPs) between new construction (105,000 units), substantial rehabilitation activity (41,800 units), and existing housing activity (102,600 units of which 40,000 units are for moderate rehabilitation activity), and 50,000 new units of public housing. We also support $741.5 million for public housing operating subsidies. Unfortunately, there is too little money to do the job that is needed.

URBAN DEVELOPMENT ACTION GRANT

NLC strongly supports the requested $675 million level for the Urban Development Action Grant Program. In a very short time, the UDAG program has become an effective economic development tool for many cities, augmenting substantially the public resources available to stimulate private investment. The additional $275 over last year's $400 million would help make this unique program available to substantially more communities.

SECTION 312 REHABILITATION LOAN

NLC supports, at a minimum, the Administration's funding level for Section 312 rehabilitation loan program. The Section 312 program is a critically important housing tool for our cities. The program is very popular, and, even more importantly, it works.

COMMUNITY DEVELOPMENT BLOCK GRANT

The League strongly urges the Committee to fund the Community Development Block Grant program at its full authorized level ($3.9 billion). This program provides the basic aid for overall community and neighborhood revitalization. The League also supports the Department's request for planning ($40 million) and research ($53 million), which provide needed funds to deal with community development problems and to increase our understanding of the full range of urban issues.

On behalf of the National League of Cities I would like to thank you for this opportunity to present our views before the Committee.

Mr. DELAY. The National League of Cities strongly supports the Environmental Protection Agency in its efforts to protect public health and the environment. The success of these efforts will be significantly influenced by the level of Federal resources that are committed to the goal of a cleaner, safer environment.

NLC urges the Committee to appropriate $25 million for local air planning under Section 175 of the Clean Air Act Amendments of 1977.

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The Administration's request of $3.8 billion is a realistic funding level based on the total amount of unobligated funds totaling $4.3 billion which will carry over into fiscal year 1980. With over $4 billion in unobligated funds, it is an easy time for Members to propose cuts in this program. NLC maintains, however, that the situation is not a case of inability to spend available funds. We would further caution the Committee on quick judgments on the impact of reduced funding based on the numbers alone. A major cut in the funding level for 201 will do little to balance the budget in fiscal year 1980, but it will significantly slow the rate of obligation in future fiscal years. If the Committee is serious about maintaining the Federal commitment to this national goal of improved

water quality, then your support for the Administration's level is an important step in that effort.

The first problem is that some States have fully obligated their past year allocations. In these instances, the $3.8 billion level will necessitate the curtailment of local projects already on line. For local government officials who have proposed and secured voter support for these projects, this situation is untenable in both political and financial terms. As a case in point, I would like to summarize and what has transpired in my community, and I would like to note these figures are different from the ones included in the report that was prepared for this Committee.

Oregon is one of five States that have essentially fully obligated all funds, and one of 13 that have established the use of over two-thirds of the 1979 funds. In fact, even at the full $5 billion authorization level for fiscal year 1980, the fiscal year 1980 share for Oregon would be $64.9 million compared to our ability to commit $125 million.

In my own community, we had planned a 2-year funding cycle based on that 1977 commitment, although we could write contracts for $75 million by November 30 in our one area alone.

So, in States like Oregon, every adjustment away from the $5 billion commitment translates directly into dropping and slowing projects on our priority list.

For example, we have 164 projects ready for funding, including over 26 communities that have mandatory or negotiated sewage connection limitations. Sixty-four of these were in our 1979 priority list, and when the appropriation was cut by $300 million to $4.2 billion, 34 of those had to be dropped. In the Eugene/Springfield metropolitan area, we finished a difficult process of intergovernmental cooperation between the three jurisdictions to form a single regional construction project in getting the communities to support the $29.5 million bond levy for our share in May of last year. Needless to say, the community was shocked and dismayed when we learned of the $3.8 billion level of appropriation. At this level for two years, the construction will cost an additional $12 million of Federal and local dollars. This is perceived as a failure on the part of the Administration, EPA, and the Congress to honor its commitment to fund activities mandated on the communities and to move expeditiously with the improvement of water quality.

Being a financially responsible community, we immediately investigated the possibility of pre-spending our own local bond money against future allocations to reduce these inflationary costs. It is not allowed by the law. State investigations of a bond program to start getting these systems on line was curtailed for the same reason.

As I hope you can see, this is an untenable position for my community, and many others in similar situations. The credibility of the whole program is jeopardized, especially in those States which have kept good faith with the intent of Congress. The NLC, in supporting the $3.8 billion level of appropriation and extension of three years of reallocation, does so with one big contingency. This is the request for your support of changes by the authorizing committee that will allow the loaning or other temporary shifting of the unobligated funds to those States prepared to obligate them.

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I would also recommend the changes be made which will allow the individual projects to spend their own funds against future allocation so we do not lose so much to inflation. This could include the ability of States to provide early funding through bond programs to be recovered later. Another change that our State feels would be of value is the ability to make allocations on a flexible basis rather than fixed 75/25 percent. There is some feeling that maybe the dollars could be stretched further, providing lower percentage on more projects within the State. This would not alter the Federal cost but simply allow more flexibility to the States.

Thank you for your time and attention to this matter.

Mrs. BOGGS. We thank you very much, Councilman Delay. We have heard from other witnesses about the difficulties that have been endured by those States and localities which have had voter participation and met their commitments and are ready to comply with the mandatory regulations which you, too, felt you were in the process of doing.

I would like to correct one figure of yours. There is $8 billion in unobligated funds, which gives this Committee great pause on what we should do about the program.

Also, in the waste water treatment, the $5 billion was not really appropriated funds, not a real commitment.

Mr. DELAY. I understand that, and I understand the unobligated carryovers and the fiscal problems that the Government has to face. The problem for us is that we have to plan, based on the figures that are provided to us, and they have changed. A lot of States are not in that situation. I think more States can get in that situation, but any little incremental change back here, with the allocation formula the way it is now, results in enormous impacts in unpredictability to the local communities. It is an extremely difficult situation for us, and I think it is a problem for the entire program.

Mrs. BOGGS. It is very valuable to us, too, to know the practical considerations at the local level. We are grateful to you for sharing them with us.

Mr. Sabo?

Mr. SABO. No questions.

Mrs. BOGGS. Thank you very much, Councilman Delay.

NATIONAL SCIENCE FOUNDATION

WITNESSES

PANEL REPRESENTING AMERICAN COUNCIL ON EDUCATION, ASSOCIATION OF AMERICAN UNIVERSITIES, AND NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES:

SHELDON HACKNEY, PRESIDENT, TULANE UNIVERSITY

C. PETER MAGRATH, PRESIDENT, UNIVERSITY OF MINNESOTA

MORTIMER H. APPLEY, PRESIDENT, CLARK UNIVERSITY

Mrs. BOGGS. Next, representing the Association of American Universities, we have Sheldon Hackney, Peter Magrath, and Mortimer Appley. Sheldon Hackney is the President of Tulane University, my alma mater, and on which President's Council I sit. I know he

is highly qualified to talk to us about the appropriations for the National Science Foundation. We are very pleased, of course, to have President Magrath, of the University of Minnesota; and President Appley, of Clark University.

Welcome, gentlemen.

STATEMENT OF MR. HACKNEY

Mr. HACKNEY. We all appreciate being here, and your time in listening to us.

Let me begin by saying our testimony is on behalf of the Association of American Universities, the National Association of State Universities and Land-Grant Colleges, and the American Council on Education.

Practically all of the nation's basic research and related graduate training is done in the member institutions of these three associations and almost all of the undergraduate teaching as well.

Let me briefly summarize our point of view on the fiscal year 1980 National Science Foundation budget.

Mrs. BOGGS. Would you like your full statement to be placed in the record?

Mr. HACKNEY. We would appreciate that, yes. President Magrath will briefly address our concerns with regard to the state of scientific instrumentation and equipment on campuses across the nation. Then President Appley will address two issues, cost-sharing and the limitation imposed last year on faculty salaries supported by the National Science Foundation. Then, we would be glad to respond to questions.

[The statement follows:]

Testimony before
HOUSE APPROPRIATIONS SUBCOMMITTEE OF HUD-INDEPENDENT AGENCIES

Mr. Chairman and Members of the Committee:

My name is Sheldon Hackney; and I am President of Tulane University. Let me first introduce my colleagues who will also be speaking to you this morning. Peter Magrath is President of the University of Minnesota, and Mortimer Appley is President of Clark University. Our testimony is on behalf of the Association of American Universities, the National Association of State Universities and Land Grant Colleges, and the American Council on Education. Practically all of the nation's basic research and related graduate training, plus most of our undergraduate education, is carried out in the member institutions of these three organizations.

I will briefly summarize our views on the FY 1980 NSF budget. Then President Magrath will address our concerns with regard to the State of our scientific instrumentation and equipment. President Appley will address two issues: (1) cost sharing and (2) the limitation imposed last year on faculty salaries supported by the National Science Foundation. Then we will be pleased to respond to your questions.

BASIC RESEARCH SUPPORT

We want to take this opportunity to commend President Carter in a difficult budget year for sustaining the investment in strong basic research programs in the National Science Foundation and across the leading mission agencies. In a time of rising inflation, President Carter has prudently assigned a high priority to strengthening basic research. We agree very strongly with that decision. We

note some of the major causes of this nation's high inflation and our present economic predicament. Our economy is suffering from a reduced rate of increase in productivity. It is essential that we increase our rate of productivity if we are to promote our economic growth and to offset the wage increases which otherwise directly spur inflation. Also, our competitive edge in world markets is dependent upon our exports. Basic research has a direct effort on all of these problems. Basic research is the spur to increased productivity and technological processes. It is a major contributor to our economic growth. Basic research, we believe, is an essential investment if we are going to retain our world markets and achieve continued growth without excessive inflation.

The President's budget was designed initially to address the decline in support of basic research over the decade from 1968 to about 1978. Last year and this year he has proposed budgets which would allow for a little real growth government-wide. However, since January, estimates of inflation have been revised, and we fear that now even the President's budget will not provide for real growth but, at best, may help us to stay even in real dollars. To do anything less than that now is to invite further continuation of the difficulties in basic research, over the longer term, that will in turn threaten the nation's economic strength.

No single measure presents a complete picture, but figures from the National Science Foundation for the period from 1968 to 1978 point up the reasons for our concern:

- Research and development as a fraction of the federal budget has gone down 40 percent

- Basic research as a fraction of the federal budget has gone down 25 percent

- Research and development as a fraction of the gross national product has gone down 20 percent in the United States, while it has risen 15 percent in the U.S.S.R., 16 percent in West Germany, and 20 percent in Japan.

- Basic research as a fraction of the gross national product has gone down 21 percent.

- Investment by industry in basic research as a fraction of net sales has gone down 24 percent.

- The fraction of scientists and engineers in the labor force engaged in research and development has gone down 13 percent in the United States, while it has risen 55 percent in the U.S.S.R., 59 percent in West Germany, and 62 percent in Japan.

- In addition, between 1967 and 1976, there was an inflation rate of 74 percent, but R&D expenditures lagged 10 percent behind inflation.

It has been said that federally supported basic research is a capital investment in the national future. That is a view with which we completely agree. We would add that a sustained commitment by higher education to excellence in research and training is itself vital to our national interest. Only the federal government can provide for the stable, predictable support that is essential to the conduct of economic and productive basic research and training programs, programs which also are essential to the successful pursuit of the mission of the federal government.

A major weakness in our science policy has been the vascillation in attitude toward the responsiblity of the federal government for basic research. This committee will decide whether the prolonged period of disruption and stagnation will be continued, or whether essential stability will be restored to the system that produces vital scientific and technological capital for the nation.

Some critics point out that we are spending more now for basic research than ever before. It is true that in constant dollars we have returned to a level of investment equal to that of fiscal year 1968. But a decade has passed, and today we are a larger nation, with a larger, more complex economy.

Some also argue that we have no problem because, in current dollars, we still are outspending our foreign competitors. In that regard we must remember that unlike the United States, some of our leading competitors, especially Japan and Germany, spend little on research and development for defense while they concentrate on programs to increase their economic growth and productivity. The basic research programs funded by the National Science Foundation and several similar agencies are our investment to meet that competition.

Our competitors understand the need to keep up with ever accelerating change. We cannot assume that our present edge in some areas of science and technology can be held in the face of severe challenges that are now being mounted by other countries. We face the real possibility of further erosion in our scientific and technological leadership in many areas. Our future ability to compete will depend on our abilities to produce and to develop new knowledge and to educate and train people to the highest level. Our national competitiveness rests upon the spectrum of basic research and related training programs that are funded by the mission agencies, and particularly by the National Science Foundation.

In a talk given to the National Academy of Engineering on November 2, 1978, Dr. William J. Perry, Under Secretary of Defense for Research and Engineering, expressed his concern that America is in danger of losing its technological leadership. He said,

> The impact of innovation in the U.S. balance of trade is illustrated by the performance of both R&D-intensive and non R&D-intensive industries examined in the period from 1960-1976. According to Department of Commerce reports, the R&D-intensive industries produced a $5.9 billion positive trade balance in 1960, while corresponding non R&D-intensive industries had a negative $179 million balance. In 1976, the trade balance of the R&D-intensive industries grew to a positive $29 billion, while the non R&D-intensive produced

> a $16.5 billion deficit. Imagine the impact on the balance of payments, the strength of the dollar, inflation--our national economic well being--if R&D intensive industry were not producing a sizeable inflow of international trade to offset the costs of imported oil and the negative balance in other sectors.

We need look no further than the present crisis we face with respect to energy to see the price we pay for short-changing our nation's investment in the search for new knowledge. Our present situation is a paradoxical one. There are major and accessible sources of fossil energy within the United States and North America. There are also essentially inexhaustible alternative sources of energy - geothermal, solar and fusion - and yet we are unable to utilize these to solve our present urgent needs. Why? Simply put, we lack the knowledge, the basic understanding, and the new technology. We must develop new knowledge and new technologies, and decades will be required to do this.

The President's recent Message to the Congress on Science and Technology points out the need to reduce the budget deficit while at the same time providing for a margin of real growth in the federal investment in basic research. These are not contradictory positions. They are closely related. For out of basic research will come our future industrial innovation and growth and more efficient, less costly uses of labor, energy, equipment, and better health and improved national security. These in turn will enable future administrations to reduce still further the federal deficit. If we fail, however, to make the needed investments in the search for new knowledge, future deficits may only grow larger.

Therefore, Mr. Chairman, we urge the Subcommittee this year to respond to the Administration's request and to provide the support requested for basic and applied research programs of the National Science Foundation. We also urge your continued support for the undergraduate and graduate science education

programs of the Foundation. Excellence in science training is the very foundation for our future technological growth.

Two of the most pressing problems confronting the nation's scientists are the deterioration and obsolescence of their scientific instrumentation equipment and facilities and the lack of career opportunities for young researchers.

PRESIDENT PETER MAGRATH, UNIVERSITY OF MINNESOTA

Instrumentation and Equipment

Before I comment on some of the specific appropriation proposals, I would like to try to give this Subcommittee a feel for something that is happening in Minnesota. It's extremely difficult to pin down in any concrete way, so I hope you will bear with me and not demand too much in the way of hard evidence. For a whole array of reasons, we in Minnesota are seeing a greatly increased understanding and appreciation of scientific research on the part of public policy makers and our state agencies. Some of this may be attributable to Minnesota's Science and Technology Project, funded under NSF's State Science, Engineering, and Technology program, which I am pleased to see re-authorized by the House.

We would like to believe that University efforts to better inform the public and their elected representatives have much to do with this improvement, but it's clearly more complicated than that. Legislators are paying much more attention to the problem of maintaining basic scientific capabilities, so that the problem-solving activities among state government people and University researchers can be developed responsively, and so that Minnesota's economic development can continue to grow with its emphasis on agriculture and high technology.

This awareness of research has been a relatively recent development -- over the last four or five years -- and I suspect Congressman Sabo might agree with me that the reliance on and support for, scientific research out in the districts may well be stronger than is always apparent in Washington. I cannot speak for other parts of the country, but I believe firmly that my institution is in better shape to respond to state and national research needs than at any time in recent memory. We need a continued flow of new people, new ideas, and new tools, and I'd like to turn to these more specific aspects of the appropriations issues facing this Subcommittee.

First, there is perhaps no more pressing immediate problem than the deterioration and obsolescence of our scientific instrumentation and equipment. It is widely recognized that the base of equipment built during the late 1950's and through the mid-1960's has now begun to age and to wear out in many of our best science laboratories. It is also true that the cost of sophisticated instrumentation has risen sharply in recent years, requiring the development of new arrangements to share very high cost equipment. One such approach is the NSF Regional Instrumentation Program, which has begun to establish specialized instrumentation centers that will facilitate the shared use of very high cost equipment and instrumentation. This is a program we fully support and we urge that the $4.8 million requested for it in FY 1980 will be provided.

Of perhaps even greater importance to the health of science, the conduct of scientific research, and the training of the next generation of leaders in science and technology is the erosion of the middle range of scientific instrumentation. These sometimes are called the "work-horse" instruments of science, and they are essential to a well equipped university research and teaching

laboratory. While the costs of many of these instruments have markedly increased in recent years, they generally are less expensive than the unique and very high cost facilities found in the regional instrumentation laboratories. Modern, mid-range instruments and equipment are essential to the conduct of individual research projects on campus and to the training of graduate and undergraduate students. Without them, entire lines of scientific investigation are closed, the base of scientific research shrinks, and the quality of training for students is diminished.

Scientists find it increasingly difficult to obtain support for their equipment. In response, some tend to be more conservative in their research programs and to be less innovative in developing research proposals. When that happens the entire system slips below capacity.

Between 1966 and 1974, the proportion of NSF project grant funds spent on permanent equipment dropped from about 11.2 percent to 6.7 percent. In 1979 (11.5 percent) support for equipment will surpass 1966 levels for the first time. NSF data for this period show, however, that the proportion of research funds for equipment from some other leading agencies declined or remained at low levels. For example, the proportion of NIH project grant funds allocated for permanent laboratory equipment declined from 11.7 percent in 1966 to 5.8 percent in 1978. In 1977, the Basic Energy Sciences Programs of the Department of Energy allocated 6.0 percent of their funds to equipment; in 1979 equipment support declined to 3 percent. Between 1970 and 1978, the Office of Naval Research allocated less than 5 percent of basic research funds to instrumentation and equipment.

All of this happened at a time when the sophistication and associated costs of individual instruments was rapidly rising. As a result, many university laboratories have fallen victim to creeping obsolescence. We are are unable to keep pace with developing instrumentation, and our students often are being trained on obsolete and often malfunctioning equipment. In addition, costs to

maintain equipment have risen rapidly, further pressuring already strained university budgets. In the appendices to our statement are several brief statements from researchers at the University of Minnesota and from several other universities that confirm the problem.

I should point out that Minnesota's legislature has recognized our state's stake in helping to solve the equipment problem by providing $500,000 this year for research equipment replacement, but this is only a small fund which at best can only address emergency situations. A reasonable depreciation formula applied to our equipment would require about $6 million a year more.

Spokesmen from American industry have indicated to us their concern about this, and we understand that some are beginning to restrict their recruiting to universities which have state-of-the-art equipment. Our ability to compete technologically with other nations will be seriously handicapped if we do not maintain a broad and sufficient flow of graduates who are familiar with the latest techniques and scientific advances that come from working with up-to-date instrumentation and equipment.

Studies conducted for the National Science Board and others on the health of science in this country have reported that the deterioration of instrumentation is a major threat to the continuing vitality of basic research. Last year, for example, The State of Academic Science, a report by Smith and Karlesky, clearly showed that deterioration of equipment and instrumentation is of great concern to our scientists. This conclusion was reinforced in Research Universities in the National Interest: A Report from 15 University Presidents. I was one of those presidents, and we pointed out that as long ago as 1971 it was estimated that $275 million was needed to remedy then existing deficiencies in our research equipment. Instead of closing that gap, federal support plummeted in constant dollars from $168 million in 1966 to $34 million in 1974 (Science Indicators, 1974).

We strongly urge the S. committee to provide the funds necessary to permit upgrading of our instrumentation and equipment. Only a sustained commitment to that reinvestment strategy proposed by the Administration will provide the base of instrumentation and equipment necessary to sustain productive science through the years ahead. It is also essential that the NSF commitment to excellence in instrumentation and equipment not be sustained at the expense of the programs of the mission agencies. If the NSF program is supported at the expense of the mission agency programs, the problem will remain. Only a combined effort by NSF and the mission agencies will do the job.

Young Faculty

The instrumentation and equipment problem is both immediate and chronic. In the coming decade, we will face a second, perhaps more difficult, problem. That is, how will we provide for that second essential ingredient for progress: a steady flow of new ideas? We need to ensure a continuous flow of talented young faculty to the nation's leading science, engineering, social science, and, I would add, humanities departments. The 1980's, however, promise to be a decade marked by declining enrollments, low faculty turnover, and an aging faculty. It will be a period of sharply diminished career opportunities for even the brightest young faculty. Already it seems clear that there will be relatively few opportunities for newly trained young scientists and researchers who want to begin teaching and research careers. If we are to insure a productive research enterprise in the mid-1990's, it seems we may need to invent some new and temporary means to insure a continued flow of the most highly trained young people into the nation's universities. Otherwise, the next decade will witness an absolute decline in the scope and scale of our nation's intellectual capabilities.

We are pleased that the Administration and others have recognized the seriousness of this problem. Dr. Frank Press, the President's science advisor, Dr. Richard Atkinson, Director of the National Science Foundation, and Dr. Philip Handler, President of the National Academy of Sciences, are aware of it. We understand that studies are now underway in NSF and the Academy. In addition, the Association of American Universities is conducting a survey of its members to gather additional information which we trust will be useful in developing targeted solutions.

Analyses already completed indicate that this may not be a large scale problem which will require vast sums to solve, but the seriousness and complexity of the problem demand our attention, thorough analysis and careful planning. We will support and assist in these efforts and will keep this Committee and your staff informed about them.

Graduate Student Support

In conclusion, I want to turn briefly to the NSF fellowship and traineeship programs. Competition for NSF graduate fellowships is keen. This year only one out of thirteen applicants will receive a fellowship. Graduate fellowships are budgeted at the reduced FY 1979 level of $10.8 million. NSF estimates that only 425 fellowships will be awarded in FY 1980 - down from 500 just a few years ago. An additional 1,500 applicants will be awarded "honorable mention," a designation apparently intended to attract other forms of support. In addition to the decline in the number of fellowship awards, no adjustment has been made for eight years in the fellowship stipend ($3,900) and in the cost of education allowance ($3,400). Both have been significantly eroded by inflation, and adjustments are long overdue.

The NSF graduate fellowships in science and engineering are the only awards now offered by the federal government for the support of graduate students which are based on a national merit competition. They represent an important symbolic commitment of the federal government to excellence in graduate training, and they are an important source of support for our most talented students.

Here again, I would be remiss not to call attention to the Minnesota legislature's efforts to provide state monies for graduate education. As federal support for graduate students began to decline drastically, the Minnesota-based Bush Foundation provided a five-year grant of $2.5 million to pick up the slack in graduate fellowships. That grant has now phased out, and, as planned, the legislature is providing $700,000 a year to maintain a minimal level of fellowships across the University. I do feel that it is appropriate to have state legislatures providing some of this support, but I do not believe that a state government can, or should, provide full fellowship support, and I know that most states find it impossible to provide any fellowships at all. We urge the Committee to restore the number of NSF fellowships to at least 500. We also recommend an adjustment in the stipend rate to at least $6,000 and an increase in the cost of education allowance to $5,500.

The programs for minorities, women, and the physically handicapped in science are important initiatives, and we fully support them. We ask the Committee also to sustain your support for the undergraduate science education programs and to protect them from further cuts and inflationary erosion.

Let me now introduce President Mortimer Appley of Clark University.

STATEMENT BY PRESIDENT MORTIMER APPLEY, CLARK UNIVERSITY

Mr. Chairman, I will briefly address two items of special concern to us: (1) the limitation imposed last year on the rate of pay for investigators under

NSF grants, and (2) the mandatory cost sharing requirement.

NSF Pay Cap

Last year the National Science Foundation FY 1979 Appropriation Act placed a limit on the maximum rate of compensation paid to investigators supported by NSF, at a level equal to a GS-18. The Conference Committee Report (No. 95-1596) included the following provision:

> Provided further, that none of the funds provided by this Act shall be used to pay an investigator, through a grant, at more than the maximum rate paid for GS-18, unless expressly approved by the Director of the National Science Foundation.

The Act provided for an exemption at the discretion of the Director of the National Science Foundation and required him to inform House and Senate Appropriations Committees of such exemptions. However, we understand that no exemptions have been granted this year, other than cost of living adjustments for the states of Alaska and Hawaii.

Last year, Mr. Chairman, this Committee wisely opposed the imposition of this requirement. We thank you for your support and applaud your leadership on this issue. We urge that you hold to last year's position and again oppose this requirement for the following reasons:

If the purpose of the provision is to secure modest savings of NSF funds, then it fails to serve its purpose. The bookkeeping and budgeting difficulties posed for institutions in implementing the requirement far outstrip the small savings that are likely to result. But more important, this legislation is ill advised, in our view, because it will weaken the ability of our leading research universities to compete for, to attract, and to retain the scarce, highly talented faculty who are the nation's leaders in our search for new knowledge.

One of the most important rewards used by universities is the conventional one of salary. In this provision, however, the Congress seems to be saying to universities through the National Science Foundation that salary is no longer an acceptable reward for attracting and holding truly outstanding faculty. This is indeed a dangerous signal for Congress to send. Should this provision be retained and become widespread among federal agencies, the qualtiy of the nation's best universities soon will be placed in direct jeopardy.

Universities compete worldwide with each other and with business, industry, and others for the very best scientists and scholars. The salary ceiling would require the nation's best universities, which also tend to have the highest faculty salaries, either to subsidize the knowledge-building process or to impose partial salary reductions on the very best faculty who happen to have NSF grants. There is almost no clearer way for the Congress to discriminate against excellence in research. If faculty should begin to seek research support from other sources than their universities and federal agencies, our greatest research universities may be seriously weakened.

We need to look no further than some neighboring foreign universities to see what happens when faculty salaries are keyed to civil service salaries. When salaries have been tied to civil service salaries, the brightest and most productive minds in many of these universities have split their efforts between the universities and other outside funding sources, and research productivity has fallen below internationally competitive levels. It would be tragic indeed to see such a development here.

We fear that the provision reflects a serious misunderstanding by the Congress of what is required for a university to stay scientifically competitive in a rapidly inflationary age. All universities are in financial difficulty and

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continue to trim budgets and consolidate programs in order to protect their areas of excellence. The limitation imposed last year seems directly targeted at making their efforts to protect excellence even more difficult. We commend the Subcommittee for your understanding of this issue, and we hope you will again this year lead the effort to eliminate this imprudent provision.

Cost Sharing

The HUD-Independent Agencies appropriation bill has for some years required cost sharing on the part of the research institutions funded through the HUD-Independent Agencies Appropriation. Over the years, several national commissions have recommended ending the mandatory cost sharing requirement for research institutions. The Commission on Procurement, the President's Bio-Medical Panel, and the Commission of Federal Paperwork have all recommended an end to this provision. The provision was not included in the President's budget request, and last year Dr. Frank Press, the President's Science Advisor and Director of the Office of Science and Technology, wrote to the conferees on the appropriation bill urging that they delete this provision from the Senate bill.

The argument in support of deleting the provision is essentially the same as that made by the Procurement Commission in 1972:

> The government R&D procurement process thus suffers from increased performance costs, increased agency administrative costs, and a consequent decrease in the federal research yield per dollar expenditure. Above all, these restrictions in the system do nothing to increase the total yield that research performs; they merely rearrange it in a bookkeeping fashion, at considerable cost.

Mr. Chairman, we want to express our appreciation to you and to the members of this Subcommittee for your support of the view that this provision imposes an unnecessary and costly burden on research institutions. We seek your continued support for its removal.

PRESIDENT SHELDON HACKNEY

Conclusion

In summary, we urge your support for the investment strategy proposed this year for the basic research programs of the National Science Foundation. We also want to call your attention to the broad support which this strategy enjoys this year across all of the major higher education associations and the scientific community as well. On April 17, forty higher education associations sent a joint statement to the Congress in support of the 1980 investment strategy for basic research. We commend that message to you and request that a copy be included as part of our testimony in the hearing record.

Mr. Chairman, we want to thank you and the members of the Committee for this opportunity to present our views to you. We will be happy to respond to your questions.

APPENDICES

Statements from Researchers on Instrumentation and Equipment Needs

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Ronald Geballe, Dean of the Graduate School
University of Washington

The University's equipment needs are large and are directly related to the kinds of programs offered by the University (the depth of these programs ranging from lower division undergraduate instruction to post-doctoral training), the need for the University to be at the crest of new technological and program developments including the responsibility for new technology development, and the impact of new and changing programs themselves. Current funding is not sufficient to replace a portion of existing inventories let alone meet needs associated with the University's distinctive research mission. Since equipment is generally viewed by individual faculty in a more or less non-recurring fashion, it is the first place one goes to find flexibility as budgets are squeezed. The real need for new and replacement research equipment is at least $10 million per year to assure high quality research and research training at the state-of-the-art level.

Clauston Jenkins, Executive Assistant to the Chancellor
North Carolina State University

A major equipment problem faced in our chemistry laboratories is shared in common by many crystallographers throughout the nation. In the 1960's x-ray crystallography was developed into a major structural tool for complex organic molecules. Today, the ultimate structure proof for an organic structure is a single crystal x-ray analysis. This revolution was due in part to the development to computer controlled x-ray diffractometers. However, the first workers in this field are now stuck with outdated machines, machines which cost $100,000 to replace. Some of these machines (Pickers) are no longer manufactured. Others (early Syntex PT) were prototype machines and contain components that cannot be replaced or repaired. Our machine was the first Syntex PT delivered. It was purchased with University funds. In the last ten years we have developed a very productive x-ray laboratory. Now the diffractometer and its computer are in need of extensive repair. It would be more practical to buy a new more advanced model, but federal agencies are not funding x-ray diffractometers. We are, therefore, left with a very strange situation. The pioneers of a very important technique are being forced out of their specialty because of lack of equipment.

Reuben H. Lorenz, Vice President and Controller
University of Wisconsin

In recent years the UW System has become increasingly concerned about its inability to adequately provide the kinds of equipment needed for today's teaching and research programs and, more specifically, its inability to keep pace with the need to replace worn out and functionally obsolete equipment now on hand.

One may ask, though, "What are the effects of this situation on University teaching programs?" A few examples may help add perspective. In the civil engineering programs at Madison, students who take land surveying courses are forced to use instruments which are at least two generations behind present-day instrumentation standards. In many chemistry and physics programs, calibration and measuring devices are often not only in inadequate supply, but they are

frequently obsolete by present-day standards. Microscopes, a basic equipment tool for biology programs, often are in such short supply that they must be shared by several students. This wastes students' time and limits the amount of lab work each can perform.

A related growing problem is the extra time and cost required to maintain and keep serviceable equipment that has approached or really outlasted its useful life. Many departments report that an excessive amount of staff time (including that of faculty who are employed to teach students) is required to attempt to keep in working order equipment that is literally obsolete but which must continue to be used.

E. F. Masur, Department of Materials Engineering
University of Illinois

In spite of occasional and inadequate equipment grants, the equipment presently available to my department is based predominantly on what was purchased more than ten years ago, and under circumstances which precluded an explicit research commitment. As a result, the departmental equipment, already inadequate for research purposes from the start, is becoming increasingly obsolete. Moreover, with the deletion of all equipment funding by the State of Illinois in the 70's, it is also wearing out. It is reasonable to expect that it will soon start to break down and, most significantly, that it will all break down at the same time. There is very little doubt that, barring an infusion of new equipment funding, we are heading toward a catastrophe.

Individual examples of our inability to carry out needed research are too numerous to specify without long and discursive detail. Perhaps the most striking example, however, is the problem which occurred about a year ago when it was discovered that steel girders in the Dan Ryan Expressway exhibited sharp and catastrophic cracks, which led to the temporary closing of the Expressway. This department was prepared to offer its services to the City to study the phenomenon, to analyze it, and to recommend a remedy. It was prevented from doing so by the absence of modern equipment to measure the fracture toughness of the steel girders. Although it was clear to the members of the department that the failure was due to a combination of fatigue and faulty welding, the department was unable to justify its conclusion on the basis of experimental evidence whose production required equipment which was not available.

Other, more sophisticated, examples abound. The work of Professor A. B. Schultz in the analysis and therapy of human spinal pathology (scoliosis, work-related injuries, etc.) has attracted world-wide attention. Nevertheless, Professor Schultz has been unable to carry out certain types of work for lack of modern automatic high-speed recording equipment. The same holds for research related to the effect of impact on the propagation of waves in elastic and non-elastic media; this type of work is significant in assessing the safety of automobiles, airplanes, etc. under crash conditions.

D. C. Spriestersbach, Vice President for Educational Development and Dean
The University of Iowa

Selected comments from departments who are requesting new equipment:

"We have . . . an electron microprobe which was purchased in 1963 and is now clearly obsolete in terms of both hardware and current research applications."

"The equipment we now have is, by comparison with the state-of-the-art, a low resolution instrument and, since it lacks a computer driven low temperature stage, is not applicable to the study of frozen samples. To have this capability would very definitely open up new research windows for a number of investigators."

". . . has indicated to me that we have need of a cytofluorograf for individuals who are doing research in cell biology, neoplastic disease, immunology and hematology. This new instrument has great application for research in these areas and possibly other areas as well. It represents a significant new advance and most major institutions who are doing significant cancer research now have this piece of equipment. He indicated that he thought it essential for us to have this instrument if we are to remain competitive with our grant applications in these areas, particularly in the area of research in hematology."

"There are now five additional laboratories with an urgent and immediate need for expanded microscope research facilities in this department."

"The capability that I have described as desirable for consideration would improve and expand the research capabilities of a number of investigators throughout the University. Furthermore, the equipment identified seems difficult or impossible to supply through existing grant programs."

"This is the latest state-of-the-art advancement in x-ray crystallography. It will allow, under optimum conditions, a structure to be determined in as little as a week's time, instead of the more usual six months to a year required on other equipment."

"There are a number of major items which are needed to keep our research efforts competitive with the state of the art research currently under way at other first rate academic institutions."

"The Cytofluorograf™ (ortho Instruments) or 'rapid flow through cytofluorometer-cell sorter' is a relatively new and highly versatile research tool with applications as diverse as EM and which is totally lacking at this University. Here, too, is a great need for an instrument in order to compete with other first rate institutions and their research."

"Needed is a separate computer dedicated to the research and development of data retrieval systems, that would be used in long term and on going analysis of biomedical data and/or records used in research."

"The second request . . . is for a new gas chromatograph/mass spectrometer that will allow us to keep pace with modern techniques and also provide assay capabilities not now available."

John Wallace, Associate Dean of the Graduate School
University of Minnesota

The research, both basic and applied, which the nation needs can be effectively done only in a setting in which investigators have access to state-of-the-art instrumentation and equipment. This necessary equipment is steadily becoming more powerful and more expensive, generally too expensive to be purchased on an individual research budget. And some agencies, even in funding large projects, require that their funds go into personnel and not into equipment. The result is that the university's capital of equipment is becoming seriously out of date and inadequate. Here are some examples. The professor who provided the example is in each case identified to the right.

(1) Biochemistry - Victor Bloomfield

As analytical instruments become both more powerful and more expensive, we need to establish centralized facilities where investigators from all over the university can have access to state-of-the-art equipment without an unduly large bite being taken out of any individual research budget. A very successful example of such a facility is the high resolution gas chromatograph-mass spectrometer on the Saint Paul campus. This was bought largely with Ag Experiment Station funds, is run by a full-time technician in the Department of Biochemistry, and is open without charge to all users from the University of Minnesota or State agencies. The purchase price was about $100,000 and the expected lifetime is about 10 years. This, added to a running cost of about $25,000/year, gives an annual cost of $35,000. For this, the facility in an average year runs about 2,000 samples, for about 60 different research groups from 25-30 departments or agencies. Thus the cost/user is quite small, and the productivity is enormous. The free use encourages novices, who will soon get into the habit of using the most appropriate methods rather than relying on old, inefficient ones. Probably the most desperate current need at the University of Minnesota, particularly on the Saint Paul campus, is for a medium field, multi-nuclear NMR spectrometer, whose purchase and operating costs would be about 50% greater than for the gas chromatograph-mass spectrometer, but whose use and applicability would be even broader. One simply cannot do modern chemistry or biochemistry without such an instrument, and we don't have one.

(2) Chemical Engineering - H. T. Davis

It became clear to Professor Scriven and me three years ago that we needed wide and low angle x-ray scattering equipment if we were

to perform optionally on the research project we have with the Department of Energy (DOE). We discovered that the University does not have small angle x-ray facilities and has only near obsolete wide angle facilities. The latter are in all cases slow and inconvenient and in many cases inaccurate. In spite of the fact that x-ray data are important, in some cases definitive, to research going on in chemistry, biochemistry, geology, chemical engineering, medicine, forestry, food science and nutrition, and other fields of research at the University, the University does not have adequate x-ray facilities. The cost of a modern facility with the necessary wide and low angle capabilities is about $140,000.00.

The Geology Department tried recently to obtain NSF funding for a wide angle facility, but it is my understanding that they were turned down. DOE, which supports Professor Scriven and me at a rate of about $280,000.00 per year, informed us that they prefer putting their money into personnel, not equipment. Their attitude is typical among funding agencies, an exception being the grossly underfunded instrumentation allocation of NSF.

Professor Scriven and I finally equipment persuaded DOE to let us divert for x-ray $20,000.00 of our current grant. The Department of Chemical Engineering contributed $15,000.00 that it can ill afford toward purchase of an x-ray facility to serve the entire university. Then a halfdozen faculty from as many departments were able to get $30,500.00 from the Graduate School Research Funds. A newly appointed professor, Steve Wellinghoff, is negotiating currently with the University Administration for $30,000.00 to complete the facility to the point that he can use it. We are still about $50,000.00 short of the purchase price of the facility we need.

The difficulties we are having are typical ones faced by university facilities in trying to keep abreast with modern research and teaching needs. In fact, the money we have managed to put towards the x-ray facility have been at the expense of other obligations. I hope something can be done at a national or state level to release more funding for capital equipment.

(3). Chemical Engineering - L. D. Schmidt

Research on surfaces requires use of many newly developed electron and photon spectroscopies. Acronyms for the better known are AES, XPS, UPS, LEED, and SIMS. In addition, morphological features and spatial composition analysis require state-of-the-art electron microscopy (instrumental for the type produced only within the past few years) and several of these can be economically combined in a multipurpose instrument costing typically $250,000. An important aspect of surface science and catalysis research is the development of new experimental techniques. The cost of the hardware for such a project would be comparable to those listed above. Computer interfacing for data acquisition costs approximately $100,000, and is also prohibitively expensive.

Individual research grants (I have two from NSF and one from PRF) are simply incapable of providing instrumentation on this scale because most money must go for students, supplies, and maintenance of existing equipment. Consequently my six students must compete with better equipped U.S. industrial laboratories and foreign laboratories. I now believe that instrumentation facilities and specially instrumentation development are being done more in foreign countries than in the U.S.A.

My laboratories have equipment almost exclusively from the late 1960's (three simple Auger spectrometers, four mass spectrometers, and one LEED apparatus). As new techniques become available (such as electron loss spectroscopy, EXAFS, and angle resolved photoemission), I have to hope that my modes of experimentation will not become totally obsolete. The rapid progress in surface science makes this at best a gamble.

(4) Electrical Engineering - Lorne Chanin

In the Electrical Engineering Department at the University of Minnesota, research investigations have been conducted by two senior faculty for approximately twenty years on the subject of low-energy, low-density gaseous plasmas. This effort has been highly successful in terms of the production of students, extensive publications, and the amount of government support which the two principal investigators have consistently been able to bring to the University. During this period there has never been a time when government contracts did not support the investigations. In spite of the fact that the studies are conducted in such a way that they are internationally competitive with other research groups, much of the support equipment which is used is outdated. As an example, a leak detector, which is used routinely, was purchased in 1958. New test equipment such as oscilloscopies have not been purchased due to the lack of funds for this purpose for the past ten years. NSF and other government agency sources of support have not provided adequate capital equipment funding in recent years to enable the steady replacement of obsolete apparatus. The cost of refurbishing the laboratories with modern equipment is estimated to be approximately $350,000. It is interesting that much of the basic equipment used in this laboratory was acquired through NSF and DOD agency funding obtained almost twenty years ago. The level of University support has seriously diminished during this period. It is most unfortunate that advanced Ph.D. candidates (tomorrow's technological leaders) are often trained in U.S. universities using out-of-date equipment and apparatus. It is no wonder that the U.S. is losing to other countries the technological superiority which she has enjoyed for such a long time!

(5) Electrical Engineering - R. J. Collins

The present instrument capabilities or rather lack of specific capabilities is affecting the Electrical Engineering Department in both teaching and research functions.

In the teaching area, when compared to other large schools, our teaching laboratories are out of date. One example is the lack of time-shared, dedicated computer terminals for our students. This lack of terminals seriously degrades the educational experience of our graduate since it limits the exposure to computer techniques. By comparison, the Electrical Engineering Department at Purdue University, with approximately 900 students in the sophomore, junior, and senior classes, has dedicated, for use by EE students, approximately 95 terminals. In the Department of Electrical Engineering at the University of Minnesota, with 500 upper division students, we have none.

In the area of research/graduate teaching, only one group presently uses computer-controlled experiments in their activities. Data in most of the laboratories is recorded by hand. In addition, the new technologies available in surface physics and quantum electronics have seriously affected the type of proposals that can be written by the University of Minnesota.

As an example, in connection with the research activities in the laser annealing of ion bombarded silicon (a publication has appeared within the last month), we do not have the lasers to carry out the experiments to verify theoretical modeling now completed. The cost of a Nd YAG laser costs approximately $25,000, which is more than can be funded on small NSF proposals.

The research on isotope separation has been hampered in its progress by the absence of dye lasers, whose costs are in excess of $15,000 and again, cannot be purchased on single grants.

Even the surface Physics Group, once the dominant group in the country, is severely limited by lack of equipment. The modern equipment of molecular beam epitaxial systems is not available on this campus. Their large cost makes them also prohibitively expensive when viewed from the aspect of single research proposals.

(6) Materials Science - William W. Gerberich

a) Upon arriving at the University of Minnesota in 1971, it was recognized that there was a deficiency in mechanical test facilities. There were three screw driven Instron machines in all of the Institute of Technology with an average age of 20 years, none of which could do much more

than routine tensile testing. Only one feedback control, hydraulic test facility existed and this was a million pound compression system largely dedicated to Rock Mechanics research in Civil and Mineral Engineering. Because of the deficiency, a slightly obsolete unit was purchased at a large discount from MTS (Materials Testing Systems Inc. in Eden Prairie) in 1973 for approximately $20,000, the current replacement cost being about $50,000. This alleviated the situation temporarily.

Currently, we have seven Ph.D. students (four of whom have passed their orals and two will be taking them soon) doing research on fatigue and fracture of metals and polymers. There is no conceivable format for which these students will be able to conduct their research in an efficient way, particularly this summer when T.A. and classroom demands subside. In addition, we have repeated requests from Mechanical Engineering, the Medical School, the Dental School and outside sources for use of closed-loop test facilities where fatigue or dynamic testing is of particular interest. One positive example is in the orthopaedic area where one of my students, Mr. Neville Moody, assisted Professor Art Erdman of Mechanical Engineering and Dr. Williams of Orthopaedic Surgery in fatigue of sheep ligaments.

A negative example is the fatigue evaluation of new railway components for a local manufacturing concern. We simply placed the testing at such a high dollar figure that the customer could send his components to Chicago for evaluation. It was simply not feasible to tie up the existing facility and a Graduate student's time. This is not an isolated case. In the past several years, we received about a half dozen referrals from both MTS Corporation and Twin City Testing since the former does not do contract testing or evaluation and the latter does not have a closed-loop, feedback control system. To exacerbate the situation, we have had three controllers and two valves in for repairs over the last several years. The point is that the single test machine available has already and will continue to suffer multiple breakdowns, beyond what is normally experienced in such test systems. Thus, because of workload, repair frequency and obsolescence factors, it is imperative to obtain replacement costs for this facility at the earliest possible date.

a) Metallography Facility. Metallography at the University of Minnesota used to be a separate discipline and was the main area of research in the 1920's and 30's. Since about 1950, however, the situation gradually deteriorated. By about 1974, the optical microscopes had all either decayed or disappeared (several by theft.) Although we obtained three small bench microscopes for classroom use in 1975, these

are not adequate for a laboratory class of 15-20 students. In addition, these have zero photographic capability. For optical micrographs, there is a Bausch and Lomb Metallography that is about 25 years old. It might have cost several thousand dollars as it has a good horizontal bellow. In contract to this, however, there are modern Quantimet systems which automatically quantify linear intercepts, volume fractions of second phases, grain sizes, etc. Such a system with a large screen video capability could greatly augment teaching metallography to a number of students simultaneously. Such a facility I recently viewed at General Motors cost $150,000. It is clear that our undergraduates are obtaining training on equipment that is an order of magnitude deficient. Beyond that, our graduate students have consistently produced substandard metallography for journal publication, partly, if not totally due to the optical microscopy equipment which is available. This reflects not only on the individual student and Professor, but on the Department and University reputation as a whole.

(7) Mechanical Engineering - E. Pfender

I feel that over the past years we have lost ground at the universities as far as up-to-date instrumentation and equipment is concerned. In particular, we have not been able to take full advantage of new electronic developments for upgrading our research facilities. In the following, I am listing some examples, of course, from my own perspective and involvement in research in the use of plasmas in mechanical engineering applications.

A. Instrumentation and Equipment

1) Data acquisition systems including micro-processors
2) Data processing equipment (mini-computers, graphic systems)
3) Oscilloscopes (for data storage)
4) Spectrometers with automatic scanning
5) Vacuum pumps (molecular pump) and vacuum measuring equipment
6) Laser systems (for velocity measurements and diagnostics in plasmas

Estimated cost: $100,000

(8) Mechanical Engineering - David Kittelson

Professor Kittelson is particularly interested in the improvement in the design of internal combustion engines from the standpoint of efficiency and the emission of pollutants. A limitation is

the difficulty in simulating service operating conditions in a laboratory setting where adequate instrumentation can be brought to bear in assessing performance. To provide appropriate conditions would require:

a)	Chassis Dynamometer	$25,000
b)	Sampling System for Air Pollution Measurements	$25,000
c)	Instrumentation	$25,000

D. J. Zaffarano, Vice President and Dean
Iowa State University

Our College of Veterinary Medicine moved into a new building complex about three years ago, and about one-half of the equipment in the College was purchased at that time. The total value of the equipment is estimated to be $5,716,000. The equipment allocation from State funds from the College of Veterinary Medicine in FY '79 is $25,000. This means that the present inventory of equipment can be replaced once every 228 years! We must depend on federal grants for support to purchase equipment using the latest technology for biomedical research.

The definition of general purpose equipment versus scientific is not consistent among government agencies. The two categories may or may not require prior approval for purchases. We must keep track of definitions and regulations which in some cases require approval for purchases over $100, in other cases over $300.

I would like to call your attention to the research equipment assistance program used at Iowa State which has been the subject of an "Important Notice" issued by the National Science Foundation to our universities. Our concept of sharing research equipment (with initial value over $1,000) is working very well. We estimate that over 85% of all requests for borrowing equipment are honored. Several other universities have received our procedure guides and are emulating the system.

Mr. HACKNEY. Our major purpose is quite simple. It is to applaud President Carter's desire to continue to invest in basic research even in these inflationary times and to urge you to support his budget request for NSF in fiscal year 1980, which is, let me point out, up 11.8 percent in its support for basic research as compared to fiscal year 1979.

Let me also emphasize that the 1979 and 1980 budgets for basic research would reverse 10 years of decline in Federal Government support for basic research as a fraction of the Federal Government budget. Between 1968 and 1978, support declined by 40 percent, and I think that is going to have severe effects in the future.

Our appearance here is not mainly one of self-interest but because of our perception of the national interest. One of the major tools to use against inflation is increased productivity throughout our economy, and basic research in the long run is the key to increased productivity. Basic research can help in the efforts, for instance, to right the balance-of-payments deficit. The Department of Commerce figures show R & D intensive industries are net exporters while non-R & D intensive industries are net importers. Basic research is a necessary prerequisite to research and development in industry. The people who do research and development in industry are generally trained in basic research in colleges and universities across the country.

One example is the critical area of energy, I think. We are really unable to tap fully the major sources of exhaustible energy—solar, geothermal, fusion. We lack either a basic understanding of the processes involved or the proper technology. It will take literally decades of very sustained and intensive efforts to make the necessary progress. This is a point that I think is made very cogently in the President's message on science and technology.

Therefore, we urge the Subcommittee this year to respond to the Administration's request and to provide the support for basic and applied research programs in the National Science Foundation budget.

We also urge you to continue support for the undergraduate and graduate science education programs of NSF because excellence in science training is the very foundation of future technological growth.

Two of the most pressing problems confronting scientists across the country are the deterioration and obsolescence of their scientific instrumentation equipment and facilities and lack of career opportunities for young researchers. President Magrath will tell you more about these.

STATEMENT OF MR. MAGRATH

Mr. MAGRATH. Thank you, Madam Chairman, and Members of the Committee.

I would like to emphasize that the concern that we have with the NSF appropriations as they pertain to research are not concerns based on what universities need, because it is funding for the universities, but because the universities are instruments to accomplish certain basic national objectives in the area of science and

technology. That is why we care, as we know this Subcommittee cares and gives its time and attention to this part of the fiscal 1980 budget.

I would like to make a couple points. One is that, contrary to what we might sometimes assume, I believe there is considerable evidence that there is interest in the area of science and technology. I can speak most particularly about my State of Minnesota. In my State the State policy-makers have, in recent years, shown a great deal of interest in the state of science and technology. In fact, our Minnesota State Legislature has had a very vigorous and effective project on science and technology funded in substantial part under one of the NSF programs which stimulate this which has been reauthorized by the House of Representatives.

The point of all of this is in our State we have a very high level of interest in what happens in technology. I think it is perceived as a shared endeavor on the part of State policymakers, certainly the University of Minnesota, and the Federal Government. I think it is perceived as something in which the stakes are very high in the state of our economy. We are slipping behind in the international arena in terms of our capability to compete.

That is a very serious problem. I think it can be documented in part. In part, it can be documented only after the fact, and after the fact we play catch-up, and that is a much more expensive game for all of us in dollars and in terms of national interest than trying to stay abreast of what is going on in science and technology.

I think that point of national interest and national perception on the part of key policmakers at various levels of government is one I ask you keep in mind as I am sure you do.

My second set of comments has to do with support for the instrumentation part of the President's recommendations with regard to the NSF budget. And, again, the basic point is amply documented, but it is simply that we are becoming obsolescent in terms of our scientific equipment. We can document this at the university I am privileged to represent, as we can at the other universities that are represented at this table here today.

In one long sentence, we have under-utilized capacity because our equipment is falling behind. I don't believe that is exclusively a Federal responsibility, but I think it is a shared responsibility. Our own Minnesota State Legislature has in the past moved in the direction of support here, but our equipment is in bad shape; it is going to get in worse shape. It is expensive. I am speaking particularly of what we refer to as the workhorse-type equipment, the middle-level-type equipment.

For some of the extraordinary pieces of equipment, NSF has an effective regional instrumentation program where we can all draw on it and not have needless duplication.

I will stop with those comments. I think the testimony speaks for itself. I truly believe that the national interest in some subtle and not so subtle ways is involved in these areas of the budget request. With those comments I would like to turn to my colleague, President Mortimer Appley, who represents Clark University in Western Massachusetts.

STATEMENT OF MR. APPLEY

Mr. APPLEY. Thank you. Madam Chairman. I have one comment to make and two items of special concern.

The comment is in regard to a Memorial authorized by this Congress at Congressman's Boland's request to a man who earned his Ph.D. at Clark and was on the faculty for 29 years. His long, often frustrating, dedicated work led to one of the proudest chapters in American history.

Robert H. Goddard's research is the kind of innovation that has made our nation great and remains an investment of vital importance to the Congress and the nation. I think the essence of our testimony here is to address that issue.

There are two items that are of very special concern that are noted in my written testimony.

The limitation on the rate of pay of senior researchers and the mandatory cost-sharing requirements, the so-called pay cap, affect very few, but usually it affects the most outstanding investigators. Its net effect in discouraging leadership among the most outstanding and more senior of our investigators is self-evident, and we would urge that this particular item be dropped. I know this Committee did not favor it originally.

The cost-sharing requirement is likewise neither cost-effective nor wise. The monitoring costs are heavy both for the Government and the research institutions, and these efforts and costs are at the expense of the research efforts. Given limited amounts of funds, they should be in support of the research activities rather than the paraphernalia associated with bookkeeping changes that are not supportive of the research effort.

Neither the pay cap nor the mandatory cost-sharing is in the national interest, and we appreciate your efforts in the past, and we hope in the future, to have these dropped.

Thank you very much.

Mr. HACKNEY. In summary, let me say we urge you to support the investment strategy that is in the NSF budget request for fiscal year 1980. I also would like to call your attention to the fact that this urging for support enjoys very broad support across the intellectual community in the U.S., that is, universities and science societies. On April 17, 40 such organizations came together to draft a message to that effect, and I would like for this to be entered with our testimony, if that is possible.

[The information follows:]

46-106 O - 79 - 41

Basic Research
1980 Investments in the Future

A Joint Statement to the Congress
April 17, 1979

The 40 undersigned organizations and leaders of the nation's universities, colleges, research scientists, and engineers urge the Congress to support the principles of stable, balanced, and controlled investment in federal basic research programs as they are represented in the FY 1980 budget proposals for these programs in the National Science Foundation and in several mission agencies. We also urge Congress to insure funding levels for the research programs of the National Institutes of Health (NIH) consistent with the principles of stable, balanced, and controlled growth. We do so for the following reasons:

The nation's investments in basic research have produced a rich legacy for our country and for the world. The search for knowledge has brought many achievements: the elimination or control of dread diseases, such as poliomyelitis and tuberculosis; improved prevention and treatment of mental and behavioral problems, such as mental retardation and alcoholism; technology of momentous economic and social importance, such as the transistor, the computer, and the laser; discovery of new materials; revolutions in the production of food; and development of the education and advanced training programs that are the very foundation for progress.

In the late 1960's and early 1970's, the nation experienced a long period of decline in real dollars in the level of investment for long-term basic science. In the search for quick solutions to pressing problems, funding policies sought immediate answers at the expense of stable, predictable support for the pursuit of knowledge. Now it is time to renew the nation's commitment to excellence in basic research.

We commend the Administration for proposing a broad strategy designed to produce sustaining and balanced national policies for advancing science and technology. The FY 1980 budget proposals for the National Science Foundation and for several mission agencies are important and necessary steps toward a controlled, coherent investment policy for the nation that would help to regain momentum in the search for new ideas, for new knowledge, and for solutions to the economic, technological, and social problems that confront our society. We need to know more if we are to maintain our economic growth, stimulate productivity, reduce inflation, promote our international competitiveness, protect our environment, meet energy demands, improve health, advance education, and

guarantee national security. We do not currently have the knowledge base to meet these long-range objectives. Sustained national investment in the development of new knowledge and highly trained people is essential if our nation is to retain world leadership in science and technology. There must be balanced, sustained support for fundamental research across all fields of science to meet these challenges.

The basic research budgets for the National Science Foundation, in combination with the ones proposed for many mission agencies, are important starts; but they may barely sustain the nation's research enterprise at current levels. It should be pointed out that a government-wide increase of only about nine percent is proposed for basic research and that inflation has substantially increased since the President's budget was proposed. If the broad investment strategy now proposed by the President is adopted by the Congress and continued and protected in future years, that foundation of new knowledge which the nation needs to meet the challenges of the 1980's and 1990's can be built.

In one critical research agency, the National Institutes of Health (NIH), the budget fails to provide for needed stability. The funding recommendations for NIH research programs would result in cutting in half the number of new basic research awards to university-based and other researchers. Such sharp cuts would terminate promising programs, disrupt the research careers of highly talented young investigators, and discourage others from pursuing such careers. We urge Congress to insure stability for NIH research programs consistent with the government-wide investment strategy of sustained, balanced, and controlled growth.

The effectiveness of federal basic research programs is measured not only by their size, but also by the quality of the tools they provide to researchers and by the effectiveness of agency policies, procedures, and priorities in promoting flexibility, innovation, and the willingness to take risks. The 1980 investment strategy would help stimulate research productivity by beginning to replace and upgrade the aging instrumentation and equipment in our research laboratories.

We also commend the Administration for its commitment to keep research productivity from being further compromised by excessive and unreasonable record keeping and reporting burdens which damage the research environment. We urge the Congress to help insure that administrative requirements are carefully formulated, and simplified wherever possible, so that the fundamental purpose of the federal investment, productive research, is not lost in the pursuit of ever more precise management.

Our national investment strategy must maintain and protect a balanced research structure in which universities, industry, and government all play a part. Government funding and regulatory policies should safeguard the freedom of each sector, encouraging it to perform those roles particularly suited to it. Ways further to improve joint research activities between universities and industry should also be encouraged.

Organizations

American Association for Clinical Chemistry

American Association of Community and Junior Colleges

American Association of State Colleges and Universities

American Association of Dental Research

American Council on Education

American Institute of Biological Sciences

American Physiological Society

American Psychological Association

Associated Colleges of the Midwest

Association for the Advancement of Psychology

Association of American Medical Colleges

Association of American Universities

Association of Catholic Colleges and Universities

Association of Governing Boards

Association of Jesuit Colleges and Universities

Council of Graduate Schools in the United States

Council for Advancement and Support of Education

National Association of Independent Colleges and Universities

National Association of State Universities and Land-Grant Colleges

National Society for Medical Research

Society for Neuroscience

Committees

Board of Public and Scientific Affairs of the American Society for Microbiology

Executive Committee of the Council of Scientific Society Presidents

Officers

Walter E. Blessey, *President*
American Society of Civil Engineers

Truman Botts, *Executive Director*
Conference Board of Mathematical Sciences

Peter B. Boyce, *Executive Officer*
American Astronomical Society

Truman Cook, *President*
National Council of University Research Administrators

Russell R. Dynes, *Executive Officer*
American Sociological Association

John H. Hammer, *Associate Secretary*
Linguistic Society of America

Eugene L. Hess, *Executive Director*
Federation of American Societies for Experimental Biology

Mahlon B. Hoagland, M.D., *Spokesman*
Delegation for Basic Biomedical Research

Evron M. Kirkpatrick, *Executive Director*
American Political Science Association

Edward J. Lehman, *Executive Director*
American Anthropological Association

Orval L. Lewis, *President*
American Society of Mechanical Engineers

Joseph J. Martin, *President*
American Society for Engineering Education

Mary E. Rice, *President*
American Society of Zoologists

William J. Russell, *Executive Officer*
American Educational Research Association

John G. Scandalios
Society for Developmental Biology

Robert M. Solow, *President*
American Economic Association

Federico Welsch, *Chairman, Governmental Affairs*
Association of Independent Research Institutes

For information call:
John C. Crowley
Director of Federal Relations for Science Research
Association of American Universities
(202) 466-5030

Thank you very much for your time and attention. We would be glad to respond to questions.

Mr. BOLAND. Thank you very much. We appreciate your presence, all three of you. I am familiar with Clark University, and we appreciate your reference to the Goddard Memorial. All of us know he was the father of rocketry, and I think a lot of the credit for memorializing him at Clark University should go to the Congressman from that area, Joe Early.

You do have an outstanding university. We share your concern over the pay cap restriction to GS–18.

What is your answer to the statement that we ought not to be paying the salaries of college professors as investigators? How long is an investigator kept on? What is the average length of an investigator's responsibility to the institution?

Mr. APPLEY. I think in many cases we are talking about varying lengths. We are also talking about professors whose summers are available to do research, who would go into industry, or do other things if they were not able to support themselves and their family during the summer. This is the time of maximum effectiveness where they may carry on a research project during the year and spend an intensive period in the laboratory redirecting it and refocusing it in the three or four months of the summer available to them. That traditionally has been the time they spend their efforts there.

Mr. BOLAND. Is the opportunity afforded now to go into private industry as great as it was a few years ago?

Mr. APPLEY. Certainly at this level it is. We are talking about relatively few people who earn beyond $47,000. Those are highly treasured individuals.

Mr. BOLAND. Though there has been a diminution in basic research and applied research in private industry, that doesn't affect the type of individual you speak about?

Mr. APPLEY. That is right.

Mr. BOLAND. How burdensome is cost-sharing to the institution?

Mr. APPLEY. It is the monitoring of distribution of efforts that is probably the most difficult, where we have to allocate and reallocate effort on the part of the individuals, and the space allocation. We are a dynamic institution. These things constantly change. In order to monitor them effectively for the auditors, we are constantly expending survey funds. Perhaps some of my colleagues of the larger institutions may comment.

Mr. MAGRATH. Mr. Chairman, this is a dreadfully complicated question and one that has attracted a lot of attention on the part of HEW.

Mr. BOLAND. Even trying to figure the formula is dreadful, isn't it?

Mr. MAGRATH. Yes, sir, and basically the problem is that we are wasting money in trying to prove that we are doing what Congress and the Federal Government want us to do. My personal belief is that the proof of the pudding is still in the eating and that the best way to monitor what is going on is to look at results that come out of this activity. Clearly we need accountability and some checks, but we waste an incredible amount of time on paperwork monitor-

ing at my university, and I am sure that is true across-the-board. The issue is avoiding cost inefficiency through excessive paperwork.

Mr. BOLAND. I think the Subcommittee shares that concern. I suggest you do some "missionary work" in another part of this building, in the next few weeks.

Mr. MAGRATH. Yes, sir, we understand your advice.

Mr. BOLAND. We are delighted to have all of you here. You do represent some great universities. How old is Clark?

Mr. APPLEY. It was established in 1887.

Mr. BOLAND. What is the enrollment?

Mr. APPLEY. About 3,000 total. We are small.

Mr. BOLAND. For the benefit of our guests, it is in Massachusetts, and I am proud of it, just as Mrs. Boggs is proud of Tulane, and Mr. Sabo is proud of the University of Minnesota. I don't know whether they chose the three of you to testify because the three of us sit on this Subcommittee?

Mr. HACKNEY. It is completely fortuitous.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. I would like for President Hackney and the others to note that even though the commitment to basic research seemingly has gone down in the last several years that this Committee and the Chairman, in particular, has always been extremely supportive of that effort.

Mr. HACKNEY. We realize this and appreciate it very much. I think it is good for the Government and the country.

Mrs. BOGGS. Mr. Chairman, I have heard some of these difficulties expressed before in the President's Council meetings, and I can assure you they have a great deal of validity.

Mr. BOLAND. We are delighted to have two new additions to this Committee, the distinguished gentleman from Minnesota, who is no neophyte in public service, Martin Sabo, and also Ben Stewart, from the State of Illinois.

I am delighted to yield to Marty Sabo.

Mr. SABO. I have no particular question, but rather an observation. It strikes me that Federal funding in support of basic research is probably more legitimate than some of the other things we could ask for on the behalf of the institutions of higher learning.

Mr. HACKNEY. I think we all agree with that. The cost involved and the long lead time involved with basic research makes it impractical for the support to come from any other source, and it is vital to the future of the country.

Mr. MAGRATH. I agree with you, Mr. Sabo. We are dealing with a national issue and a national interest on a shared basis, and we represent national institutions as well as institutions that are based in Massachusetts, or Louisiana, or Minnesota. I think Congress, and certainly this Subcommittee, historically has really understood this and tried to help under the constraints everybody has to operate. It is a national interest question, and if Congress doesn't look after it, I am not quite sure who will.

Mr. BOLAND. Mr. Stewart?

Mr. STEWART. Mr. Chairman, I don't have any questions. I would like to make a request that should you find a way of computerizing all the paperwork that you have there, pass it on to us, because there is no institution with more paperwork than the Federal Government.

Mr. BOLAND. We had a select committee to solve the paperwork dilemma in the Federal establishment, and I think they probably added to it.

Gentlemen, thank you very much. It was delightful to have you.

NEIGHBORHOOD REINVESTMENT CORPORATION

WITNESSES

HOWARD I. SCAGGS, PRESIDENT, THE AMERICAN NATIONAL BUILDING AND LOAN ASSOCIATION OF BALTIMORE CITY
HON. JOSEPH RILEY, JR., MAYOR, CITY OF CHARLESTON, S.C.
CLARISSA WALKER, RESIDENT, SOUTHSIDE NEIGHBORHOOD HOUSING SERVICES OF MINNEAPOLIS, INC.
WILLIAM D. PLECHATY, CHICAGO CONTINENTAL BANK

Mr. BOLAND. Our next guests are Howard Scaggs, Joseph Riley, Jr., and Clarissa Walker. William D. Plechaty was unable to be here as originally scheduled.

Mr. Scaggs, you are the spokesman, I take it. We will put the statements in the record as you presented them to the Committee. Why don't you highlight them?

[The statement follows:]

Prepared Statement of Howard I. Scaggs

Statement of Howard I. Scaggs

In the latter part of 1973, two men from the staff of the Federal Home Loan Bank met in Baltimore with several small groups of people to explain a new concept in housing to be known as Neighborhood Housing Services (N.H.S.). The object was to form a non-profit organization composed of representatives from city government, financial institutions and community residents for the purpose of rehabilitating a selected neighborhood, to stop and reverse deterioration and restore pride of ownership. Such an organization was to be a pilot project, completely private enterprise, locally operated, funded and controlled.

The question at that time was "Is the success of such an organization feasible?" After all, deteriorating neighborhoods were a decades-old problem. There were a great many programs from all levels intended to attack this problem, with much expertise and huge sums appropriated. But deterioration still ran rampant. The challenge seemed formidable, and, yet feasible. Perhaps local people, working together in one neighborhood, in a cooperative spirit, rediscovering that people helping people, could succeed.

The two Federal Home Loan Bank staff people aforementioned, the forerunner of the Urban Reinvestment Task Force, now the Neighborhood Reinvestment Corp., once having planted the seed of N.H.S., could offer little else except hope, advice and encouragement. But they would be the catalyst in guiding the groups, organizing the first workshop, spending whatever time necessary and being always available to help create the Baltimore N.H.S.

And so, in April, 1974, a three-day workshop produced the framework of Baltimore N.H.S.; officially incorporated in September, 1974, it began field operations on January 2, 1975.

It was not possible at that time to realize, in spite of growing enthusiasm and much planning, that this small group, in four short years, would encompass two large areas of Baltimore City, employing dozens of people, affecting thousands of residents, generating six million dollars in loans, revitalizing whole neighborhoods, returning vacant, boarded-up housing into attractive residences, producing tax revenue where once they were liabilities, and most important, restoring pride of ownership. See Appendix A.

No wonder, that after only eighteen months of operation, the then Housing Commissioner of Baltimore City publicly announced "There is no program where we have gotten more benefit for the dollar spent than N.H.S. In contrast to other public programs, the people in N.H.S. see themselves as the motivating factor. Government is not looked on as a cornucopia, but as a resource for limited and temporary assistance." That Housing Commissioner was Robert C. Embry, Jr., now Assistant Secretary of H.U.D.

During the initial field operations, it was possible to identify more specific problem situations and through the help of the Urban Reinvestment Task Force, a number of innovative programs were developed in addition to rehabilitation, for example

a. Funds for the high risk, non-bankable loans were always in short supply. By encouraging several local commercial and savings

banks to buy participations in existing high risk loans, Baltimore N.H.S. created what is probably the first secondary market in high risk loans. A system of service charges was worked out whereby the banks paid N.H.S. to service the loans, thereby initiating a fund to help N.H.S. become self-sustaining.

b. An arrangement with the City of Baltimore whereby the many vacant houses were restored and marketed by N.H.S. By providing new living space, the potential displacement problem became simply a replacement procedure.

c. In a great many investor-owned properties it was found that the tenants could, with N.H.S. help, afford to own the property that many of them had rented for years. Thus began the Tenant Conversion Program in Baltimore. See Appendix A.

d. For those families who could not own or prefer to rent, the Neighborhood Rental Services was formed to assure quality rental units, either community-owned or owned by responsible landlords.

e. As the workload increased and new programs were initiated, the N.H.S. staff became experienced and were recognized as having expertise in their activities. This expertise invited the Baltimore Housing Department to enter into a contract with N.H.S. whereby N.H.S. staff persons would process applications for loans through city controlled programs, such as Homesteading and City Rehabilitation programs, with an appropriate fee system.

f. Once a house has been rehabilitated, there must be some

assurance it will be maintained, particularly for those on small incomes. There was created, then, the Home Maintenance Program which performs most minor home repairs for elderly and handicapped homeowners for a very nominal fee.

g. An ongoing training program, not only for our own staff, but open for city, state and federal representatives who wish to learn our procedures.

h. Programs in code enforcement, counseling, referral, utilization of public and private loan sources, plans and specifications, contractor bidding, etc. See Appendix B.

All of the above projects have been developed with the advice and encouragement of the Neighborhood Reinvestment Corp., which, on occasion, granted small sums of seed money in order to fully develop processes which could be used in other cities. Indeed, many of the programs are used as models for developing other N.H.S. programs across the country.

While initial funding for operations of Baltimore N.H.S. was provided by six local savings and loan associations, the Urban Reinvestment Task Force, now Neighborhood Reinvestment Corp., arranged with the Ford Foundation to provide a 2-1 matching grant to begin the high risk loan fund. Continuing support for Baltimore N.H.S. is now provided by twenty-one savings and loan associations, ten commercial and savings banks and eight mortgage insurance companies, not only with funds, but with actual involvement of officials on N.H.S. boards and working committees.

While the results produced in a very short time can be considered truly amazing, even beyond the highest hopes and expectations of its

originators, the most incredible result is that it has been accomplished with exceedingly small budgets, proving that the leverage of each dollar spent yields benefits many times over.

In every N.H.S. office across the country, it was cause for celebration when, last October, the Congress mandated the graduation of the Urban Reinvestment Task Force to the Neighborhood Reinvestment Corp., particularly the recommendations for reasonable, though low, budget appropriations. It was disappointing, therefore, when actual initial appropriation was smaller. However, it was, in all, a good beginning to meet the tremendous demand and expansion of the N.H.S. concept nationwide. Consider, there are now eighty-seven N.H.S. projects on line in seventy-four cities across the country. The N.H.S. concept really works. It is a proven fact. As national awareness of N.H.S. grows, so does the demand. The momentum is now strong. The potential for operations in hundreds of American cities is real and currently without limit.

In view of the foregoing, it is my considered opinion that the proposed budget appropriation for the Neighborhood Reinvestment Corp. is quite modest. As an average citizen, may I observe that the sum is a fly-speck in the totals to be considered by this committee. There must be hundreds of appropriations to be considered where sums are destined to be spent on one-time, non-productive items, mostly forgotten in short order. Now we come to consider the financial health of an organization that proves its productivity year after year, growing in magnitude, with a service high in demand with a momentum which must not be weakened, returning high yields on little capital, infused with a dedication of purpose and enthusiasm unparalleled in the government process. It must have the tools

to do the job.

I do not speak lightly of the Neighborhood Reinvestment Corp. It now is not only the catalyst for this great N.H.S. movement, it is the very backbone of all that is done and will be done. It must remain strong if all American cities are to experience revitalization.

In conclusion, may I add the thought that words do not necessarily convince; evidence is needed. This evidence is abundant, but perhaps no more abundant than in Baltimore, just a few miles from Washington, D. C. Housing officials from many American cities and a number of foreign countries have visited Baltimore N.H.S. Just as important, a number of tours were conducted for members of both Houses of Congress and their staffs, to see for themselves that what we say is indeed in place. We enjoy showing the proof and consequently, cordially invite members of this committee and staff members to visit us in Baltimore N.H.S. and see a working, all American city.

Thank you for the opportunity to present this statement. I will be most happy to remain at your service for any additional information you may require to look favorably on our recommendations.

APPENDIX A

NHS PROGRESS REPORT
1975 - 1978

PATTERSON PARK NHS

VACANT HOUSE TREATMENT

	1975-1977	1978 To Date	Total
1. Homestead Rehabilitation	25	3	28
2. City Vacant House Rehabilitation	39	6	45
3. City Demolition of Unsafe Vacants	15	2	17
4. NHS Marketed Private Purchase and Rehab	39	15	54
Total:	118	26	144

HOME OWNERSHIP PROMOTION

	1975-1977	1978	Total
Home purchases by neighborhood tenants	161	62	223
Home purchases by "Back to the City" buyers	59	24	83
Total:	220	86	306

SAMPLE BLOCKS OF INCREASED HOMEOWNERSHIP

	1975	1978
2300 Block E. Fayette		
Investor Owned	23 (95%)	4 (17%)
Owner Occupied	1 (5%)	20 (83%)
Total:	24	24
2400 Block E. Fairmount Ave.		
Investor Owned	13 (68%)	4 (21%)
Owner Occupied	6 (32%)	15 (79%)
Total:	19	19

MORTGAGE AND HOME IMPROVEMENT LENDING

	1975-1977 Loans Amount	1978 Loans Amount	Total
1. Financial Institution Loans	209 - $2,330,300	100 - $1,386,715	309 - $3,717,015
2. City Rehabilitation Loans & Grants	57 - 804,900	25 - 429,155	82 - 1,234,055
3. NHS Loan Fund Loans	114 - 551,720	48 - 349,605	172 - 901,325
Total Loan Summary	380 - $3,686,920	173 - $2,165,475	563 - $5,852,395

TOTAL LOANS - 563 - $5,852,895

NHS Baltimore ~ an overview

APPENDIX B

1. What is NHS?

NHS is people in partnership - neighborhood residents working with financial, business, governmental and philanthropic leaders.

2. How does an NHS program get started?

Through a year long development process, neighbors organize their community, state their needs, and request the participation of the other partners.

3. What do we believe?

The partnership philosophy is people in cooperation rediscovering principles that work. By each doing what they do best, each partner participates to reverse decline and blight at the neighborhood level. The formula is:

1) neighborhood resident direction
2) fair and sensitive enforcement of City Housing Codes
3) increased public reinvestment
4) increased homeownership and home improvement
5) expanded loan availability
6) flexibility, by all the partners taking a fresh look.

4. What does NHS do?

Through small, locally-based staff, the NHS partners:

1) target code enforcement and public reinvestment
2) encourage neighborhood organizing
3) provide home improvement estimates and advice and assistance in obtaining reputable contractors
4) offer potential borrowers counseling and referral to Savings & Loans and Banks, to public loan sources, and to the NHS revolving loan fund.

In addition, NHS in Baltimore operates coordinated homeownership programs which:

1) help tenants to become homeowners
2) market severely blighted properties to buyers from throughout the urban area, and promote a positive image within the community and a stronger neighborhood identity city wide.

5. Are there other specific services that have developed?

In order to solve particular problems, creative solutions have been developed. Baltimore's innovative programs are:

City Loan Services which provides for special and more personal processing of public rehabilitation loans directly in each neighborhood.

Home Maintenance Services which offers minor home repair for elderly and handicapped homeowners at a minimal fee.

Neighborhood Rental Services which develops neighborhood resident control of programs to assure quality rental units, which are community-owned or owned by responsible investors.

Realtor Involvement Program which encourages responsible professional real estate sales of low-priced properties through estimating and lending services to professionals in real estate sales.

Joint Projects focus public and institutional attention to problems beyond usual NHS capabilities, such as large scale vacant buildings and lots, commercial and industrial properties, and the location of public facilities.

6. What do NHS and all these programs accomplish?

We are proud that we are a unique private, public technique to effectively and sensitively stabilize neighborhoods. We are serving housholds and have assisted both new and long term homeowners. NHS is determined to set high standards of rehabilitation. Our goal is to recreate our neighborhoods to a high quality and a permanence of neighborhood change.

NHS Baltimore has been widely recognized for its successes and today is serving as a national model being replicated in cities across the country.

NHS works because it is people in partnership.

APPENDIX B

1978 PROGRAM HIGHLIGHTS

The twelve months of 1978 reflect significant change and growth in the programs of Neighborhood Housing Services of Baltimore. The highlights of the year include:

1) the unparalleled expansion to two neighborhoods, Govans and McElderry Park

2) the development of Neighborhood Rental Services, a unique method for assuring quality, affordable rental housing

3) the expansion of the marketing and homeownership efforts to include the Realtor Involvement Program, a joint effort with the Greater Baltimore Board of Realtors

4) the creation of a three board structure with a Central Board and two neighborhood Boards of Control

5) the opening of new offices in Govans and the establishment of a temporary office for the Central Board

6) the creation of an exciting new approach to home up-keep for elderly and handicapped homeowners - the Home Maintenance Program, supported by HUD and the Ford Foundation

7) the re-organization of City Loan Services, a program to facilitate rehab loans at low interest rates

8) the expansion of the necessary staff to meet these new demands

9) the return to traditional program activity in expansion neighborhoods - code enforcement, sanitation and neighborhood clean-ups, block grant/capital improvement requests

10) the identification of target neighborhoods in Govans and in McElderry Park

11) the successful continuation of the program of tenant conversion to homeownership

12) development of other responses to specific neighborhood needs (i.e., pharmacy loan, involvement in health center)

13) the completion of initial involvement in Butchers Hill with Southeast Development, Inc.

14) the recognition of a newly defined maintenance phase for stabilized sections of the community, especially Baltimore-Linwood and parts of Patterson Place communities

15) the recognition of our consulting and training role with the Urban Reinvestment Task Force, now known as the Neighborhood Reinvestment Corporation

16) the initiating of the Section 8 rent subsidy program in the neighborhoods

17) the hosting of dozens of tours and visitor groups, expecially the National Commission on Neighborhoods and the Trustees of the Ford Foundation

Mr. SCAGGS. Mr. Chairman, as you noted, Mr. Plechaty, of Chicago Continental Bank, was unable to make transportation arrangements to be here this morning, but his written statement will be presented to the Committee.

I want to extend my appreciation for the unique opportunity to testify on behalf of a unique corporation, that is, the Neighborhood Reinvestment Corporation, which always, in my mind, has been synonymous with what is known over the country as the Neighborhood Housing Service program.

I was privileged to be called upon to help organize one of the earliest NHS projects in late 1973 in Baltimore, Maryland. I served as chairman for the first four years of operation, having been elected to that place by the community residents. After many months of organizing and incorporating into a nonprofit body, we actually began operations January 2, 1975, with a meager budget, made up mostly of promises, but with a lot of hope and enthusiasm.

Because our allotted time here is short, I cannot go into the detail of the trials and tribulations of the program, nor of its many recorded successes, but I would like to recite just a few of the latest facts of our NHS program in Baltimore.

In just four short years, starting absolutely from scratch, NHS-Baltimore generated almost $6 million in loans and employs now dozens of people and provides work for hundreds more. It has expanded four times and now encompasses two very large areas of Baltimore City. It has converted deteriorating neighborhoods into attractive residences, and, most important of all, it has restored in these communities private ownership, which was lacking before.

The NHS-Baltimore was instrumental in winning for our city the All-American City Award for 1977. In September, 1978, Baltimore, because of its housing policies, was selected for honors by the International Association of Housing Officials composed of representatives from 57 countries around the world. I was privileged to accompany our Mayor to Germany to participate in the presentation.

Many times, we in Baltimore wonder how it all happened, and how it was possible, and the answer to that is quite clear. It is because a few years ago representatives of what is now Neighborhood Reinvestment Corporation espoused a concept that said that the American people, working together, can accomplish almost anything they want to. Because these representatives were convinced of this concept, we became convinced, and because they were enthusiastic, we became enthusiastic, and because they demonstrated a superb dedication, we, too, became dedicated.

With all the sincerity I can muster, Mr. Chairman, I would like to say, without this corporation 87 NHS projects in 74 cities across the nation would not be enjoying the revitalization they are now experiencing. There are literally thousands of American cities where this concept will work, because this Corporation really produces.

Sir, I suggest that the proposed budget for Neighborhood Reinvestment Corporation is meager at best, considering the potential that it has around the nation. The least we can do is heartily recommend and support it.

Thank you, sir.

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

STATEMENT OF MS. WALKER

Ms. WALKER. Honorable Chairman, distinguished Committee Members, I am a resident of Minneapolis, Minnesota. I have been a resident of a neighborhood for 25 years, and in that 25 years have watched my neighborhood slowly decline. There have been many programs, Federal programs, State, local, and even other nonprofit programs, but somehow those programs could not meet the needs of the residents, and because of that, our neighborhood did decline.

Along came a concept of the Neighborhood Reinvestment Corporation, and we were able to use the framework to develop a partnership, to tailor-make a program to fit the needs of my neighborhood. I maintain that everyone is a resident of a neighborhood somewhere and that either through personal disasters or natural disasters there will come a time you will need the services of a program like this. So today I humbly ask you to believe me, to believe in the concept, to support that concept, and perhaps join the partnership so that we can extend this type of program all over America.

Thank you.

Mr. BOLAND. Thank you very much, Ms. Walker, for a very persuasive statement. It is rather easy to follow that persuasion when you speak with such emotion and with such conviction, too, for one who has been closely associated with this.

[The prepared statement of Ms. Walker follows:]

Prepared Statement of Ms. Clarissa Walker

Honorable Chairman, and members of the committee. It is an honor for me to appear before you and tell of the experiences of a resident's involvement in an effort that developed into a successful program. I am that resident.

The Neighborhood Reinvestment Corporation, formerly known as the Urban Reinvestment Task Force came to Minneapolis, Minnesota with a concept that developed into an educational process. Because of their technical assistance, through many workshops and work of committees, we were able to develop a strategy to upgrade and stabilize our community.

In our neighborhood there was increasing distrust between the residents, financial institutions and the various levels of government. Efforts of progress were stunted because of the various differences in these groups. The Neighborhood Reinvestment Task Force gave our neighborhood the framework that allowed the concept of a partnership to develop. As a resident in the selected target area who had watched the neighborhood decline while the rate of absentee ownership was increasing. There were very few commitments from the local government or the lending institutions. I felt frustrations to the point of being locked into a situation of hopelessness. The neighborhood partnership concept promised to turn this around. Fear preceded cooperation. But many meetings were held until finally a non-profit corporation was established. Gradually you could feel the confidence being restored to the residents. A Board of Directors

was elected, made up of 10 residents, 3 financial institution and 2 governmental representatives. Policies and guidelines were established that provided for our corporation to become a self-help effort, resident controlled to literally attack the problems of our neighborhood and work for stabilization.

Our intent was and still is to bring every building within our geographic boundaries to a level of minimum fire, health and safety codes; to encourage residents to have a stake in their community; to reinvest if necessary; to agree to maintain their properties in a decent manner; to promote the community into one of unity. It was indeed necessary in many instances to educate the homeowner of the various resources that were available. Redlining by our financial instituions was real to many in our neighborhood. Representatives from eight lending institutions worked directly with us. It was through their efforts that every major lending institution contributed their fair share based on an asset formula, to develop a minimum of three year operating expenses. It was the determination of the residents that the operating contributions were not enough. We wanted and got their commitment to make every effort to investigate the issue of redlining; to grant home improvement loans and when possible refinancing. To date our Neighborhood Housing Services has on record 10 refinancing and 342 home improvement loans. Marginal loans are referred to a High Risk Revolving Loan committee. This committee is composed of 3 residents and representatives from 2 financial institutions. The money for the High Risk Fund comes from seed money from the Neighborhood Rein-

vestment Corporation and Community Development Block Grant funds, foundations and the sale of loans to a secondary market. This is not a give-away program; therefore it is necessary to offer financial counseling to most of the residents who have cause to use the marginal loan funds. To date we have made 60 loans from these funds in the amount of $270,917.00 and sold 33% of our loan portfolio to the secondary market. In our approach to the local government it was necessary to work closely with the department of inspections. We developed a sensitive code program, a program that divided all code issues into either structural or environmental. A very firm approach was placed on all environmental problems. An initial inspection was made on all properties within the geographic boundaries giving all residents 4 weeks to comply. There was 80% voluntary compliance on those violations that were environmental and 42% voluntary compliance on structural violations; a total of 1,600 residents in code compliance. An effort was made to create positive incentives instead of wielding an axe. Special sanitation trucks were sent into the area to help remove unwanted items of furniture, debris and junk. Public meetings were held with various city representatives in attendance in an all out effort to remove the feelings of intimidation from city administrative officers. In many instances those same officials had made campaign promises to address some of these issues. Instances of lack of follow through attributed to the mistrust of local government. State and city representatives have served on various committees. I can not say that it has been resolved, but we are continually working on this arm of the partnership.

Fear of crime whether real or perceived was a pressing problem associated with stabilization of the neighborhood. The partnership was extended to the area's law enforcement. With the assistance of the Neighborhood Preservation Division of the National Reinvestment Corporation, a neighborhood crime prevention program was started. A concentrated effort to organize every block within the geographic NHS boundaries, encouraging residents to participate in a premise security survey while marking personal properties with an Operation I.D. number, developing a block watch program. All to reduce the opportunities for crime to occur. This program is still new. 14 blocks have been organized but it is too early to evaluate the success of this special project of our Neighborhood Housing Services.

Many Federal programs have been tried in our city. Because of the size of their boundaries, it has been terribly difficult to measure their effectiveness because there was no visible impact. It is felt that residents are not in control of the decisions that affect them. Even with the new thrust of Neighborhood Strategy Areas, the issue of smaller geographic boundaries is solved. But in order to make a total effort, what do you do with those residents who are not bankable, do not qualify for a grant or loan? Only the Neighborhood Housing Services program has provided for these residents through a High Risk Revolving Loan Fund. It is the only way to totally address an area.

The original Neighborhood Housing Services geographic boundaries are

nearing an eighty percent mark of completion. It is felt that this program should be expanded. Again we approach the Neighborhood Reinvestment Corporation to ask for their assistance in a developmental process for this expansion. I maintain that every neighborhood should have the opportunity to establish their own priorities and strategies.

The Neighborhood Reinvestment Corporation has provided special supportive services by allowing residents nationally to come together to address their concerns; concerns that include roles of the partners, various problems in planning or implementing a program whether programmatic, administrative, or at the Board of Directors level. This is a valuable service to allow sharing of successes as well through ongoing workshops.

I can now speak honestly to you and say that in my neighborhood I finally feel that cooperation is real. Pride is being restored. The neighborhood is on an upswing. Blatant blight is gone. Part of the success of this program can be attributed to personal commitments to a non-bureaucratic, locally run and controlled corporation. The other part attributed to the Neighborhood Reinvestment Corporation who showed us the way and remains there to support us with technical asssistance. When I was younger, I can remember being taught of the people, for the people and by the people. Because of many variables, these words had become idealistic. I can say to you today, this program is indeed a program Of the People, By the People and With the People.

Mr. Riley, you are the Mayor of Charleston?

Mr. RILEY. Yes, sir.

Mr. BOLAND. How large is Charleston?

Mr. RILEY. It is about 75,000.

Mr. BOLAND. We are delighted to have you, Mayor, and we recognize the fact that the mayors of large and small cities, no matter what the population, have some of the most difficult tasks in America. As one who is familiar with what the Neighborhood Reinvestment Corporation is all about, we are delighted to have you with us today.

STATEMENT OF MR. RILEY

Mr. RILEY. Thank you very much, Mr. Chairman. It is a pleasure and honor to be with you this morning. My statement is before you. I will just try to speak off the cuff for a few moments.

In our country since the depression we have been looking for an easy, simple solution to the urban housing problem. That was attempted through the bulldozer and construction housing projects and has been a failure. There is no simple, easy solution to the housing needs of the country or even a city as small as Charleston.

In a city like Charleston, there are many different neighborhoods, with different types of housing rehabilitation needs.

Even in Charleston, we have neighborhoods where the Section 8 program will solve the problem best, where the 312 program will solve the problem best, and where public housing on a scattered site basis will solve the problem best. Using the community development money, we have set up our own housing program in a very seriously run-down area.

The Neighborhood Housing Service concept works for one particular type of neighborhood. It is a neighborhood that is on the brink of a precipitous decline, but one with a large percentage of home ownership of quality houses that create a potential for rehabilitation that, with the Neighborhood Housing Service partnership, can turn around. This is happening in Charleston.

The Neighborhood Housing Service recognizes a few very obvious principles that haven't been at work in cities to the extent that they should in housing rehabilitation. The first is capacity building. Rehab-ing a neighborhood is one of the most complex jobs and goals that any city could have. The Neighborhood Housing Service brings to a community skilled people who can give you the expertise, and loan packaging in the fiscal aspects of housing rehabilitation or neighborhood building.

Secondly, and perhaps most important is the involvement of the private sector. The mayor can bring the savings and loans and banks together and give his pitch about the need for housing rehabilitation. That has political overtones. But when a representative of the FDIC and the Federal Home Loan Bank Board schedule a luncheon, which is one of the first things that happens in any community, the banks and savings and loans come because those are their regulators. They hear from their peers concrete examples of how this system is working in communities throughout our country.

We now have the head of our largest savings and loan in Charleston one of the most vigorous outspoken members of our Neighborhood Housing Service's board. One of our banks that have never shown any interest in neighborhood involvement assigned a staff person who would never miss a meeting. The private sector involvement is there.

Thirdly, and perhaps the most interesting development, I think, in city problem-solving in the last 10 years has been the recognition of the need to rebuild the neighborhood, a feeling that existed 40 or 50 years ago where people in the neighborhood knew each other, cared about each other; they felt a certain special relationship to the neighborhood.

The Neighborhood Housing Service requires that the board, for example, have 15 members; 8 must be from the neighborhood. The neighborhood that we chose in Charleston, since this project has begun, has our most active neighborhood council. It is most active in our city in zoning issues. It has, with our help, had a number of bars closed. We had a cleanup program this past weekend, and the playground and everything has improved tremendously.

Lastly, Mr. Chairman, and Members of the Committee, the concept of being small is what makes a housing project work in a city. This is a commitment to an identifiable neighborhood to smallness from the very beginning to make it do—able and realistic. That is a prime concept of the Neighborhood Housing Service.

In this neighborhood there is a gentleman—and if there is any press here from Charleston, leave the name out—Mr. Fielding. Mr. Fielding is a middle-aged black man who is a successful businessman, has been a successful politician, and is a pillar in his community. After this program began, he came to see me, and he said, "Joe, I want you to know that without this program, we would have moved from the neighborhood. We were beginning to be concerned about the decline in values." He said, "Our house is our major investment; it is beginning to deteriorate, and we would have moved to the suburbs. I would have hated to do it. With this program and now being apart of it, we are going to stay here and make the community better."

It has been said that houses make a community and citizens make a city. The Herb Fieldings in our country, through the Neighborhood Housing Service, remain and have a new commitment to the rebuilding of the neighborhood. To me, that provides the greatest cause for hope in a city like Charleston, or any city, that the neighborhood can be revitalized.

For the money you have invested in this program I would say that the return is greater than any other housing program we have in the country. I am privileged to be here this morning to ardently support and strenuously encourage your full support and commitment.

Thank you.

Mr. BOLAND. Thank you.

[The following information was submitted for the record by Mr. Riley:]

CHARLESTON, S. C. NEIGHBORHOOD HOUSING SERVICES PROGRAM

Charleston, S. C. is a city unlike the traditional southern prototype often envisioned when thinking of the sunbelt region. Charleston is over three hundred years old, and ranks along side New York, Philadelphia and Boston as important metropolitan centers of the pre-revolutionary war era. The city continued to flourish until the Civil War. Large plantations and agricultural areas supported town houses in the densely populated city center. The density of the core area rivaled New York and other major population centers.

Following the Civil War, the city went into an economic decline similar to that being experienced by major industrial areas of the northeast and midwest today. Little new construction, therefore, took place in the city until the 19th century. The depression and a second major period of little economic growth followed. Due to these declines, Charleston has a large number of houses dating before 1920. Over 64 percent of its housing stock was constructed prior to 1950. Rehabilitation, therefore, is a major problem facing the city government today.

Charleston had a conservative attitude toward governmental programs for many years. The city never participated in the traditional urban renewal programs of the 1950's and 1960's. Some local citizens were suspicious of federal programs, and a great deal of opposition to clearance and demolition projects stymied most major undertakings.

The first area rehabilitation project in the United States was developed in Charleston by the Historic Charleston Foundation. This local non-profit organization purchased buildings in a slum area and resold them with restrictive covenants to new owners willing to restore the structures. Often the Foundation would partially rehabilitate a building before selling it. This purchase and rehabilitation was funded with the first revolving loan fund established in the country. Charleston thus developed a preservation ethic long before it came into vogue in the rest of the country. The city administration, however, did not actively participate in this effort to any major degree. Historic Charleston Foundation was the primary participant in the program.

Charleston has also had a tradition of conservative lending institutions. Total assets of the local institutions are small compared to cities the size of Atlanta and they are financially unable to spread their money around a great deal. Commercial and industrial packages were thus the primary target for local funds.

Charleston is faced with problems similar to the older cities of the northeast. High densities in the urban core, suburban flight, declining tax base, and a disproportionately high number of old houses all contribute to the problem. These combined with the previously mentioned problems of conservative government and lending officials to make it difficult to put together a balanced program to fight the increasing dilapidated housing problem. The preservation ethic already developed, however, formed the nucleus to build upon and made Charleston an ideal candidate for the Neighborhood Housing Services Program.

The unique nature of the Neighborhood Reinvestment Corporation is especially effective when working with a city like Charleston - a city whose cultural, historical, and economic traditions do not adapt well to conventionally structured governmental programs. The private sector has historically been reluctant to participate in revitalization activities, leaving that exclusively to governmental agencies or non-profit organizations. The innovation approach of the corporation has generated cooperation and enthusiasm on the part of lenders and private individuals.

The Corporation's emphasis on a three-way partnership between lending agencies, city officials and neighborhood residents united for the first time these three diverse elements in Charleston. Previously, each sector worked on different projects, with little communication between them. The Neighborhood Reinvestment Corporation provided a central focus on which all three elements could concentrate their efforts.

One of the most beneficial aspects of the Neighborhood Reinvestment Corporation is the strong staff support that it supplies its cities, during both the developmental and operational stages of the program. The City of Charleston has become involved in community development activities relatively recently when compared to other cities of its size. The availability of experienced, talented staff resources through the Neighborhood Reinvestment Corporation, therefore, enabled us to avoid many of the pitfalls which so often beset a fledgling program.

Representatives of the Corporation visited Charleston before any commitments were made. Drawing on their experience with programs in other cities, they were able to present the program to City Council in a professional and readily understandable manner. They were also able to assess the program's

chances of success in Charleston, and the resources it would need. Because the approximate cost of the program to the city could be estimated ahead of time, Council was more willing to commit to the program's developmental phase.

The comprehensive developmental process that is followed by the Corporation is particularly suited to cities such as Charleston, that do not have a great deal of experience in rehabilitation. Unlike a typical governmental program, the corporation conducts an educational process which includes workshops and committee work offering a comprehensive program model. At the same time, however, it allows wide latitude to participants to adapt the model to local circumstances. At the conclusion of the developmental process, a lasting partnership among residents and representatives of financial institutions and local government has been created. The local participants understand the program and their roles in it and have a personal commitment to making it work. The organizational details of the local non-profit corporation and funding resources are in place, staff has been hired, and a Board of Directors elected. With these goals accomplished, the Neighborhood Reinvestment Corporation staff members withdraw and the program continues as a totally autonomous local operation. The patient educational effort by the Corporation has been instrumental in overcoming bitterness created by an unsuccessful rehabilitation effort in the city in the early 1970's. Local bankers and residents are now enthusiastic participants in the partnership.

Another major advantage of the NHS program is the necessity to coordinate public improvements with housing rehabilitation efforts. In previous programs, much rehabilitation work was completed in an area before local residents could persuade the government officials to make major capital investments. This situation sometimes created a vicious circle. Potential residents were unwilling to move into a neighborhood and commit large sums of money to restore

a house in an area that had no parks or open space, streets that needed repair, or no sidewalks. City officials were reluctant to spend their limited resources on an area that had a long way to go before it was completely rehabilitated. The NHS program builds trust between these two partners involved and each agrees to make improvements on a set schedule. This alleviates fears over what improvements will be made and when.

The local NHS staffs vary from program to program, but usually include a staff member with expertise in construction estimating and another who has experience in loan packaging. These are two skills vital to an area that needs rehabilitation work. Too often, local residents look on the city code inspector with fear and misunderstanding. The NHS staff assists the homeowner in dealing with the inspector and also serves as a go-between with the resident and the contractor to see that the code violations are properly remedied at a reasonable price. This is a vital function in areas where residents are often taken advantage of by contractors who are unqualified to perform the work.

The staff is the primary contact for the lending institutions in the target area. Many residents do not have a formal relationship with a lender and are anxious about assuming debt. The staff helps educate the residents and introduce them to the financial process. The revolving loan fund assists those people who do not meet the normal underwriting criteria of the banks and savings and loans. Everyone in the area, therefore, has access to funds for rehabilitation.

Citizen input to all levels of government has increased dramatically over the last several years. One of the primary factors in selecting an NHS target area is the interest and participation of the residents. The program is designed to foster increased awareness of the residents and to urge group

participation in the program. This is a significant part of the program and one that is important in Charleston. The city is establishing a system of Neighborhood Councils to stimulate citizen involvement in the decision making process. The NHS program has helped its area organize and become more active than other neighborhood groups in the city. The area was among the first formal Neighborhood Councils approved.

Even though the Charleston NHS program has been operational for approximately one year, the primary benefit thus far is not the number of houses rehabilitated. The major benefit has been the formalization of a partnership: a partnership that is new in the City of Charleston and is probably new in the eighty-six other neighborhoods selected for the program thus far. The partnership among the city, the residents and the lenders has already produced a climate that has led to other initiatives for economic development and additional efforts to improve the quality of life in Charleston.

Local banks are now servicing loans generated by a Community Development low-interest loan/grant program, bank officers have spoken with neighborhood groups to encourage loan activity, and lending institutions have cooperated with city officials conducting a study of geographic lending patterns in the city. Local lenders are also participating as members of two local development corporations based on the National Development Council Program.

I would urge your favorable response to the budget request for the Neighborhood Reinvestment Corporation. It is a group that has initiated significant progress in Charleston when other efforts failed. This program is a major key in the overall revitalization effort of the city and is desperately needed to reproduce the viable, livable city that once was Charleston.

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The specific reasons that the Neighborhood Housing Services program is important to Charleston have been discussed above. One of the most important points to be considered, however, is that the program can be adapted to meet the needs of any city that has a problem of deteriorating neighborhoods. The model developed by the Neighborhood Reinvestment Corporation can easily be replicated. Neighborhood Housing Services could provide help for all cities, for every city has a neighborhood teetering on the brink of decline and deterioration.

Mr. BOLAND. Mr. Traxler?

Mr. TRAXLER. Thank you for an excellent presentation.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. I feel the same way, Mr. Chairman. I would like to thank Mrs. Walker, especially, for saying in times of disasters we need the neighborhood the most.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. No questions, Mr. Chairman.

Mr. BOLAND. Mr. Stewart?

Mr. STEWART. No questions.

Mr. BOLAND. Thank you very much, Mr. Scaggs, and Clarissa, and Mayor Riley, for a very fine presentation.

Thank you.

We will include Mr. William Plechaty's statement in the record.

[The statement follows:]

Prepared Statement of William D. Plechaty

Mr. Chairman, and members of the Committee, my name is William D. Plechaty, senior vice president of Continental Illinois National Bank and Trust Company of Chicago. I head Continental's Personal Banking Department.

I am currently president of the Neighborhood Housing Services Redevelopment Corporation in Chicago, and a member of the board of directors of Neighborhood Housing Services of America. I served as the first president of NHS Chicago when it was organized there in 1974.

I am here today in support of the proposed appropriation of $9.5 million to the Neighborhood Reinvestment Corporation, which has been a crucial component of the success of NHS in Chicago.

NHS is a not-for-profit, privately funded cooperative undertaking, focused on the rehabilitation of single-family houses, that has been making a significant contribution toward halting the deterioration of urban neighborhoods in Chicago and other cities. It is a partnership of business, government, and neighborhood residents to channel the resources of all three sectors into pulling a community back from the edge of decline.

In Chicago, NHS has made a tangible difference in the lives of many of the more than 130,000 persons who live in the five neighborhoods it serves. Like all NHS neighborhoods, the five in Chicago were chosen because the degree of deterioration and the level of resident interest make them likely candidates for successful restoration.

Following the NHS pattern that has proved so effective, the local financial industry has committed itself to providing home rehabilitation loans in the neighborhoods; the city has agreed to conduct a code compliance program and upgrade municipal services; and the corporate community has pledged to establish a revolving loan fund for residents who do not qualify for regular home loans.

NHS reaches the heart of the problem of urban disinvestment. Since 1975, NHS in Chicago has served more than 2,000 clients representing more than twice that number of households. Many clients have used several of the program's services. NHS has stimulated more than $22 million in reinvestment in the form of loans, grants, rehabilitation of buildings, and owner/borrower equity.

NHS in Chicago, as in other cities, has been successful, to a large degree, because of the careful groundwork laid by the Neighborhood Reinvestment Corporation. I have participated in NHS-Chicago since it began, and there is no question that it would not have run as smoothly, nor produced results as quickly, were it not for the invaluable start-up assistance from NRC. NRC supplied staff, training workshops, a grant to the revolving loan fund, and general guidance in setting up the program and pulling together the partnership on which it is based. This year, when NHS entered a fifth Chicago neighborhood, NRC again was on hand with staff, workshops for residents, and other types of field assistance.

Beyond that initial educational and funding process, NRC is helping strengthen NHS in two crucial ways: it increases NHS' ability to address a broader range of housing problems through a variety of special programs, and it broadens NHS' financial resources.

In West Englewood, an NHS Chicago neighborhood, the NRC provides financial assistance necessary for NHS's management, rehabilitation, and resale of vacant and abandoned HUD properties, thus dealing with a detracting element which otherwise would be outside the jurisdiction of NHS, and improving the possibilities for successful rehabilitation. This cooperative effort in West Englewood to cope with a broader range of housing problems has been so successful that it may be used as a national model for other NHS programs.

Another NRC-supported program that has enhanced the effectiveness of NHS in Chicago is the NHS Redevelopment Corporation, formed in 1978 to address situations that fall outside the scope of traditional NHS programs. One of these situations is the need to replace vacant lots in NHS neighborhoods with new houses. In late 1978, ground was broken for five of 35 proposed single-family houses to be built in an NHS neighborhood known as Heart of Chicago. NRC has provided a grant for down payments, allowing NHSRC to build inner city houses that match residents' ability to pay. This is the first time anywhere in the United States that scattered-site, single-family houses are being built in the inner city with conventional financing for sale to residents who will obtain conventional mortgages.

NRC also is spearheading important efforts to broaden NHS financial resources to retain the private character of the program. One significant addition to the partnership is the insurance industry. A recent million dollar grant from Allstate Insurance Company to start a sixth NHS neighborhood in Chicago, provide capital for the NHSRC, and to encourage the insurance industry to become involved in the program nationwide is evidence of the success of NRC's efforts. Like the NCR-HUD program in West Englewood, this Chicago insurance program may be used as a national NHS model.

The introduction of insurance into the rehabilitation equation gives NHS significantly improved leverage to get the job done. Because of the inter-linked nature of the business and financial system, not providing a service as basic as insurance can have a deadening ripple effect. As a banker I know that the availability of insurance directly affects the availability of credit. Insurance is a make-or-break link in the chain. You do not write mortgage loans without property insurance. And if the loan applicant is unable to get bank credit, it tends to close out other credit options with local businesses. So everybody loses.

The Revolving Loan Fund is a fundamental facet of NHS. Without it, overall neighborhood rehabilitation could collapse because of the inability of some residents to obtain conventional financing. To expand individual funds in NHS cities to the fullest extent possible, NHSA, the national NHS organization, operates a loan purchase program that, in the past, has been limited by the availability of NHSA funds.

NRC subsidies, combined with private loan guarantees, have paved the way for a secondary market for revolving loans among institutional investors, greatly increasing the amount of loan money available to neighborhoods.

There is more to NHS, however, than programs. I would like to direct the rest of my comments toward the concept of partnership that distinguishes NHS from many other well-intended but less successful urban revitalization programs.

I am, of course, most familiar with the financial partner of NHS. Why does the seventh largest bank in the country--with its own innumerable responsibilities and considerable obligation to its stockholders--devote time and money to a program of this nature? Indeed, why should the NHS mission be within the purview of any bank, large or small?

The reason for most of us is surprisingly simple: lenders, too, are part of the community and quite naturally share with residents a dependence on that community's viability for their own well-being. Participation in a realistic plan for the preservation and revitalization of our city's neighborhoods not only makes good sense, it is also good business.

The lender plays no minor role in realizing the objectives of NHS. There are well over 1,000 savings and loan associations and banks--large and small--in more than 70 U.S. cities now committed to this program, and more are enlisting every day. They not only fund operations but also provide the financial expertise and direction vital to its purpose. In addition, through NHS referral, they have made rehabilitation and new mortgage loans representing millions of dollars. It is estimated that if loans obtained directly by individual NHS residents were included, that total would more than double. There is, in business terms, most certainly a vested interest.

Certainly it is true that business and financial institutions always run the danger of becoming a system unto themselves, serving those customers who represent the highest return with the lowest risk. There's nothing "wrong" with that attitude, and no sales manager would quarrel with it. It serves the best interest of the company and its stockholders. But it doesn't go far enough. It doesn't go out to those communities and opportunities where good business practice can be combined with good, solid citizenship to serve the best interests of the community at large. And that attitude is becoming increasingly important both to stockholders and the public generally.

Lenders have taken much of the blame in the past for urban disinvestment. While I believe the criticism to be in many cases unfair and unjustified, I am more concerned with how the problem is to be solved than with establishing responsibility for its existence.

I do know, however, that it will not be solved by asking institutions or businesses to bear the full and total burden for social and community change. Moreover, such one-sided efforts simply do not have an outside chance of substantive success. They fail because no single faction of the community is capable of doing the job alone.

With the establishment of NHS, we had a plan for rallying all the forces affecting a community and its financial base, and the means for effective and active participation that had eluded us in the past.

This type of program understandably requires more of its participants than some that are structured differently. Because it is really a partnership, it is clearly more demanding than what I see as a membership, where participation is served by an annual donation of funds. While the program certainly depends on the money that its financial and business partners provide, NHS is not merely a funnel for corporate dollars. It is a living, active organization charged with changing not only buildings but attitudes. That broader responsibility can be met only through the personal and substantial involvement of each of its partner groups, including the lender.

It is also through the partnership that more is to be gained, both for the community itself, and for those who are willing to invest themselves in its future. The mutual understanding and self-determination that result from the operative partnership are the keys to our program's success and to its rewards. NHS is providing the

forum in which counterproductive exchanges of blame between lenders and citizens are being replaced by understanding of each other's views and problems, and consequently of the complexity of the situation as a whole.

It is through its direct working relationship with community residents that the financial community gains the opportunity to demonstrate its commitment to neighborhood preservation--to be better understood and to better understand. Lenders are exposed to residents' frustrations and are spurred by their demonstrated eagerness to do their part in the revitalization of their neighborhoods. Residents, in turn, are fortified by growing lender involvement and are encouraged to begin taking action in reversing the signs of apathy with which those communities have been plagued. They also gain first-hand knowledge and understanding of the lending process and take part in credit decisions through their administration of the revolving loan fund.

Lenders and residents alike have learned through NHS that they face, together, another problem: dispelling the apprehension on the part of some of the residents themselves about increasing their own investments in their homes. We learn through NHS that the barriers standing in the way of community revitalization are internal as well as external; that residents and lenders themselves need mutual reinforcement. It is through the forum, and the action it ignites, that reinforcement is available and that the obstacles are removed to the mutual benefit of all who participate.

It follows that the lending institution stands to gain from NHS as much as it is willing to give. Not only is the participating lender's genuine concern and credibility apparent within the NHS organization, it is demonstrated to the larger community beyond the boundaries of the NHS neighborhood as well. Here is one important way of backing up claims of good corporate citizenship.

Substantial lender representation in a successful revitalization program also is a convincing indication that private-sector programs such as NHS offer a viable alternative to legislated rehabilitation, which often is misdirected, costly, and, although stemming from the highest of motives, frequently lacking the flexibility necessary to address the realities and subtleties of the situation.

By definition of the partnership, the control of the program's direction is entirely in the hands of its members. It is divided among them in proportion to the level of responsibility that each is willing to assume--and is not limited through the exclusion of any faction in the decision-making process. NHS works because we make it work--together. Our organization belongs to its partners, and is totally and exclusively accountable to them and to the community it serves.

And last, but hardly least, is the fact that NHS is based on the reasonable premise that the problem of urban disinvestment can best be solved by offering an economic incentive for business participation. NHS provides that incentive in large doses: The positive attitudes, reinforced with affirmative action, that are being cultivated in these neighborhoods and by their supporters make NHS lending a sound financial investment. I cannot emphasize this enough. This is our greatest advantage and the stuff with which long-term success is made.

I would like to emphasize again that little is gained from a passive membership in NHS. Not for the resident, nor for the government official, nor for the lender. Each of us stands to gain, along with our neighborhoods, through the NHS partnership, whether in Chicago or innumerable other American cities.

Chicago is a city of neighborhoods--strong, tightly knit, ethnic and cultural enclaves that have supplied much of the city's vitality. Just as overall urban decline is reflected early in the deterioration of neighborhoods, signs of renewed community vigor bode well for a city's future. The restoration that NHS brings, house by house, to troubled neighborhoods is a crucial and effective step toward rejuvenating our cities. It is working in Chicago and can work, and should be introduced, in any city where a cooperative association between government, business, and residents can be forged. A well-funded NRC is an important first step toward starting NHS programs elsewhere in the country.

This is the kind of effective and meaningful change NHS represents. Neighborhood problems are something right in your own backyard or pressing on your doorbell. Nobody is likely to solve them as well as the community can for itself -- through the triple partnership of neighborhood and community organizations, city government, and local business and financial institutions.

NATIONAL SCIENCE FOUNDATION BUDGET

WITNESS

DR. THOMAS E. WENZLAU, PRESIDENT, OHIO WESLEYAN UNIVERSITY, REPRESENTING THE GREAT LAKES COLLEGES ASSOCIATION AND THE OTHER MEMBERS OF THE INDEPENDENT COLLEGES OFFICE

Mr. BOLAND. We will now hear the statement of Thomas Wenzlau, President of Ohio Wesleyan University, a very great educational institution. He represents the Great Lakes Colleges Association and the National Association of Independent Colleges and Universities.

Doctor, you are here on behalf of your institution and the Great Lakes Colleges Association with respect to the NSF budget. You have been here before, and you are looking better every year.

Dr. WENZLAU. Thank you.

I do appreciate very much the opportunity to be back again to testify before your Subcommittee on the National Science Foundation fiscal 1980 budget request. This morning, I am representing 15 independent colleges, basically undergraduate independent colleges, that are represented in Washington by the Independent Colleges Office.

As in the past, I will re-emphasize our concern for the diminishing support of science education by the Federal Government. I wish to summarize this testimony, but ask that the full text of my written report be included.

Mr. BOLAND. It will be included in the record as you presented it to us.

[The statement follows:]

Representative Boland and Members of the Subcommittee:

I appreciate very much the opportunity to testify before you on the National Science Foundation fiscal 1980 budget request. This morning, I am representing the fifteen independent colleges and universities which share the Independent Colleges Office.* My testimony will emphasize the concern our colleges have expressed here for several years regarding the diminishing support for science education by the Federal government. We appreciate the strong support and guidance this Subcommittee has provided the National Science Foundation concerning the Science Education programs. We regard your support, Mr. Chairman, as one of the significant reasons the budget for these programs is not in worse condition.

I wish to make four major arguments and then comment specifically about certain items in the proposed NSF budget. These four major points are:

1. Science education is a critical element for scientific advancement in our society;

2. Science education and scientific research are mutually interdependent;

3. In spite of its past contributions and its future potential in scientific research, "little science" is being virtually ignored, and

4. Resources must be directed to support proven science education programs as well as to initiate innovative programs.

1. Science Education as a Critical Element of Scientific Advancement

Virtually every public policy decision faced by Congress, by legislators at the state level, by city councilmen and by volunteer directors of various organizations requires scientific understanding. Whether adding to national security or improving the quality of life in America, progressive public policy decisions depend heavily upon a population basically educated in science.

This means that we must have strong science programs in our primary and secondary schools and that qualified teachers for those programs must be provided by strong science education in our colleges and universities. Obviously, the preparation of research scientists also calls for the best science teaching from grade school through graduate school. In addition, many undergraduate students who study science will move into jobs in scientific industry and commerce. Clearly, a strong nation is one that is familiar with and understands the scientific world.

2. The Interdependence of Science Education and Scientific Research

Congress recognized this interdependence when it formed the National Science Foundation. The legislation creating the Foundation charged it "to develop and encourage the pursuit of a national policy for the promotion of basic research

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* The Independent Colleges Office is the Washington Office of the Great Lakes Colleges Association whose members are: Albion College, Antioch University, Denison University, DePauw University, Earlham College, Hope College, Kalamazoo College, Kenyon College, Oberlin College, Ohio Wesleyan University, Wabash College, The College of Wooster. Other Independent Colleges Office members are: Mount Holyoke College, Reed College, Rollins College.

and education in the sciences." Science education provides the knowledge and manpower both essential to solving basic research and specific scientific problems.

Our firm conviction regarding this mutually beneficial interdependence leads us to assert two specific policy positions. We wish to record the strong opposition of the Great Lakes Colleges Association board of directors to any reorganization in the Federal government which would result in a separate Department of Education. A major reason for our opposition is our concern about the transfer of the Science Education Directorate of the National Science Foundation to a newly-created Department of Education. Furthermore, any plan to move some Science Education programs and leave others with NSF is even less logical and would, we believe, lead to the eventual demise of all the education programs. For instance, one current suggestion would separate the Pre-College Teacher Development program, which was instigated by this Subcommittee, into two components: elementary education teachers' programs would remain in NSF. We believe this separation is without logic. It is inevitable, in our view, that the quality of both science education and scientific research will suffer if each is deprived of the stimulus implicit in their coexistence within the National Science Foundation. Separating the two is counterproductive using any cost-effective criteria as the basis for judgment. In fact, we urge that the Science Education Directorate, now physically separate from the main body of NSF be joined in one location with the research elements to fully exploit those mutual benefits.

Our second related policy assertion is that the National Science Foundation, either on its own or at the direction of Congress, restore a necessary balance between expenditures for science education and for scientific research. The budget requests prepared by the Foundation illustrate that its leaders have not had the wisdom, foresight or resolve to provide this balance. NSF's requested expenditures for science education for fiscal 1980 represent a reduction of 78.4 per cent in real terms from the level of 1968. (See Appendix A.) Science education simply cannot continue to supply essential scientific manpower to undergird current levels of scientific research with fewer real dollars expended for those purposes each year.

Even more unrealistically, science education is expected to supply people and knowledge to carry out significantly augmented basic research programs. In real dollars, expenditures for research are up 95.6 per cent since 1968. (See Appendix A.) The gap between Science Education and Basic Research continues to widen. (See Appendix B.) This continued failure to invest adequately in science education will subvert the very research efforts the National Science Foundation seeks to expand. Ultimately our national scientific potential must be jeopardized.

It is critical, we believe, that this Committee recommend to Congress appropriations for scientific education which fully utilize the funding recommended by the authorizing committees. At this writing, this will be only $84.7 million, as requested by NSF, or $86.2 million as recommended by the House authorizing committee.

Let me re-emphasize that the thrust of our argument is that the present ratio between expenditures for research and education is improper. This should not be interpreted to mean that we are critical of the quantity of resources flowing to research. Quite the contrary, we recognize the importance of research dollars. At the same time, if those research dollars are to be used effectively, an appropriate balance between research expenditures and support for science education must be restored.

3. Support for "Little Science"

The third major point of my testimony relates to the importance of what we have chosen to call "little science." Many important discoveries have come from "little science" -- carried out by a single researcher, with modest equipment and an equally modest budget. "Little science" researchers work on college and university campuses of all sizes and all over the country. They are concentrated more in some disciplines than in others but possess great and largely untapped potential to make important future contributions to new scientific knowledge.

To insure that some funding is available for research in "little science," we urge that Congress earmark a portion of the National Science Foundation Basic Research funds in all fields for such projects. What constitutes small research varies from discipline to discipline. We believe that appropriate formulae can be developed to guarantee a reasonable share of basic research funds for "little science" in the several fields within the National Science Foundation. Without a Congressional directive, NSF seems reluctant to address this problem.

4. Innovation and Support

The NSF mandate concerning science education reads "to initiate and support . . . programs to strengthen scientific research potential and science education programs at all levels . . .". The word "support" is significant. Science education programs are of two sorts, those which support and sustain the on-going process of science education and those which respond in an innovative way to some crisis or newly perceived problem.

Certain basic needs in science are always with us; they preceded Sputnik and will exist in the foreseeable future. Updated curricula and materials and teachers trained to use them are necessary to the elementary and secondary schools. A qualified faculty and reasonably up-to-date instructional scientific equipment are needed for good undergraduate science education. These needs are common to the large university, the four-year college and the community college. Support programs within the National Science Foundation are those which award, on a competitive basis, funds to help science departments meet these ever-present needs. These programs include, among others, Undergraduate Research Participation, Comprehensive Assistance to Undergraduate Science Education, the Instructional Scientific Equipment Program and the Science Faculty Professional Development program.

In the past, Members of Congress have recognized a trend within NSF to eliminate support programs. The preoccupation of NSF appears to be one of identifying new problems and devising appropriate programmatic responses, such

as increased funding for research into junior high school science. Unfortunately, this preoccupation is at the cost of other proven programs. Last year this Subcommittee preserved several programs from NSF cuts which would have damaged or annihilated them. One of these programs singled out by this Subcommittee was the Instructional Scientific Equipment Program (ISEP). This year NSF has presented to you dramatic evidence of the need for research equipment to justify a fifty per cent increase in its research instrumentation request for fiscal 1980. Every single argument NSF advanced for equipment used for research applies equally to educational equipment needs -- yet NSF has requested the same funding for fiscal 1980 that is planned for this year -- a decrease in resources measured in real terms of about seven per cent. The program is already woefully underfunded.

In fiscal 1978, only 23.2 per cent of the applications were funded. The ISEP approach, in which the National Science Foundation and the institutions match funds, has proven extremely effective in helping those institutions meet costly equipment needs. At the same time, the institutional matching requirement insures that only high priority equipment is acquired. Consistent with our earlier argument for support funding, this year we urge Congress to consider a broadened approach for ISEP grants. Many institutions are now faced with the need to replace scientific equipment which is quite simply worn out. Hence, we request that this Subcommittee recommend an expansion of the program so that institutions may also seek ISEP funds to replace worn out equipment.

We hope you will increase the ISEP budget at the very least by fifty per cent to $5.25 million.

Selected Science Education Programs:

I would now like to comment specifically on a few selected science education programs.

Student-Oriented Programs

We are disturbed also by the proposed reduction of funds for the Undergraduate Research Participation (URP) and Student-Originated Studies programs. The recommended funding level is $2.9 million, down from $3.0 million this year and a reduction of ten per cent in real terms.

We have spoken before about the interrelatedness of science education and scientific research. To put it even more strongly -- at my institution scientific research is science education. URP offers a unique opportunity for undergraduate research. The program brings together the mature faculty researcher with talented and motivated undergraduate students. The two, doing scientific research together, exemplify the learning experience.

We find the criticism that URP does not serve special populations untenable. URP is not meant to be a crisis-response program. The first program announcement in 1958 called the purpose "to accelerate and enrich the development of undergraduate science majors (later 'students') through direct experience in current research." The program also enhances the awareness of faculty to research as an integral component of science education for their students. Efforts to skew URP to serve certain populations and divert it from its tried and successful goals of accelerated and enriched science education operate to the detriment of the program.

We strongly urge this Committee to appropriate $3.0 million for URP and $1.5 million for Student-Originated Studies.

Science Faculty Professional Development

Our institutions continue strong in our support for the Science Faculty Professional Development program (SFPD), which NSF proposed to change significantly.

Fellowships within this program meet an increasingly important need in higher education. Faculty mobility has diminished dramatically. With turnover reduced, according to my faculty, the best access for the conscientious teacher/researcher to the expanding frontiers of science is a leave program to study in depth and to sharpen research skills for an extended period of time spent at a graduate or research institution or industrial site. Undergraduate science faculty need this new knowledge not only for their research but also to incorporate in regular courses and to develop courses of an inter- and trans-disciplinary nature. The traditional SFPD meets these needs squarely. This program is omitted from NSF's fiscal 1980 budget to be replaced by two new programs, one entitled College Teacher Short Courses, and a second entitled Industrial Research Participation. The current funding of $2.1 million greatly underestimates the need for support, demonstrated by the 1978 success ratio of 13.1 per cent. At least $3.0 million and certainly not less than $2.1 million should be allocated to this program. We urge your support of the program in its traditional, proven format with such a budget.

Without further specific comment on programs, I call your attention to our recommendations for several NSF programs appended to this statement. (See Appendix C.)

Again, on behalf of the colleges I represent, I thank the Subcommittee for this opportunity to state our support for NSF Science Education programs. We hope this Committee will continue, as it has in the past, to provide strong and intelligent direction to the National Science Foundation.

SUPPORT OF SCIENCE EDUCATION & BASIC RESEARCH[1]/
NATIONAL SCIENCE FOUNDATION
FY 1967-1980 in FY '67 Dollars
(In Millions of Dollars)

Fiscal Year	Calendar Year CPI[2]/	A. Fiscal Year CPI Average[3]/	B. CPI FY '67 Base=100	C. NSF Budget Expenditure for Science Education	D. Amount Needed to Equal FY 67 Expenditures for Science Ed.	E. Purchasing Power of NSF Sci. Ed. Support in '67 Dollars	F. NSF Budget Expenditure for Basic Research	G. Amount Needed to Equal FY 67 Expenditures for Basic Research	H. Purchasing Power of NSF Basic Research Support in '67 Dollars
'67	97.2-100.0	98.6	1.00	141.7	141.7	141.7	172.6	172.6	172.6
'68	100.0-104.2	102.1	1.03	147.6	145.9	143.3	170.6	177.8	165.6
'69	104.2-109.8	107.0	1.08	117.4	153.0	108.7	176.0	186.4	162.9
'70	109.8-116.3	113.0	1.14	107.0	161.5	93.8	161.0	196.7	141.2
'71	116.3-121.3	118.8	1.20	88.2	170.0	73.5	180.3	207.1	150.3
'72	121.3-125.3	123.3	1.25	74.0	177.1	59.2	248.6	215.8	198.9
'73	125.3-133.1	129.2	1.31	39.9	145.7	30.4	268.0	226.1	204.6
'74	131.1-147.7	140.4	1.42	58.1	201.2	40.9	281.0	245.1	197.9
'75	147.7-161.2	154.45	1.57	54.7	222.5	34.8	338.1	271.0	215.4
'76	161.2-170.5	165.86	1.68	44.3	238.1	26.4	520.9	290.0	310.1
TQ[4]/				2.4	59.5	1.4	128.1	72.5	76.3
				46.7	297.6	27.8	649.0	362.5	386.3
'77	170.5-181.5	176.0	1.79	56.3	253.6	31.4	472.9	304.0	264.2
'78	181.5-195.3	188.4	1.91	59.1	270.6	30.9	601.9	329.7	315.1
'79	195.3-210.3	202.85/	2.06	63.87/	291.9	31.0	647.47/	355.6	314.3
'80	210.3-224.4	217.256/	2.20	67.98/	311.7	30.9	712.58/	379.7	323.9

1/ Science Education does not include Graduate Student Support or Traineeships, Technological Innovation in Education and Public Understanding of Science. Basic Research includes only Mathematical & Physical Sciences & Engineering; Astronomical, Atmospheric, Earth & Ocean Sciences, and Biological, Behavioral, and Social Sciences. (This is done to provide compatible figures.)
2/ CPI=Consumer Price Index (Bureau of Labor Statistics, U.S. Dept. of Labor)
3/ Calculated by averaging two adjacent calendar years.
4/ TQ=Transition Quarter, period from July 1 through September 30, 1977, created by changing Federal Fiscal Year to an October 1 through September 30 basis.
5/ Projection based on CPI-keyed 7.7% inflation for CY '79 (Council of Economic Advisers, OMB)
6/ Projection based on CPI-keyed 6.8% inflation for CY '80 (CEA, OMB)
7/ Current plan.
8/ NSF fiscal 1980 budget request

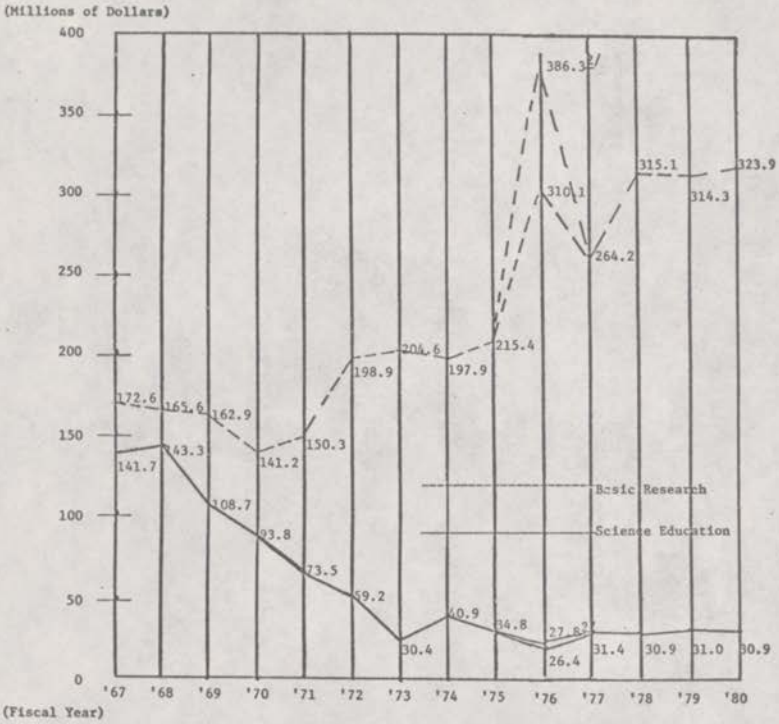
Sources: NSF Annual Reports for fiscal years 1967 through 1977
NSF Fiscal 1980 "Budget in Brief"
Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Department of Labor
Economic projections of the Council of Economic Advisers, Office of Management and Budget

Independent Colleges Office
January, 1979

APPENDIX A

APPENDIX B

NATIONAL SCIENCE FOUNDATION
Support of Science Education and Basic Research[1/] FY 1967- 1980
in FY '67 Dollars



1/ Science Education does not include Graduate Student Support or Traineeships, Technological Innovation in Education and Public Understanding of Science. Basic Research includes only Mathematical & Physical Sciences & Engineering; Astronomical, Atmospheric, Earth & Ocean Sciences; and Biological, Behavioral and Social Sciences.

2/ Figure includes obligations for transition quarter (July 1 through September 30, 1977) created by changing the Federal Fiscal year to an October 1 through September 30 basis.

Sources: NSF Annual Reports for fiscal years 1967-1977
NSF Fiscal 1980 "Budget in Brief"
Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Department of Labor
Economic projections of the Council of Economic Advisers, Office of Management and Budget

Independent Colleges Office
January, 1979

Appendix C

SUMMARY OF BUDGET REQUESTS FOR
SELECTED NATIONAL SCIENCE FOUNDATION EDUCATION PROGRAMS
(In Millions of Dollars)

Program Name	NSF FY 1980 Request	Our Request	Increase Over NSF Request	Previous Program High (Year)
Comprehensive Assistance to Undergraduate Science Education (CAUSE)	13.5	13.5	0	13.8 ('79)
Encourages broad scope improvement in quality and effectiveness of undergraduate science education. Maximum $250,000 award for up to three years in response to detailed plans for a coordinated set of activities for science departments, groups of departments or institution's total science education effort.				
Instructional Scientific Equipment Program (ISEP)	3.5	5.25	+1.75	8.9 ('64)
Encourages improvement in undergraduate science education by matching support for purchase of new scientific equipment for educational purposes.				
Local Course Improvement (LOCI)	3.0	3.5	+0.5	3.0 ('79)
Funds concentrated, short-term, small-scale efforts by individuals or small groups of faculty to upgrade undergraduate science instruction by redesigning courses in the sciences and social sciences.				
Science Faculty Professional Development (SFPD)	0	3.0	+3.0	predecessors: a. 4.0 ('71) b. 1.3 ('73)
Supports three- to twelve-month research and study projects at institutions of higher education or industrial labs to improve the competence of faculty involved primarily in undergraduate science teaching.				
Student-Originated Studies (SOS)	0.9	1.5	+0.6	2.0 ('72)
Supports ten- to twelve-week projects for small teams of college students in an experience in self-designed, self-directed scientific research.				
Student Science Training (SSTP)	2.3	3.0	+0.7	2.4 ('64)
Provides talented high school students with special advanced courses and/or research participation experience beyond that available in high school for students with high potential from high schools with deficient science training or students with high ability from nationally-recognized, excellent high schools.				
Pre-College Teacher Development in Science	9.0	10.0	+1.0	24.3 ('65)
(Teacher Training Programs) Funds academic year or summer programs of continuing education for elementary and secondary school teachers in mathematics, natural or social sciences to upgrade the quality of science teaching.				
Undergraduate Research Participation (URP)	2.0	3.0	+1.0	6.8 ('66)
Provides talented undergraduate students with firsthand experience in scientific research activities through direct collaboration with science faculty.				

Independent Colleges Office
April, 1979

Dr. WENZLAU. We certainly do want to explicitly and sincerely thank this Subcommittee for the concern it has expressed over the years with respect to the science education programs in the National Science Foundation budget. Mr. Chairman, we consider your support as one of the really significant reasons that the budget for science education remains in as good condition as it does, although we will argue that it needs strengthening.

Representing undergraduate colleges, I also want to recognize the comments made by President Hackney earlier, regarding his testimony for increased support for undergraduate science education.

I want to allude quickly to four major arguments that undergird our particular posture in regard to the National Science Foundation program.

The first is that science education is a critical element for scientific advancement in our entire society.

Second, science education and scientific research are mutually interdependent and mutually beneficial.

Third, in spite of its past contributions and its future potential in scientific research, what we have chosen to call "little science" is being virtually ignored, and

Fourth, resources must be directed to support proven science education programs as well as to initiate innovative programs.

Let me extend those comments very briefly, first with respect to science education as a critical element of scientific advancement.

Virtually every public policy decision made by Congress, by legislators at the State level, city government officials, and people who volunteer services in various organizations around this country depends heavily upon a population that understands science and that is basically well educated in science.

This means that we have to have a strong science education program in all of its aspects from the primary school through graduate programs.

Second, the interdependence of science education and scientific research has long been recognized by Congress. It was recognized when the National Science Foundation was formed. The charge to the Foundation was to develop and encourage the pursuit of a national policy for the promotion of basic research and education in the sciences. Science education provides the knowledge and the manpower base essential to basic research and to solving specific scientific problems.

I want to emphasize one particular aspect of this which has led us to a very distinct policy provision which is not the immediate and direct concern of this Committee, but it is related to it.

The Consortium and the Great Lakes Colleges Association Board of Directors, of which my colleague is a part, has taken a strong stand in opposition to the formation of a separate Department of Education. I mention it here because one of the very strong reasons about which we have testified previously is our conviction that it would be counter-productive to separate the science education programs of the National Science Foundation from the Foundation and place them in a separate Department of Education.

Further, there have been current suggestions, one which would separate the pre-college teacher development program, which was

instigated by this Subcommittee, into two components: The elementary education teachers' programs would be put in the proposed Department of Education, while the secondary teachers' programs would remain with the NSF. We believe that this is even more illogical because we are so strongly convinced that these two aspects of science education, on the one hand, and research, on the other, benefit from the coexistence within the National Science Foundation. Furthermore, we would urge that the National Science Education Directorate, which is now physically separated from the main body of the National Science Foundation, be joined in one location, so the research elements and the educational elements can fully exploit those mutual benefits that we are concerned about.

We are also concerned about the balance between science education funding and research funding. Since 1968, real expenditures for scientific education have dropped to a level of one-fifth the real resources being directed to science education in 1968. At the same time, real expenditures for research have almost doubled under the National Science Foundation budget.

We think it is absolutely critical that a more reasonable ratio between these expenditures for these two programs be re-established, and at this writing we are asking that your Subcommittee appropriate fully the funds which are requested by NSF and also authorized by the Legislative Subcommittee in the House.

I do want to emphasize, however, lest I be misunderstood——

Mr. BOLAND. You are giving us a choice, aren't you?

Dr. WENZLAU. The House authorization is about $1.5 million above NSF. We feel that this is inadequate at least as far as the education programs are concerned, but we also know that there are constraints on what this Committee is able to do, and we simply are asking that you do as much as possible within this framework.

I do want it to be clearly understood that we are not speaking in opposition to the research request made by NSF and by AAU. We are simply concerned that the decrease in the relationship between education expenditures and research expenditures will ultimately undercut the very research efforts that NSF, is seeking to achieve.

Third, a comment about "little science." We think that the emphasis on very large scientific projects has resulted in ignoring the contributions that have been made historically by perhaps a single researcher working in a small laboratory and developing very significant ideas. I would call your attention to an article which appeared in the April issue of Science Magazine, which describes one doctor working in what was described as his garage, who has developed a kind of crucial blood test which has great promise in terms of diagnosing multiple sclerosis. This is an excellent example of the sort of things that are happening in colleges and universities of all sizes all over the country and need the particular support of the National Science Foundation. We would hope that funds could be earmarked for little science in the research area.

Finally, the fourth item regards innovation and support. In the past, Members of Congress have recognized the trend of the National Science Foundation to eliminate the support programs—the continuing programs as distinguished from those programs which

represent new problems and innovative solutions to those problems.

The National Science Foundation has been identifying new problems and seems preoccupied with programs that relate only to new problems; one example being the rather extensive funding that they have directed into research in the junior high school science programs. Unfortunately, the redirection of these resources into new programs which we would term innovative programs has taken support away from what we think are proven programs that need this continuing support.

One of these, I would like to emphasize, is one that last year this Subcommittee preserved along with several other programs that NSF would have eliminated. The specific one is the instructional scientific equipment program which we call ICEP. This year, the National Science Foundation has presented to you very strong evidence for the need for increased research equipment. In fact, they have attempted to justify a 50 percent increase in funding for research instrumentation.

I would simply point out that every single argument that was made by National Science Foundation with respect to research instrumentation also applies to instrumentation needed in scientific education. We suggest that the NSF budget request—which was the same as last year and in real terms means a significant cut, some place between 7 and 10 percent, no doubt—is inadequate for a program which was already underfunded.

President Magrath, from the University of Minnesota, made reference to the need for expanding the breadth of this program to include replacement of scientific equipment. The tendency of NSF has been to allow these expenditures only for new equipment. Many institutions, both large and small, are faced with equipment becoming obsolete or in many instances is wearing out. The ICEP program, which provides matching funds by NSF and the institution, has been most effective, because it does require a match by the institution, and I can assure you that in these times of tight budget at our institutions, we do only fund those kinds of projects which have a very high priority on our campuses.

So we would ask that additional funds be programmed into ICEP for this very purpose, and we would like to see the same 50 percent increase in the ICEP budget, which, starting from a rather small base, would only take it slightly above $5 million.

I would like simply to mention one other very specific program, and that is our science faculty professional development program. Our institutions have been very strong in support of this particular program for many years. National Science Foundation has not had the same attitude toward it, and it has been largely through the support of Congress that we have been able to maintain this program. But with faculty turnover reduced as a result of decreasing mobility, these programs provide the best access for the conscientious teacher/researcher to learn about the expanding frontiers of science. It provides them with a leave program to study in-depth and to sharpen his research skills for an extended period of time at a research institution or industrial site.

Undergraduate science faculties need this new knowledge, not only for this research, but to incorporate into their regular courses

to bring them up to date and develop interrelated transdisciplinary programs.

The science faculty professional development program meets these needs squarely, yet it was omitted entirely from the NSF fiscal 1980 budget and replaced by two other programs that we found did not speak nearly as convincingly to this need for giving our faculty an opportunity to upgrade their knowledge.

Without further specific comment, I would call your attention to an appendix we have attached to this testimony which outlines our specific position on several of the programs in the NSF budget. On behalf of the colleges I represent, I thank this Subcommittee for this opportunity to be here to state our position. We hope this Committee will continue as it has very convincingly in the past to provide strong and intelligent direction to the National Science Foundation.

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

Mr. Traxler?

Mr. TRAXLER. You represent some of America's finest small colleges and universities, and, as I understand your request, you are talking about an add-on of about $7½ million. Is that your total?

Dr. WENZLAU. Yes, in that area.

Mr. TRAXLER. I think it is a cheap investment for the return.

Dr. WENZLAU. Thank you. We do, too, and we think, of course, recognizing our prejudice about our kind of institutions, that the quality of research as well as quantity of research accomplished at undergraduate colleges is greatly undervalued.

Mr. TRAXLER. Thank you.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. I just want to thank you very much for your excellent testimony.

Mr. BOLAND. Thank you, Dr. Wenzlau. It is always nice to have you here.

NASA AND NATIONAL SCIENCE FOUNDATION

WITNESS

THEODORE R. SIMPSON, U.S. ACTIVITIES BOARD OF THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS

Mr. BOLAND. Our next witness is Theodore Simpson, of the Institute of Electrical and Electronics Engineers. You are interested in the National Science Foundation and aspects of the NASA budget, is that correct?

Mr. SIMPSON. Yes, sir. I am speaking on behalf of the U.S. Activities Board of the Institute of Electrical and Electronics Engineers, and I would like to express our views on research and development in general and specifically on the 1980 budgets for NASA and the National Science Foundation. Basically, we believe that the U.S. Government should increase the amount of Federal funding for research and development in order to retain its scientific and technological leadership position as a world power.

From an economic viewpoint, there is a definite need for more funding for basic and applied research in order to make our work-

ers more productive and to create jobs in new industries. This is vitally needed in order to allow the U.S. to continue to raise its standard of living, fight inflation, reduce unemployment, and improve its balance of trade.

By spending more money for research and development, the U.S. will: (1) Broaden its base of scientific knowledge; (2) explore entirely new areas of science and technology; and (3) raise the overall level of technology. The latter goal will provide the greatest economic impact in the near term, but the other goals should not be neglected either because of their long term impact.

The U.S. Activities Board supports NASA's fiscal year 1980 budget and their supplemental budget for fiscal year 1979. We believe that NASA's work has just begun and that these budgets represent NASA's minimum needs during 1980. If anything, we are disheartened by the lack of any new program starts in the 1980 budget. In future years, we would like to see NASA's budget increased to compensate for the budget cuts that it has sustained since 1966.

Mr. BOLAND. With what kind of programs?

Mr. SIMPSON. Basically manned and unmanned space exploration, the use of space for various potential commercial application and improvement of U.S. aircraft.

Most of NASA's funds have been used for research and development, which, in turn, has advanced the overall level of technology. One example of this is the tremendous growth in the computer industry which has occurred as the electronic components used in computers have steadily become smaller and cheaper over the last two decades. This has created a multi-billion-dollar industry as a spinoff. The original impetus for this came from the civilian and military space programs in the 1960s.

In 1966, NASA's budget peaked at $5.9 billion, or 4.4 percent of the $134.7 billion Federal budget. Since then, NASA's budget has continually declined while the overall budget has increased in size. In fiscal year 1980, the total proposed budget is $531.6 billion, four times the 1966 budget, but NASA's budget is only $4.7 billion. Inflation, since 1966, has greatly eroded the research and development that NASA can undertake with its present budget.

To correct this situation, we believe that NASA's budget should be raised over the next five years until it reaches an annual level of 1.5 percent of the total Federal budget. Once this level has been reached, it should not be cut. We disagree with the Carter Administration's position that NASA's programs should have short-term flexibility to impose fiscal constraints when conditions warrant. If this statement is meant to imply either drastic annual budget cuts, or the long-term erosion of NASA's budget due to inflation, then we oppose that. And we are not at all satisfied with OMB's projected NASA budgets for fiscal year 1981 through 1984. By fiscal year 1984, NASA's budget will have diminished to $3.7 billion, or 0.5 percent of the estimated $758.7 billion Federal budget.

We believe that NASA's budget should be increased because the U.S. is just beginning the manned and unmanned exploration of space, and the utilization of space for various potential profitable commercial applications such as communications, navigation and earth resources satellites. We also believe that NASA should con-

tinue its efforts to improve the design of U.S. aircraft because of the importance of this work for our balance of trade.

I would now like to say a few words about the fiscal year 1980 NSF budget. Most of NSF's budget is used to promote basic research at various American universities. We support this work because it is through basic research that we are able to obtain fundamental scientific knowledge which, in the long run, will be used to improve the overall level of technology. However, it is applied research which interests us more at this time because of its possible near-term economic benefits.

Since 1968, NSF has supported applied research in a relatively modest, but important, way through its applied Science and Research Applications (ASRA) programs, and the Mathematical, Physical Sciences and Engineering (MPE) Directorate.

In particular, we would like to express our support for:

One, the Small Business Innovation program, which supports innovative ideas which have commercial possibilities;

Two, the Innovation Centers Experiment, which trains students at several universities to be entrepreneurs in high technology areas;

Three, the University/Industry Cooperative program, which allows universities to perform applied research that is of value to industries which have a large number of small companies that individually do not have the adequate resources to undertake the research;

Four, the Automation and Batch Process Manufacturing program, which is of great importance to productivity; and

Five, the Electrical and Optical Communications program, which supports research in high capacity communications systems, including integrated optical circuits employing fibre optics instead of copper transmission lines.

In summary, I would like to say that it is vital that the Federal Government continue its support for research and development through its funding of such agencies as NASA and NSF, and that the substantial budget cuts that were made in NASA's budget since 1966 be compensated for by increasing funding during the 1980's.

Mr. BOLAND. Thank you very much, Mr. Simpson. We appreciate your presence and also the views of the Institute of Electrical and Electronics Engineers.

Mrs. Boggs?

Mrs. BOGGS. I would like to thank you also for including the Small Business Innovation program in your list of priorities for funding.

Mr. SIMPSON. Thank you.

Mr. BOLAND. Thank you very much. We will include your complete statement in the transcript.

[The full statement follows:]

I am speaking on behalf of the U.S. Activities Board of the Institute of Electrical and Electronics Engineers (IEEE). The Institute was founded in 1884 and is now the world's largest technical engineering society with a worldwide membership in excess of 185,000, 150,000 of which are members who reside in the United States.

Today, I would like to express our views on research and development in general, and specifically on the FY 1980 Budgets for NASA and the National Science Foundation (NSF).

Basically, we believe that the U.S. Government should increase the amount of federal funding for research and development in order to retain its scientific and technological leadership and its position as a world power.

From an economic viewpoint, there is a definite need for more funding for basic and applied research in order to make our workers more productive and to create jobs in new industries. This is vitally needed in order to allow the U.S. to continue to raise its standard of living, fight inflation, reduce unemployment, and improve its balance of trade.

By spending more money for research and development, the U.S. will: 1. Broaden its base of scientific knowledge; 2. Explore entirely new areas of science and technology; and 3. Raise the overall level of technology. The latter goal will provide the greatest economic impact in the near term but the other goals should not be neglected either because of their far term impact.

NASA's BUDGET

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Most of NASA's funds have been used for research and development which, in turn, has advanced the overall level of technology. One example of this is the tremendous growth in the computer industry which has occurred as the electronic components used in computers have steadily become smaller and cheaper over the last two decades. The original impetus for this reduction in digital circuitry came from the civilian and military space programs in the 1960's.

In 1966, NASA's Budget peaked at $5.9 billion, or 4.4% of the $134.7 billion Federal Budget. Since then, NASA's Budget has continually declined while the overall budget has increased in size. In FY 1980, the total proposed Budget is $531.6 billion, four times the 1966 Budget, but NASA's Budget is only $4.7 billion, and inflation since 1966 has greatly eroded the research and development that NASA can undertake with its present budget.

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3. The University/Industry Cooperative Program which allows universities to perform applied research that is of value to industries which have a large number of small companies that individually do not have the adequate resources to undertake the research;

4. The Automation and Batch Process Manufacturing Program which is of great importance to productivity; and

5. The Electrical and Optical Communications Program which supports research in high capacity communications systems, including integrated optical circuits employing fibre optics instead of copper transmission lines.

FUTURE FUNDING

In summary, I would like to say that it is vital that the Federal Government continue its support for research and development through its funding of such agencies as NASA and NSF, and that the substantial budget cuts that were made in NASA's Budget since 1966 be compensated for by increased funding during the 1980's.

NATIONAL SCIENCE FOUNDATION

WITNESSES

MICHAEL TEMPLETON, EXECUTIVE DIRECTOR, ASSOCIATION OF SCIENCE TECHNOLOGY CENTERS
JOEL N. BLOOM, VICE PRESIDENT AND DIRECTOR, FRANKLIN INSTITUTE SCIENCE MUSEUM AND PLANETARIUM

Mr. BOLAND. Our next witness is Michael Templeton of the Association of Science Technology Centers.

Mr. TEMPLETON. I am Michael Templeton, Executive Director of the Association of Science Technology Centers, and this is Joel Bloom, who is Vice President, and who is also Director of the Franklin Institute Science Museum in Philadelphia. We will enter our statement into the record, and deliver brief informal remarks now.

Mr. BOLAND. We will include it as presented to the Committee and are pleased to have it.

[The statement follows:]

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STATEMENT OF THE ASSOCIATION OF SCIENCE-TECHNOLOGY CENTERS to the Subcommittee on HUD and Independent Agencies of the House Appropriations Committee on the FY 80 Appropriations Request of the National Science Foundation.

Submitted by Joel N. Bloom, Vice President and Director, Franklin Institute Science Museum and Planetarium, April 26, 1979.

The Association of Science-Technology Centers is an organization of science museums and similar institutions, often called "science-technology centers" to distinguish them from museums with traditional emphasis on research, curatorial activities, and the preservation of historical objects. The common interest of science-technology centers is in the improvement of the public understanding and appreciation of science and technology and their place in our society through the use of interactive, participatory techniques in exhibitions, special events, and in ongoing educational programs. Members range from large science museums in major urban areas to small community science, industry, and natural history museums across the country. Their annual attendance of more than 35 million visitors is larger than that of art and history museums of comparable size and stature nationwide.

Science centers and museums are unique institutions. They communicate both with those who perform research and develop technology, and with the general public that benefits from that research, derives its jobs from the applications of research, and is asked to make decisions on public issues with information about science and technology.

ASTC and its members recognize the need for research and innovation generally, and for support for the National Science Foundation in particular. To science museums, the national necessity for a strong and healthy research and development community is clear. Museums daily address the need for a public that is well-informed and thoughtful about science and its applications, both as a significant part of American culture and as a necessary tool for informed decision-making in a complex world.

It is the experience of science centers and museums that education of the public about science must begin with one's earliest educational experiences as a child, continue through elementary, secondary and college years, and be maintained throughout one's life, through formal educational institutions and through informal science learning. Informal learning can occur through science centers, museums, television, libraries, newspapers and other community institutions.

ASTC concurs with the judgement of Congress and the National Science Foundation that science literacy and experience with science is needed among the broadest possible audience, in addition to the in-depth education and training that is appropriate for those who will become practicing scientists and engineers. Museums share the concern of NSF that science education reach children at junior high school and earlier age levels, when most of an individual's basic attitudes about science are formed. They also share a concern that women, minorities and handicapped individuals be provided

with effective access to science education as a part of a basic educational experience, and so that individuals may select scientific and technological careers. ASTC members strongly endorse NSF's identification of informal education--science learning beyond the classroom and outside the school--as an important component of science education for both children and adults.

Although the National Science Foundation has endorsed the Administration's plan for the transfer of NSF's Science Education Directorate to the proposed Department of Education, ASTC supports the opposition to this transfer that has been expressed by the American Association for the Advancement of Science, the National Science Board, and many other scientists and educators. Present science education activities of the National Science Foundation are closely coupled to the science community and should remain as NSF responsibilities.

A compromise position has been discussed in which parts of the Science Education Directorate would remain within NSF and parts would be transferred to a new Department of Education. We recommend that those programs which relate to research and development in science education and which relate to public, non-school education in science remain within NSF, close to the necessary sources of scientific knowledge and expertise.

Within NSF's Science and Society Program, the Public Understanding of Science (PUOS) element works to extend general public knowledge of science through many different media. Given the recognition of informal education as an NSF program goal, PUOS has extremely limited resources available to accomplish its mission. In ASTC's view, funding for the Science and Society program and PUOS is substantially below that necessary to meet even the most essential needs of the field. In comparison, the National Endowment for the Humanities plans to spend more than $ 21 million in FY 80 for public programs in the Humanities.

Federal support for science museums generally is fragmented and inadequate when compared with that provided art or other museums within the museum programs of the NEA and the NEH. NSF museum support derives from several different programs in different directorates, depending upon the activity's classification as research, collections support, science education research and development, or public education. ASTC believes that NSF support of research, development, and dissemination activities within museums is essential to the strength of science and to the health and vigor of science museums' public program activities.

NSF programs have substantially advanced the public understanding of science and strengthened science education within museums, but there has not been an adequate level of funding. Project support in recent years has included exhibits at the Exploratorium in San Franscisco, the Pacific Science Center in Seattle, the Center of Science & Industry in Colombus, and the Franklin Institute Science Museum, to name a few, but support has been so limited that only a handful of such model projects have been supported. NSF's $1 million annually expended on public exhibits and activities of science museums is far less than the $20 million spent annually by the NEA and NEH's

museum programs for projects in arts and history oriented museums.

Looking at all sources of support, direct federal museum support in the last decade has risen to more than $50 million annually, while science-technology centers will receive approximately $3.5 million in FY 80. (Appendix A) Half of that total will be general operating support from the new Institute of Museum Services, which is available by law to all museums. Project support--the bulk of federal museum support--is almost unavailable to science museums in comparison with arts and history museums.

Between 1972 and 1978, museums received more than $112 million in direct project support from NEA, NEH, NSF, and the National Museum Act. During that same period science-technology centers received less than $7 million--only 6% of the total. Sixty percent of that amount came from NSF and roughly 20% each from NEA and NEH project support.

The National Science Foundation, with no defined museum program, has supported mostly scientific research in museums involving collections and the development of public school science curricula. Its Public Understanding of Science program, in which museum, film, television and print media compete together, has a budget of only $4 million. Each of the federal agencies involved with science museums has supported science museum projects as a secondary rather than primary activity, and science centers and museums have suffered in comparison with arts and history oriented museums as a result.

This difficult situation for science centers and museums may soon become much worse. In testimony before the Senate Subcommittee on Interior of the Appropriations Committee, March 13, 1979, the Arts Endowment Chairman stated:

"While the Endowment's authorizing statute enables the Endowment to make grants for specific projects to the whole universe of museums, nonetheless, the general orientation of the Endowment is to support projects of an artistic nature. As such, the predominent number of applications received by the Museum Program are from art museums or from other museums sponsoring projects of an artistic nature. I might add that, predominently, history museums have tended to apply to the Humanities Endowment, while science museums have frequently attempted to obtain support from the National Science Foundation.

"What has been at work, then, is a process of natural choice among the Nation's museums, with art museums generally applying to the Arts Endowment for project support...

"We would anticipate that in the case of the Arts Endowment, the parameters of our support would be drawn somewhat more tightly than they are now. Specifically, we are planning to confine our museum funding to art museums and other museums whose projects are artistic in nature. Further, after the present round of Challenge Grants, we are planning to limit Arts Endowment's Challenge Grants solely to arts museums. We would not expect these changes to seriously alter the make-up of museum applications to the Arts Endowment. Rather, we believe they will sharpen the focus of our areas of responsibility."

Although this present deficiency in science museums' public program support is clearly not the responsibility of NSF alone, NSF has the mandate, the means and the expertise to ameliorate it. The appended paper on federal support for museums was prepared by ASTC at the request of the Federal Council on the Arts and Humanities (Appendix B). It provides a more detailed discussion of the problems raised above, although it was prepared before the recent NEA statement.

In summary, ASTC and its member museums strongly support the National Science Foundation's FY 80 budget request, and ask that substantial additional funds be provided for science literacy for the public. It is essential that federal agencies that support projects in museums agree about their respective responsibilities for museum support, and we urgently request that the Subcommittee on HUD and Independent Agencies confer with its colleagues on the Subcommittee on Interior about the impact of the proposed levels of support and program limitations on support for projects at science centers and museums.

Recent discussions have focused on the declining productivitiy and decreasing innovation and creativity in America's technology, and the necessity for a healthy research and development enterprise to combat declines. Innovation and creativity come not only from research, but also from the wellsprings of our country -- from the spirit and determination of its citizenry.

There are ample indications that this creative spirit -- this determination to use the knowledge of science and technology to meet human needs -- has been dampened in recent years. Along with the investment in laboratories, equipment, and the performance of research itself, we must invest in the knowledge, the attitude and appreciation of science and technology among our citizens. The most critical long-range investment in science is in the attitudes, beliefs and talents of future generations. Support for formal and informal science education and for the public understanding of science and technology is no less critical than for research itself.

Table 1

MUSEUM SUPPORT BY FEDERAL AGENCIES

(dollars in thousands)

AGENCY	FY '79 BUDGET	FY '80 BUDGET REQUESTS	FY '80 MUSEUM SUPPORT (estimated)	FY '80 NATURAL HISTORY MUSEUM SUPPORT (estimated)	FY '80 SCIENCE CENTERS & SCIENCE MUSUEM SUPPORT (estimated)	NOTES
NEA	149,000	154,400				
NEA Museum Program	11,377	11,000	11,000	300	100	(1)
NEA Challenge Grants	30,000	26,900	7,500	660	300	(2)
NEH	145,000	150,100				
NEH Museums & Historical Organizations	7,800	8,500	8,500	200	200	(3)
NEH Challenge Grants	27,000	27,000	9,000	600	400	(4)
NSF	911,625	1,006,000				
NSF Program Elements Involving Museums:						
Biological Research Sources	6,000	7,200	4,500	4,500	ø	(5)
Science Education Development & Research	11,700	15,300	400	100	300	(6)
Public Understanding of Science	3,400	4,000	720	320	400	(7)
IMS	7,900	10,900	10,400	1,800	1,800	(8)
NMA	790	798	798	30	30	(9)
Estimated FY '80 Totals:			52,818	8,510	3,530	
			100%	16%	7%	

NOTES

1. Estimates based on 1972-78 museum program grants and narrowing of program guidelines.
2. Estimates based on 1977-78 Challenge Grants and current guidelines.
3. Estimates based on 1972 grants.
4. Estimates based on 1977-78 Challenge Grants and current guidelines.
5. Research funds for support of biological collections. Museum estimates based on past grants.
6. R & D funds for science education. Museum estimates based on recent practice.
7. Estimates based on recent practice.
8. Estimates based on 1st round IMS grants.
9. Estimates based on 1972-78 grants.

Statement to the

Federal Council on the Arts and the Humanities

on

Federal Museum Policy

Submitted by

Joel N. Bloom, Director

Franklin Institute Science Museum and Planetarium

January 20, 1979

on behalf of the

Association of Science-Technology Centers

1016 16th Street Northwest

Washington, D.C. 20036

REVISED
January 22, 1979

In any discussion of museum support, one ought to begin at the beginning. In the mythology of ancient Greece, the nine daughters of Zeus were called muses and their task was to sing and dance to make men forget their sorrows. As popular goddesses, palaces were constructed in their honor and the term 'museum' came into being to describe these palaces of the muses.

In the intervening years, as memories of gods and goddesses have grown dim, we have come to equate the muses with the arts and the humanities and have forgotten that one of the muses was Urania, goddess of astronomy and patroness of the mother science.

Similarly, in federal support for museums, the goddess of science has been neglected, and we now cry out that it is only fitting that she be restored to her rightful place among her sisters.

STATEMENT OF MR. BLOOM

I. INTRODUCTION

The Association of Science-Technology Centers is an association of science museums and similar institutions, often called "science-technology centers" to distinguish them from museums with traditional emphasis on research, curatorial activities, and the preservation of historical objects. The common interest of science-technology centers is in the improvement of the public understanding and appreciation of science and technology and their place in our society through the use of interactive, participatory techniques in exhibitions, special events, and in ongoing educational programs. Members range from large museums in major urban areas to small community science, industry, and natural history museums across the country.

It has been the continuing experience of these institutions that their essential role in the interpretation of current and future science and technology is not well served by traditional sources of museum support.

Despite this public and private neglect, science-technology centers provide substantial services to communities across the country, serving the broadest possible public. Their annual attendance is larger than that of art and history museums of comparable size and stature nationwide. There are more than 35 million visitors each year in the more than 80 institutions represented in ASTC alone. They have established close and effective ties with primary and secondary school education programs, and provide a significant addition to the very limited support that is allocated for science education at the elementary level in many school districts.

During the past decade increasing pressure on the federal government to support cultural programs which enrich the lives of our citizens resulted in the growth of two strong and effective Endowments. Although the view that science and technology are an integral part of our culture -- appropriate subjects for appreciation by thoughtful citizens -- is widely accepted, it has not been accompanied by comparable support for the interpretation of science and technology by science centers and museums. Despite Lord Snow's plea in "Two Cultures," there remains a substantial exclusion of science and technology as elements of culture.

This cultural division is inherent in the title of the Federal Council on the Arts and Humanities: The muse of science is ignored, and in neither Endowment is science as culture accepted as a program target, although there has been a sympathetic consideration and support for some projects in which science and technology was a component. In order to reason and live in our complex and changing society, access is needed to the full range of our cultural richness and diversity. This cultural access provides reserves of aesthetic experience, of ethical and philosophic thought, and of appreciation of the phenomena of science and the powers and limits of technology. It provides a bond of common values and common heritage that holds us together as a nation and as a people. It is essential that the activities of science centers and museums in providing their share of that access be properly supported.

It has been suggested that science museums are well served by the National Science Foundation, a federal agency with a budget of nearly one billion dollars. This is simply not the case. Over 90% of the NSF budget is devoted to the support of basic scientific research. Of the approximately $80 million devoted

to science education, only 5% is allocated by the Public Understanding of Science to programs accessible to museums in a fashion analogous to the museum programs of the Endowments. The PUOS program, for whose support we are grateful, also serves radio, TV, print media, and film as well as museums. This leaves science centers with only one-tenth of one percent of the "huge" National Science Foundation budget.

II. COMMENTS ON WORKING GROUP QUESTIONS

1. What are the financial or other needs of American museums that most appropriately warrant Federal assistance?

   Science museums, like other museums, are complex underfinanced institutions. They require the broadest possible support in the areas of programs, operations, and capital funding if they are to continue to serve their growing audiences.

2. Do Federal programs, as currently constituted, meet those needs.

   Current Federal programs do not meet the needs of science centers and museums.

   Science museums are only marginally eligible for museum program support provided by both Endowments, although efforts by Endowment staff and program panels to interpret guidelines broadly and extend support are greatly appreciated. The National Endowment for the Arts increasingly places strong emphasis on aesthetic considerations, while the National Endowment for the Humanities restricts its support to humanistic interpretation.

   The National Science Foundation provides substantial support for collections research in the non-public sectors of a relatively small number of natural history museums, and for science curricula designed for use in public schools. While this support is necessary and desirable, there has been no comparable commitment to the support of informal education and public activities in science museums.

Indeed, there exists no comparable entity to the museum programs of either Endowment within the National Science Foundation. Public museum support in NSF is but a small part of the Public Understanding of Science programs, amounting in 1978 to approximately one million dollars.

3. Are the limited Federal museum assistance resources being applied efficiently and equitably?

Federal museum assistance is not applied equitably. In both Endowments' program and challenge grant support, science museums are seriously discriminated against. Witness the fact that in the 1972-1978 period science-technology centers have received approximately 2% of the Arts Endowment's and 6% of the Humanities Endowment's museum project grants. Program guidelines substantially restrict support to art and history museums, and there is underrepresentation on review panels of persons familiar with science-technology centers, and knowledgeable about science and technology per se.

NSF museum support is accessible to science-technology centers within the PUOS program, but the level of funding, compared to the Endowments' museum programs, is small indeed.

The National Museum Act funds have, generally, been equitably distributed and the NMA staff seems cognizant of the important need for distribution of its training and development funds throughout museum disciplines. A chronic need for more funding exists in the National Museum Act program.

Like most other museums, science museums are educational institutions. Unfortunately, the majority of federal educational support programs explicitly exclude museums.

To date, the Institute of Museum Services, in our opinion, equitably funds all types of museums.

4. Are there ways to streamline administrative practices in Federal museum programs to better serve the museum community?

In general, Federal museum programs are effectively administered. We deplore the recent hue and cry about museum program overlap, and believe there is a far more serious danger of "underlap", in which narrow and parochial definitions of art and culture leave important quality interdisciplinary programs without a source for support.

A system of inter-agency consultation should easily resolve the rare instances of genuine overlap.

III. RECOMMENDATIONS

1. If science museums are to play their rightful and important role in enhancing the public understanding and appreciation of science and technology, per se and in the broadest possible context, the National Science Foundation's public museum support must be considerably strengthened through the establishing of a program activity specifically dedicated to museum support and by the allocation of funds comparable to the Endowment's museum programs.

2. The recent efforts on the part of the National Endowment for the Arts to "tighten" its museum program guidelines and criteria for both program and challenge grant support, which has the effect of restricting agency support to art museums, should be reviewed. Continued narrowing of NEA program support contributes to the Balkanization of federal museum support.

3. We urge the development of methods for inter-agency support of interdisciplinary projects, similar to National Science Foundation and National Endowment for the Humanities cooperation in support of non-museum programs in Ethics and Values in Science and Technology.

4. If the Institute of Museum Services is to fulfill its role of providing significant operating support to America's museums, funding must be substantially increased, and the artificially low grant ceiling of $25,000 eliminated. Additionally, the exclusion of professional museum associations from IMS eligibility should be removed.

5. Although it may be outside the direct purview of the Federal Council on the Arts and Humanities, we suggest that strong efforts be made throughout the government to extend the definition of educational institutions to include museums, thus qualifying them for Federal educational institution support. Museums are needed in an era in which extracurricular, informal education is becoming increasingly important.

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We close with another Greek legend, the tale of two brothers - Prometheus, "the one who plans ahead" and Epimetheus, "the one who plans too late." Prometheus was the bold explorer who risked the wrath of Zeus to benefit mankind by bringing it fire, while Epimetheus foolishly accepted, from the gods, the gift of the woman Pandora who "removed the cover of the great jar and scattered the evils within and for men devised sorrowful troubles."[9]

In the five hundred years since the Copernican Revolution, new promethean have brought mankind awesome gifts, ranging from an ability to unleash the very forces that power the stars, to opportunities to watch in the comfort of our living rooms men walking on the surface of the moon, to electronic devices implanted into human bodies to regulate malfunctioning hearts. Yet Epimetheus has not been idle, nor was even Prometheus' gift cost-free; serious thinkers warn of nuclear proliferation, rapidly diminishing resources, unchecked population growth, and an increasingly polluted biosphere. Perhaps, in a very real sense, Prometheus and Epimetheus are but one and the same in all of us.

Nevertheless, I strongly believe that we can and will make this planet a better place for our children and grandchildren:

-- not by teaching them art
-- not by teaching them science
-- not by teaching them humanities
-- not by teaching them technology

but only by teaching them <u>how they fit together</u>.

Mr. TEMPLETON. As a brief introduction, we are science museum folk, that is, we represent museums around the country concerned with public understanding and communication about science and technology. Science museums are an important adjunct to the formal educational system in this country, and we feel an important one. Science museums on the whole serve very, very large public audiences around the country and provide education outside the formal system available to people at their own initiative, to closed classes, to adults pursuing independent study. We offer a wide variety of freely determined choices for education.

Science museums are in every State in the Union. The Museum of Science in Boston is one of the premier science museums in the United States, and one of the original leaders in the development of the modern science museums. Also, an institution I have visited within the last couple of months is the Louisiana Nature Center in New Orleans, which is one of the new developing institutions that is being replicated across the country.

There are many, many cities which are starting and developing new science centers to communicate and provide community service for their local citizens.

Our concerns are with the range of Federal support for science museum activities, for the projects and programs that the science museums provide within their community. Joel Bloom is going to provide testimony on the specifics of the problems the science museums face and the opportunities they represent.

STATEMENT OF MR. BLOOM

Mr. BLOOM. First, I must invite you to visit The Franklin Institute when you are in Philadelphia, because we have a major Philadelphia tourism campaign this year.

Mr. BOLAND. You have a major mayoral campaign, too.

Mr. BLOOM. Yes, sir, and a very complicated one. We do have city support.

Mr. BOLAND. It is a great city, and there is a lot to be proud of there.

Mr. BLOOM. Our written testimony covers three areas. One, the urgent national need for continuation of research; two, the hope that the science activities of NSF will not be moved because all education really draws its strength from the source of knowledge it seeks to communicate.

Mr. BOLAND. What are you doing about that? Are you communicating with Members here to be sure that doesn't happen?

Mr. BLOOM. We are trying our best to write everybody, because it is terribly important. Education which gets away from the source of knowledge becomes just the medium, becomes the message——

Mr. BOLAND. You continue to say it loud and clear, and we may succeed.

Mr. BLOOM. Wonderful.

I would like to talk to you most about a tiny piece of the NSF budget and that is the support for the programs and works of science technology centers. As I said before, I come from Pennsylvania, and we have been through the Three Mile Island accident. I

think everybody agrees that whether you are a member of the union of concerned scientists or a staff member of Metropolitan Edison, there was profound public ignorance of the laws of nature which determine what man can or cannot do to the spaceship Earth.

The U.S. in the next few years faces a lot of tough decisions ranging from nuclear power to the question of marginally carcinogenetic food additives.

I am certain you, as Members of the Congress, would agree these are too important to leave to the experts, and, as a nation, we just have to have the widest possible public understanding of science and technology and their implications. Clearly this begins at the elementary and secondary schools.

I would like to commend to you those sections of the budget which address themselves to this so well—improving science education through research, development and practice. I would like to join the previous speaker in deploring the downward trend of the support.

I think we also have to have programs addressed to the general public outside of schools. Improving science education in the schools is a long and uphill fight. As a piece in last Sunday's New York Times gave evidence, it is going backward, as a matter of fact. Most people are not in school; things have changed since they were, and this is where science technology museums come in. We have remarkable ability, through hands-on participation, to teach science and technology and their implication. We do it mostly by admission fees, local government support and the private sector support, but we need a little Federal support. When it comes to Federal support, we are near the bottom. When you get to program elements, you find public universities science, of $400 million, of which approximately $1 million goes to support science museums programs for public understanding.

Let's compare this to the National Endowment for the Arts which supports mostly art museums, $11 million. Let's compare this to the National Endowment for the Humanities, mostly art and history museums, $8.5 million. So 8.5 and 11 is about 20 percent, and science museums have about 1 percent.

Mr. BOLAND. We ought to move this activity into the Endowment.

Mr. BLOOM. I will mention that in a moment.

To look at this another way, from 1972 to 1978 the Federal Government supported museum programs to the tune of about $112 million, that is, in both Endowments, and the National Science Foundation, and through the National Museum Acts, science museums got 6 percent.

With challenge grants, which is money for institutions' basic operating programs to shape and encourage them to raise more community support from 1977 to 1978, there was about $55 million in challenge grant programs in both Endowments' science technology centers, 5 percent, and the situation is getting a lot worse because the Chairman of the Arts Endowment testified before the Senate Subcommittee that the National Endowment for the Arts is going to tighten its guidelines and cut off the little bit of support given to the science museums of about $100,000 to $200,000 a year.

We would like to urge the Congress to increase the Office of Science budget in NSF to make it possible for science museums to be supported so we can do our job to make wise decisions based on understanding of science and technology. It is not an exaggeration to say the decisions we will be making in the next 10 years will determine the kind of world we will bequeath to our children and grandchildren and may even determine whether there is going to be a world for them.

Thank you.

Mr. BOLAND. Thank you very much.

I thought I would read one paragraph that ought to be on the record publicly on page 9 of your statement.

> We close with another Greek legend, the tale of two brothers—Prometheus, "the one who plans ahead" and Epimetheus, "the one who plans too late." Prometheus was the bold explorer who risked the wrath of Zeus to benefit mankind by bringing it fire, while Epimetheus foolishly accepted, from the gods, the gift of the woman Pandora who "removed the cover of the great jar and scattered the evils within and for men devised sorrowful troubles."

Mr. Bloom, thank you very much.

Incidentally, you probably are aware of Mr. Yates, who is a long time distinguished Member of Congress from the State of Illinois and a very effective Member of Congress, and he has written to us concerning this area. We do appreciate your testimony and your presence here.

Mrs. BOGGS. Mr. Chairman, I should like to read into the record, however, that his statement begins with the nine daughters of Zeus, who were the Muses and who made men forget their trouble, and this is where the word "museum" comes from.

Mr. BLOOM. I got in a lot of trouble when I used that because I was accused of being anti-feminine.

Mr. BOLAND. Thank you very much.

Mr. TEMPLETON. With respect to your comment about moving us into the Endowments, 2 days ago I provided testimony before Representative Yates and his Subcommittee. One our central problems in this dilemma is that we are like the shuttlecock that is being batted back and forth between the two rackets in the game of badminton. The position of the Endowments has been that it was the responsibility of the National Science Foundation to provide primary support for science museums. It has been our position, we believe the National Science Foundation, that as cultural activities, they are the responsibilities of the Endowments.

The thing we wish to urge most strongly is that in this case, because there are two Appropriations and Authorization Subcommittees who have the similarly divided responsibility between science and arts and culture, that those two Committees communicate with each other and at least recognize the dilemma we are in.

We understand the problem will be difficult to solve but we urgently request that.

Mr. BOLAND. All of us in the Congress have seen some of the grants made by the National Endowments for the Arts and Humanities. I would think on the basis of priority this ought to rank high above some that have been made.

Mrs. BOGGS. We ran into some of these difficulties with the center to which he was referring in New Orleans. It is a

very, very exciting concept and has tremendous support from the State legislature and from the local community and from the educational institutions. I do think that it is an area that we should address to gain coordination in this field.

Mr. BOLAND. Thank you very much.

Mr. BLOOM. Thank you.

NATIONAL SCIENCE FOUNDATION

WITNESS

DR. ARTHUR C. GENTILE, EXECUTIVE DIRECTOR, AMERICAN INSTITUTE OF BIOLOGICAL SCIENCES

Mr. BOLAND. Our next guest is Dr. Arthur Gentile of the American Institute of Biological Sciences.

We are delighted to have you, Doctor.

Dr. GENTILE. Thank you, sir.

Mr. Chairman and Members of the Committee, I am pleased to have the opportunity to appear before this Committee in support of the President's budget for the National Science Foundation.

Mr. BOLAND. Where are you from?

Dr. GENTILE. The American Institute of Biological Sciences, here in Washington.

Mr. BOLAND. You are located here in Washington?

Dr. GENTILE. Yes, in Rossyln.

The American Institute of Biological Sciences is a consortium of over 50 professional societies with a combined total membership of some 80,000 biological scientists. I believe it is safe to say that almost all of the research investigators in the life sciences in the United States are affiliated with our association through these professional societies.

As a scientist I recognize the value of acquiring knowledge across the spectrum of human endeavor. However, as a scientist—a plant physiologist by training—I also realize that I should direct my comment to disciplines I know best. Therefore, I shall limit my remarks to research in the life sciences.

The NSF budget submitted to the Congress contains an 11 percent increase in research support for the biological, behavioral, and social sciences. Most of this proposed increase is in the areas of physiology, cellular, molecular, and environmental biology. This increase may have been considered a generous one when the budget was prepared and the projected rate of inflation was 7 percent. That figure for inflation now appears very likely to be exceeded, so that an 11 percent increase may be barely enough to maintain the current level of support for research.

The American standard of living, which has long been the envy of the rest of the world, is in no small way attributable to the research efforts of American scientists. The economic and physical well-being of our citizenry is dependent upon continued support of scientific research. We have solved many problems, but many remain unsolved and they are the more perplexing and more difficult ones.

As a direct result of agricultural research, crop production in America has doubled every 25 years since the early 19th century.

Thus, we have not only been able to feed our citizens well but also we can export food to less fortunate countries. Food has become one of our principal exports and has greatly aided in reducing the balance of payments deficit which has long plagued the United States. We have already applied most of the early knowledge gained by basic research in plant science. To continue to increase yields of agricultural crops, new breakthroughs are needed. Our knowledge of the genetics and physiology of plants must be increased if we are to make further progress.

Let me give you a recent example. One way to improve yields of food crops is to increase their resistance to disease. The potato, which is the fourth most important vegetable crop in the world, has defied efforts to improve it for the past century. Recently a plant pathologist at Kansas State University, utilizing a basic technique known as tissue culture, has developed clones of potato plants which have higher yields of potatoes and are resistant to the most serious disease of this crop, a condition known as blight.

This scientist isolated single cells from a leaf of a potato plant and grew them in test tubes. By this method of reproduction, he has been able to screen thousands of these plants and identify those which are resistant to disease. The good news is that he has been able to achieve these results in a period of 2 years. If he had had to rely on conventional breeding techniques, it would have taken 10 years or longer to accomplish the same results.

This research first was supported by the National Science Foundation's Biological, Behavioral and Social Science Directorate and is now being funded by NSF's Applied Science and Research Applications Directorate.

Scientists at Cornell University have estimated that by the year 2000, with a projected world population of 7 billion, production of legumes will have to increase by 66 percent, vegetables by 100 percent, and cereals by 75 percent in order for the consumption of those foods to remain at the 1975 level.

The real challenge will be to increase yields while reducing the amounts of petroleum-based chemical fertilizer required. One approach is through intensive research in the plant sciences. The National Science Foundation is supporting some very promising studies.

For instance, research is in progress to increase the efficiency of photosynthesis in plants. This is the process by which plants convert the sun's energy into chemical energy in the form of sugar. A more efficient plant will produce more vegetable matter per unit of energy.

Research also is being conducted to increase the efficiency of nitrogen-fixation in leguminous plants—peas, beans, et cetera. This process permits plants to utilize nitrogern from the air rather than from chemicals in the soil. It thus lessens our dependence on chemical fertilizers.

My colleagues in the life sciences and I are particularly pleased that the President has recognized the importance of environmental biology. The American Institute of Biological Sciences was one of numerous NSF grantees participating in the ecosystem studies of the international biological program. Those studies are just being published and are giving us tools for better management of our

environment. Knowledge of the relationship of one species to another in unique ecosystems has advanced to a point where mathematical models can be formulated to predict the long-term results of man's interventions.

This capability comes at a time when exploration and exploitation of energy resources is imposing increased stress on the environment. We need all the insights we can muster to weigh the benefits and costs of developing new energy sources. The 1980 budget wisely requests the largest increase for the NSF's Biological, Behavioral, and Social Sciences Directorate for environmental biology.

In the medical area, we have conquered infectious diseases but the most difficult problems remain unsolved. To cure the so-called metabolic diseases—cancer, muscular dystrophy, diabetes—requires more basic knowledge of the living cell and the mechanisms that control its growth and development.

Basic research in genetics, physiology, and molecular biology has contributed greatly to our health and well-being. Not all research projects, however, produce quick payoffs. More often, the payoffs come after many years of research by many scientists, each building on the discoveries of his colleagues. Such a chain of events resulted in the development of the polio vaccine. If a cure for cancer finally is discovered, it too will be the culmination of many diverse studies—each adding a piece to the solution of the puzzle.

Modern research is also expensive, frequently requiring sophisticated equipment. I applaud the Foundation's request for funds to provide the necessary new research tools and to replace obsolete ones. I am sure the Committee will agree with me that investment in capital is a sound expenditure of public funds.

Someone once suggested that one of the greatest contributions to modern civilization was the acceptance of the concept of research as a means of improving our lives. We are now convinced that most problems can be solved if enough time, money and human ingenuity are applied toward their solutions. The acceptance of this idea has built the American economy and our enviable way of life. We have too many unsolved problems to become complacent at this time.

I apologize if I have presented my arguments solely in the form of a cost-benefit analysis. There is also a human side to this presentation. Our most important renewable resource in scientific research is the scientists themselves. In universities all over America, young scientists are training to join in the search for new knowledge. They possess the ideas, energy and enthusiasm to carry on the research effort.

We must not allow them to become disillusioned by our failure to support their efforts, for they represent our hopes for the future.

I am not insensitive to the requests made of the Congress from many quarters, nor am I insensitive to the pressing problems that confront you—energy, inflation, taxes, human needs, defense—among others. I know that it is your responsibility to meet America's immediate needs, but I also see you as stewards of the future, and America's future is inextricably tied to advances in science and technology. Basic research is where it all begins.

I urge you to see that the National Science Foundation has the means to continue its unique function as a stable source of new knowledge to ensure the quality of life we all want for future generations.

Mr. SABO. Thank you, Dr. Gentile, for a very excellent statement.

We appreciate your being here today. We will include your complete statement in the record.

[The statement follows:]

Statement of
Dr. Arthur C. Gentile
Executive Director
American Institute of Biological Sciences
before the
Subcommittee on HUD - Independent Agencies
of the
Committee on Appropriations
U.S. House of Representatives

April 26, 1979

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to appear before this committee in support of the President's budget for the National Science Foundation. The American Institute of Biological Sciences is a consortium of over fifty professional societies with a combined total membership of some 80,000 biological scientists. I believe it is safe to say that almost all of the research investigators in the life sciences in the United States are affiliated with our association through these professional societies. As a scientist I recognize the value of acquiring knowledge across the spectrum of human endeavor. However, as a scientist -- a plant physiologist by training -- I also realize that I should direct my comment to disciplines I know best. Therefore, I shall limit my remarks to research in the life sciences.

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WITNESS

HON. HOWARD WOLPE, A REPRESENTATIVE IN CONGRESS, FROM THE STATE OF MICHIGAN

Mr. SABO. Welcome, Mr. Wolpe.

Mr. WOLPE. I want to thank the Subcommittee for allowing me a few minutes to speak today.

I come before you today on behalf of the thousands of Michigan and Region V veterans who over the past 3 decades have made an enormous commitment of time, energy and resources on behalf of the establishment of a new National Cemetery in Region V. As you go about your important task of appropriating funds, I ask for your help in bringing the efforts and hopes of these veterans one step closer to realization. I hope that you will help this country to honor, rather than forget, the men and women of Region V who have given so valiantly of themselves in the name of our country.

The funds that we are asking you to allocate are crucial to assure that veterans of Region V will receive an honorable and decent burial within their home region. Is this not the least we can do for those who have given so much of themselves, and made so many sacrifices, in protecting our country?

Let us not forget so quickly those whom we know so well when our nation's security is threatened. In the words of Roger Dillenbeck, a Battle Creek veteran who now serves as a veterans' chaplain:

> The veteran is entitled to all veterans' rights. He is entitled to be buried in a national cemetery. Some cannot afford a cemetery plot. But they should not be buried like a pauper. A veteran is not a pauper.

Let us show the veterans of Michigan and the Region V area that we, as a country, are forever proud and grateful for their service and that we will never permit them to be treated like paupers.

The Veterans' Administration has already stated the need for a new Region V cemetery. In addition, the VA is on the verge of selecting a site for the proposed cemetery. I am heartened by the fact that the VA's recent draft environmental impact statement indicated that Fort Custer, Michigan is the preferred site. Michigan remains the only State in the region without a national cemetery and the selection of Fort Custer would be a great honor for the more than 2 million veterans living in our State.

Fort Custer, Michigan would be an ideal location for the new Region V national cemetery for several reasons. In its report, the VA cited Fort Custer's physical nature, not only the beauty of the environment, but also its suitability for being transformed into a national cemetery. The size of the veteran population of the area also suggests that Fort Custer would be a perfect site since over 850,000 veterans live within a 100-mile radius of Fort Custer. In addition, the centralized location of Fort Custer, which is midway between Detroit and Chicago, makes the site ideal for the project. A small veterans' cemetery already exists on the proposed site, effectively serving as a precursor to a larger national cemetery.

The creation of a national cemetery at Fort Custer is a dream that has been shared for over 30 years by the many veterans living in the area. People like Joe Kruczek, Frances Mancour, and hundreds of individuals who have signed petitions to see Fort Custer named a national cemetery know the importance of this project.

Mr. Chairman, today, we are closer than ever to making this dream come true. I ask now for the support of this Committee in bringing this project to completion.

I might just add that the project does enjoy the unanimous bipartisan support of the entire Michigan delegation.

Mr. BOLAND. I would expect that.

Howard, thank you very much for joining us this morning. We are very pleased to have you.

Bob?

Mr. TRAXLER. Howard, I know that you have discussed this with the VA.

What is your reading of where they are on this decision?

Mr. WOLPE. At this point the draft environmental impact statement, which I have in my hand, has been completed, and recommends Fort Custer as the preferred site.

Now they are into a public comment period that will last, I believe, 60 days. At the conclusion of that, the final impact statement will be prepared, and then another public comment period begins. The Veterans Administration is shooting for a final decision date in August or September. We are hoping, of course, to expedite that as much as we can.

Mr. TRAXLER. In the meantime, they haven't asked for any funding for this project?

Mr. WOLPE. Yes, there is a request in for $3,350,000 for fiscal year 1980.

Mr. TRAXLER. Excellent. Thank you.

We will do all we can to assure an early and prompt decision.

Mr. WOLPE. Good.

Mr. BOLAND. Howard, thank you very much. We are glad to have you with us.

Mr. WOLPE. Thank you very much, Mr. Chairman.

Mr. BOLAND. We will include your prepared statement in the record.

[The statement follows:]

STATEMENT

OF

THE HONORABLE HOWARD WOLPE

BEFORE THE SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS

APRIL 26, 1979

Mr. Chairman, I want to thank the Subcommittee for allowing me a few minutes to speak today.

I come before you today on behalf of the thousands of Michigan and Region V veterans who over the past three decades have made an enormous commitment of time, energy and resources on behalf of the establishment of a new National Cemetery in Region V. As you go about your important task of appropriating funds, I ask for your help in bringing the efforts and hopes of these veterans one step closer to realization - that you will help our country to honor, rather than forget, the men and women of Region V who have given so valiantly of themselves in the name of our country.

The funds that we are asking you to allocate are crucial to assuring that veterans of Region V will receive an honorable and decent burial within their home region. Is this not the least we can do for those who have given so much of themselves, and made so many sacrifices, in protecting our country? Let us not forget so quickly those whom we knew so well when our nation's

security was threatened. In the words of Roger Dillenbeck, a Battle Creek veteran who now serves as a veterans' chaplain, "The veteran is entitled to all veterans' rights. He is entitled to be buried in a national cemetery. Some cannot afford a cemetery plot. But they should not be buried like a pauper. A veteran is not a pauper." Let us show the veterans of Michigan and the Region V area that we, as a country, are forever proud and grateful for their service and that we will never permit them to be treated like paupers.

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being transformed into a National Cemetery. The size of the veteran population of the area also suggests that Fort Custer would be a perfect site: over 850,000 veterans live within a 100 mile radius of Fort Custer. In addition, the centralized location of Fort Custer -- midway between Detroit and Chicago -- makes the site ideal for the project. A small veteran's cemetery already exists on the proposed site, effectively serving as a precursor to a larger national cemetery.

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Mr. Chairman, today, we are closer than ever to making this dream come true. I ask now for the support of this Committee in bringing this project to completion.

WITNESSES

JOHN MURPHY, STAFF MEMBER, NATIONAL ASSOCIATION OF COUNTIES

ROBERT C. WEAVER, ASSOCIATE DIRECTOR, NATIONAL ASSOCIATION OF COUNTIES

Mr. BOLAND. Our next witnesses are Robert Weaver and John Murphy of the National Association of Counties, who appear with respect to the HUD budget and the EPA budget.

We are delighted to have you.

Mr. MURPHY. Thank you, Mr. Chairman.

For the record, my name is John Murphy on the staff of the National Asssociation of Counties.

I am joined on my right by my colleague, Robert Weaver.

I would like to direct my comments, just very briefly, since you have our prepared statement, to the fiscal 1980 appropriation request for the Department of Housing and Urban Development.

Once I complete my remarks, I will defer to my colleague for his remarks on the EPA appropriations request.

First of all, Mr. Chairman, I would like to, on behalf of the nation's county governments, thank this Subcommittee, and the Congress, and the Administration for its continuing support of the nation's housing and community development programs.

Mr. Chairman, as you know, the Administration has presented the Congress with a very lean budget. It has called for a number of cutbacks in various Federal programs and holding the line on a number of others. This is certainly true with the programs of the Department of Housing and Urban Development.

With respect to the Community Development Block Grant program, as you know, Mr. Chairman, this is an essential source of assistance to the nation's counties and cities, to enable them to undertake programs to eliminate and prevent blight and blighting conditions. We are very pleased that the Administration has requested the full $3.9 billion that is authorized in fiscal 1980 for the basic block grant program and we support that request.

We further support the total $675 million for the Urban Development Action Grant program. This, of course, assumes additional authorization of $275 million for that program. We feel very strongly that Congress should approve that authorization as well as the appropriation. The UDAG program has been very successful in joining together public and private resources to combat physical and economic distress.

Secondly, Mr. Chairman, with respect to the Section 312 Housing Rehabilitation Loan program, we note that the Administration has requested an appropriation of $130 million for that program and that, combined with loan repayments, will permit a program level of approximately $185 million for fiscal 1980. This, of course, is significantly less than the $260 million made available this year. But in light of a tight funding situation, we support the Administration's $130 million request.

With respect to the Section 701 Comprehensive Planning program, this continues to be an important source of assistance to smaller counties and cities as they undertake comprehensive planning activities that are not able to be funded from other sources.

We would urge this Committee and the Congress to appropriate funds in fiscal 1980 at the same level as provided in fiscal 1979, that is, $53 million.

Finally, Mr. Chairman, we are deeply concerned about the possible cuts in the assisted housing programs, Section 8 conventional housing programs. We are quite familiar with what is occuring with respect to the Budget Resolution in both the House and the Senate. We are deeply concerned that the Congress's commitment to providing housing opportunities for low- and moderate-income people is in great jeopardy.

We therefore ask this Subcommittee to appropriate the necessary contract authority to maintain this year's level of assisted housing activity that is at the level of 326,000 units under Section 8 conventional public housing.

That completes my remarks on the HUD portion of the budget and I would like to defer to Mr. Weaver for the EPA portion.

Mr. BOLAND. Thank you very much.

[The complete statement follows:]

STATEMENT BY THE NATIONAL ASSOCIATION OF COUNTIES BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES ON HUD APPROPRIATIONS FOR FISCAL YEAR 1980, APRIL 26, 1979.

Mr. Chairman and Members of the Subcommittee:

The National Association of Counties (NACo)* appreciates this opportunity to present its views and recommendations with respect to the fiscal 1980 appropriations for the Department of Housing and Urban Development.

As the Subcommittee knows, counties-particularly urban counties - are important participants in the Community Development Block Grant and assisted housing programs. These programs are an important, indeed essential, source of federal assistance to enable counties and cities to address the housing and community development needs of the nation's low and moderate income persons.

We are pleased with the continuing support which this Subcommittee, the Congress and the Administration has given these programs in the past, and we are here today to ask you to continue that support.

NACo's elected officials share the same concern as do members of Congress over the nation's current economic situation and the growing demand of taxpayers to reduce of cost of government at all levels. Clearly all of us have a responsibility to manage the affairs of government in an efficient, economical manner, while at the same time providing for the needs of our citizens, particularly our less fortunate ones, who often need government's help the most.

This is particularly true in the area of Housing and Community Development Programs whose principal thrust is to assist persons of low and moderate income.

The Carter Administration has presented Congress with a "lean" budget for fiscal 1980 which calls for spending restraint, together with cutbacks, in various federal programs. The HUD portion of the Budget, as this Subcommittee knows, did not escape unscathed. It is to the HUD budget that we wish to direct some comments.

Community Development

NACo is very pleased that the Administration has requested appropriation of $3.9 billion for the community development block grant program for fiscal 1980.

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* The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government.

The goals of the organization are to:

- improve county government;
- serve as a national spokesman for county government;
- act as a liaison between the nation's counties and other levels of government;
- achieve public understanding of the role of counties in the federal system.

This is the full amount authorized for this program and would continue the commitment for rebuilding the depressed areas of our nation's counties and cities.

In addition, the Administration is asking for authorization and appropriation of a total of $675 million for the Urban Development Action Grant Program for fiscal 1980. Funding for the UDAG Program at this level would do two things:

1. It would continue a highly successful public-private partnership program designed to combat physical and economic distress. UDAG projects undertaken by distressed cities and urban counties last year leveraged $6 of private sector funds for every $1 of federal funds, a statistic we find most impressive.

2. It would permit (assuming the necessary authorizing legislation is passed) extending eligibility and funding to so-called "pockets of poverty" within otherwise nondistressed cites and urban counties affording them the same opportunity to compete for these funds.

We therefore urge this Subcommittee to approve a total appropriation of $4.6 billion for the Community Development and UDAG Programs.

312 Rehabilitation Loan Program

The Administration has requested appropriation of $130 million for the 312 Program for fiscal 1980, which combined with loan repayment, will provide a program level of approximately $185 million for fiscal 1980. Although this level is significantly below this year's program level of $260 million, we think the Administration's request is appropriate and we support it.

Section 701 Comprehensive Planning

Here again the Administration is calling for an appropriation of $13 million less than the $53 million appropriated in fiscal 1979. Although we are sensitive to the concerns expressed by the Subcommittee concerning the value of this program, we believe it is an important source of assistance to smaller counties and cities to enable them to undertake comprehensive planning activities not able to be funded from other sources. Accordingly, NACo urges the subcommittee to approve an appropriation level of $53 million for fiscal 1980.

Section 8/Conventional Public Housing

The Administration has requested contract authority of $1.4 billion for fiscal 1980 which in its view could produce up to 300,000 units of Section 8/ Conventional Public Housing. We note, however, that a recent analysis by the Congressional budget office estimates that the Administration's request will produce only 266,000 units of assisted housing. We are further aware that the House Budget Committee, upon recommendation of the House Banking Committee, has provided increased budget authority of $2.2 billion in the first concurrent budget resolution which it views as necessary to sustain the 300,000 units provided for in fiscal 1979.

While NACo is on record in support of contract authority sufficient to provide 400,000 units of Section 8/Conventional Public Housing, we know that this is highly unlikely given the action of the House Budget Committee and the likely action of the House Banking Committee on the Housing Authorizing Bill. Nontheless we think it is absolutely essential that the Subcommittee approve contract authority sufficient to sustain the 326,000 units provided for in fiscal 1979.

County governments maintain that the Congress should provide a predictable and sustained level of assisted housing from year to year. This has been generally true since 1977. With performance under the Community Development Program conditioned upon affirmative action to meet housing goals, a sufficient, sustained and predictable level of assisted housing units is absolutely essential if we are to keep faith with the low and moderate income persons in need of suitable housing.

Thank you for the opportunity to present NACo's views and recommendations.

Mr. WEAVER. Mr. Chairman, Members of the Subcommittee, the three principal public health programs in EPA—clean water, hazardous waste, and air quality—are in crucial implementation stages. Much responsibility for making these acts work fall to county and other local governments and particularly elected officials who make budget decisions not unlike those which this Subcommittee will soon struggle with.

NACo would like to highlight four programs which are addressed in more detail in our prepared statement.

County officials recommend approval of $3.8 billion for the wastewater construction grants program requested by the Administration. Approval of less than that amount will stop construction during 1980 in eight States and 900 projects nation-wide, approximately 900 projects.

County and other local governments are in some cases facing enforcing actions based on the 1977 secondary treatment deadline and also support the 1983 goals of the Clean Water Act. This level would provide the necessary stability in funding to assure steady local planning necessary for financially and environmentally sound projects. Local elected officials need assurance that the Federal match will be available when they go to their voters and to the bond market to finance the local share.

Administrative delegation to States should reduce the number of conflicting reviews which has slowed this program in the past.

County officials strongly support the President's $40 million recommendation for the 208 Water Quality Management program. While 208 plans are now under review by EPA, such planning and technical assistance needs to be done, I should say much planning and technical assistance needs to be done, to assist local management agencies to prepare for their implementation. This is the only local program for attacking nonpoint source pollution from agriculture and urban runoff, for protecting important groundwater supplies, and to identify nonpoint source control alternatives to advance waste treatment.

NACo again urges funding stability for this program. EPA management schedules indicate that all funds appropriated to date will be obligated before the end of the current fiscal year. Zero funding for this program will significantly reduce, if not stop, local management actions.

NACo supports the $18.6 million request for hazardous waste management and $13.8 million request for resource recovery. Cities and counties which own most of the nation's landfills and garbage dumps will have responsibility for meeting Federal landfill criteria due to be finalized by EPA this summer. Local governments, not States, will be faced with either installing improved management practices for these landfills, siting new landfills, or developing resource recovery alternatives to meet these standards.

County officials strongly recommend that an additional $20 million beyond the President's request be designated specifically to assist general purpose local government to achieve compliance with these standards.

Finally, Mr. Chairman, with respect to the clean air program, we suggest that the $25 million balance in the authorization for local

clean air planning under Section 175 be approved for fiscal 1980 so that certainty can be provided to local governments and lead planning agencies evaluating transportation and economic development reconciliation strategies.

We anticipate that funds appropriated for fiscal 1979 plus an additional $25 million can be obligated by the end of fiscal 1980.

This completes our formal remarks. Our prepared statement also provides recommendations for the noise control program and the soon to be proposed integrated environmental planning program.

[The statement follows:]

STATEMENT OF ROBERT C. WEAVER, ASSOCIATE DIRECTOR, NATIONAL ASSOCIATION OF COUNTIES BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES, COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, ON APPROPRIATIONS FOR THE ENVIRONMENTAL PROTECTION AGENCY, APRIL 26, 1979.

Mr. Chairman and Members of the Subcommittee:

The National Association of Counties (NACo)* appreciates this opportunity to provide its views and recommendations concerning the fiscal 1980 appropriations for the Environmental Protection Agency.

American county governments are an integral part of the partnership outlined by the Congress in the Clean Water Act, the Clean Air Act and the Resource Conservation and Recovery Act. Each of these authorities place ultimate responsibility with local governments, including counties for achieving clean-up of rivers and streams, the air and for disposing of domestic solid waste in a manner consistent with long-term public health.

At a time when each of these national programs is in the implementation stage, meeting public health goals will require a continued commitment on the part of the Congress and this Subcommittee.

The Administration's fiscal 1980 recommendations for the following key programs are less than that requested or approved for fiscal 1979. County elected officials recognize the need for efficient management of public funds, while continuing to move towards achievement of federal public health standards and a cleaner environment.

Wastewater Construction Grants

NACo strongly supports the Administration's $3.8 billion request for the wastewater construction grants program. Appropriation of a lesser amount will delay construction in at least eight states given the allotment formula mandated by the 1977 Amendments to the Clean Water Act. Even at this level, approximately 900 projects, required to meet the national water quality goals will be delayed.

Long term, stable funding was one of the important reforms and commitments which the Congress made to this program last year. Steady appropriation levels are key for advancing the rate of planning by local government grantees, and maintaining the capacity of state water pollution control agencies to review and approve projects in an efficient, financially, and environmentally sound manner.

While the Administration's requested level is less than that appropriated last year and far less than the fiscal 1980 authorization, it would go a long way towards maintaining momentum in key states and metropolitan areas. It would also further those reforms approved in 1977, including:

*The National Association of Counties (NACo) was founded in 1935 as the national spokesman for counties, to serve as a liaison between county governments and other levels of government, and to improve the public understanding of the role of counties in the federal system.

- delegation of administration authority to the states;
- introduction of cost-effective alternatives, pretreatment of industrial wastes;
- increased incentives for alternative and innovative solutions to conventional treatment; and
- assistance to small communities striving to meet clean water goals.

The slow-down in this program during the past year can be attributed to changes in EPA regulations, local planning and review to implement these reforms. EPA has taken a number of steps to insure the financial integrity of the program including inspections by the Corps of Engineers and a outlay management program. We are concerned that these efforts and the efforts of local governments to plan, raise their financial share, and build will be undermined by unsteady and unpredicable funding levels.

While a number of states will fully commit their fiscal 1980 allotment during that fiscal year, we are concerned about the amounts of unobligated funds at a time when local governments are faced with a secondary treatment deadline already passed and possible enforcement actions.

The Congress should direct EPA and the states to accelerate obligations by reducing the number of duplicative reviews, by recognizing environmentally sound projects which can proceed to early construction, and by working with local governments to speed and in some cases simplify the planning and design steps.

Section 208 Water Quality Management Planning

The section 208 program is the principle national effort for assisting with the reduction in the major source of water pollution -- rural and urban runoff. While 208 plans have been completed and are now under review, they and the federal investment they represent will mean little unless they are implemented by local government management agencies.

Though implementation or enforcement costs cannot be born by the federal program, important planning directly linked to assisting and equipping management agencies to implement best management practices is the primary objective of section 208.

NACo fully supports the Administration's request of $40 million for the 208 program. We are advised that those funds appropriated for fiscal 1979 will be fully obligated at the end of this September. Except for the last two years, this program is one of the outstanding examples that unstable federal support can result in diminished momentum.

Much needs to be done to prepare local management agencies, to adopt management practices suited to specific water quality problems, to develop ordinances and the technical information which will sustain legal challenges, and to demonstrate the need for voluntary action by both rural and urban residents.

We are pleased with this emphasis which EPA has placed on this program. NACo particularly supports:

- the prototype projects for urban run-off control;

- projects to identify lower-cost nonpoint source control alternatives to advanced Waste Treatment;
- development of methods and model implementation programs to solve ground water and agricultural run-off pollution; and
- development of methods to protect ground water resources.

Zero funding for the 208 program would stop completion of these demonstration efforts and their replication by local management agencies throughout the nation.

Hazardous and Solid Waste, and Resource Recovery

NACo strongly supports the Administration's request of $18.6 million for hazardous waste management. An important task however will be the identification of new disposal sites. Authority to make siting decisions belongs with local governments consistent with state land use enabling law, although the initial identification of suitable sites will require state and local cooperation. We urge that hazardous assistance now destined for states be shared with local governments faced with these crucial public health decisions.

NACo is particularly disturbed with the Administration's decision to reduce its request for state and local solid waste planning under subtitle D of the Resource Conservation and Recovery Act, and with its limitation on the use of the $10 million request by local governments. EPA is about to finalize federal regulations specifying acceptable land fill criteria which implement the Congressional ban on open dumps. Implementing these regulations will not be a state matter since dumps and landfills are owned and operated by general purpose local governments, particularly counties. Local governments will need both financial and technical assistance to site new environmentally sound land fills or to upgrade existing open dumps by installing best management practices. Where appropriate these planning funds will also be needed to develop resource recovery solutions to local solid waste problems.

NACo recommends that an additional $20 million beyond the President's request for subtitle D including the rural program be designated for use by general purpose local governments faced with the need to establish new sanitary landfills or to upgrade existing dumps. This additional amount would also bolster local efforts to correct past disposal of hazardous waste since many dumps contain waste endangering public health.

County officials also strongly support the Administration's $13.8 million request to continue the resource recovery demonstration effort initiated last year. Approximately twenty counties were selected to receive demonstration grants and we anticipate an expansion of county participation during fiscal 1980. This program may well point the way for ultimately meeting the nation's solid waste problems and contribute markedly to providing significant alternative energy sources.

Reconciliation of Clean Air and Economic Development

The Clean Air Act's section 175 assistance to local governments and lead planning agencies is the principle source for encouraging local policital commitments

to transportation control measures and to reconcile the attainment of clean air with economic development and new employment opportunities.

Obligation of the $50 million appropriated by the Congress last year has been slow to date because of the Administration's decision to funnel these funds through the Urban Mass Transit Administration's grant mechanism. In addition new working relationships must be developed among local governments, clean air agencies and regional transportation planners in order to develop acceptable Work Plans.

With the approval of these work plans, obligation of the initial $50 million will proceed more quickly and we anticipate that these funds will be fully obligated during the first half of fiscal 1980. We recommend that, in order to provide certainty to local governments to complete analysis of and adopt control and reconciliation strategies, the $25 million balance in the original authorization be appropriated this year. This will enable timely completion of this effort without a break in funding and program momentum, indicative of the 208 program. Estimates indicate the local governments and lead planning agencies would be able to obligate this additional $25 million by the end of fiscal 1980.

Noise Pollution Control

While the National Association of Counties supports the Administration's $10.3 million request to implement the Noise Control Act, we recommend that at least $5 million be earmarked by this subcommittee for implementation of the Quiet Communities Program, the centerpiece of last year's reauthorization of federal noise control legislation.

The Quiet Communities Program provided an important shift from primarily a federal regulatory program to one which equips counties and cities to adopt enforcement programs and to institute land use management techniques for controlling noise around the airports, highways and other transportation facilities. EPA does not have the resources to adequately enforce its own noise regulations, and will have to rely on the interest and expertise of local governments to ensure compliance with federal manufacturing regulations and source controls.

Less than $1 million has been committed to the Quiet Communities Program in this fiscal year. Designation of funds for QCP will ensure that the Administration follows through with the emphasis placed on this program by the Congress.

Integrated Environmental Planning

Finally, Mr. Chairman, while the National Association of Counties supports federal legislation to encourage integrated environmental management by local and state governments, we believe that such legislation should:

- Reflect that cities and counties will bear much of the responsibility for implementing national environmental mandates, and should allocate assistance to them commensurate with those responsibilities.

- Encourage serious efforts to bridge the gaps between pollution efforts and result in integrated program strategies.
- Require joint agreement between states and local governments on the division of responsibility and on key decisions.

To support this approach, NACo recommends the appropriation of $25 million supplemental assistance proposed by the Administration. This amount should be in addition to, rather than in place of, any assistance provided under other programs. Its goal should be to develop methods for integrating environmental programs and to encourage implementation through city and county efforts to manage growth.

This concludes our formal statement. Thank you for the opportunity to present NACo's views and recommendations.

Mr. BOLAND. Thank you very much. We appreciate the opinions of the National Association of Counties and we appreciate the presence of Mr. Murphy and Mr. Weaver.

Lindy?

Mrs. BOGGS. Thank you, Mr. Chairman.

I was interested, Mr. Murphy, why do you think that the level of funding for the 312 Rehabilitation Loan program, which is $185 million for fiscal 1980, considerably below the $260 million of 1979, is an appropriate amount?

Mr. MURPHY. Mrs. Boggs, the level of funding in fiscal 1979 of $260 million almost tripled the amount of funding for 312 over the previous year. That substantial increase was made possible through the action of the Congress in response to the Administration's urban policy, which did recommend an additional $150 million appropriation for fiscal 1979.

We think that in an atmosphere of attempting to control Government spending while at the same time attempting to meet the housing needs of low- and moderate-income people, that if we had to choose between programs in terms of where we are going to concentrate our funds, it is the position of county governments that greater attention be given to the Section 8 conventional public housing program.

The reason for that is that under the Community Development Block Grant program, block grant recipients are required to take affirmative action to meet their housing needs. Very frankly, without a sustained and predictable level of funding, as we have generally had in the Section 8 conventional public housing program in the last 3 years, they are unable to meet their housing needs. We think that that is where the emphasis ought to be. Speaking from the viewpoint of urban counties, particularly as it relates to construction of new housing, available land is there in the urban counties. They are anxious to get about the business of providing expanded housing opportunities for low- and moderate-income people.

Mrs. BOGGS. Because the loan repayments will make up part of the program spending level?

Mr. MURPHY. That is correct.

Mrs. BOGGS. And also because of the loan repayments in these other programs?

Mr. MURPHY. That is true.

Mr. BOLAND. Thank you very much again. We are pleased to have you.

Mr. MURPHY. Thank you, Mr. Chairman.

WITNESS

THOMAS P. O'NEILL III, LIEUTENANT GOVERNOR OF MASSACHUSETTS

Mr. BOLAND. Our next witness, whom we are pleased to have with us, is the Lieutenant Governor of Massachusetts. We are delighted to have the Lieutenant Governor of Massachusetts, Thomas P. O'Neill, III.

I have known him for a great number of years. He is a distinguished public servant.

Do you know Lindy Boggs?

Mr. O'NEILL. Yes, I do.

Mr. BOLAND. Marty Sabo is a new Member. You probably have met him. He was Speaker of the House in Minnesota and also President of the National Conference of State Legislators.

[The statement follows:]

STATEMENT OF THOMAS P. O'NEILL, III

WE THANK YOU AND THE MEMBERS OF THE COMMITTEE FOR THIS OPPORTUNITY TO PRESENT THE VIEWS OF THE COALITION OF NORTHEASTERN GOVERNORS (CONEG) ON THE FY 1980 BUDGET FOR FEDERAL HOUSING PROGRAMS. PROGRAMS WHICH PROVIDE FUNDING FOR DECENT, SAFE, SANITARY AND AFFORDABLE HOUSING FOR LOW AND MODERATE INCOME PEOPLE ARE OF VITAL CONCERN TO THE STATES IN OUR REGION. IN PARTICULAR, I WOULD LIKE TO DIRECT MY ATTENTION TODAY TO THREE KEY PROGRAMS: ASSISTED HOUSING (SECTION 8 AND LOW RENT PUBLIC HOUSING PROGRAMS), THE FLEXIBLE SUBSIDY PROGRAM (FOR SECTION 236 HOUSING PROJECTS), AND THE SECTION 312 REHABILITATION LOAN PROGRAM. I WILL BE RELATIVELY BRIEF; THE NEED FOR THESE PROGRAMS IS CLEAR AND EVEN IN A YEAR OF "STRINGENT BUDGETS", THE FUNDING LEVELS WE RECOMMEND ARE "FAIR".

FIRST, THE COALITION OF NORTHEASTERN GOVERNORS IS ON RECORD AS SUPPORTING A NATIONAL TOTAL OF 400,000 ASSISTED UNITS, 333,000 SECTION 8 UNITS AND 64,000 PUBLIC HOUSING UNITS, WITH A CORRESPONDING BUDGET AUTHORITY OF $34.8 BILLION. WE MUST EMPHASIZE THAT THIS IS THE BUDGET AUTHORITY NECESSARY TO ATTAIN 400,000 "REAL UNITS" OF HOUSING. LOOKING AT CURRENT HOUSING NEEDS AND DEMAND IN THE NORTHEASTERN STATES WE CAN JUSTIFY THIS FUNDING LEVEL.

IN FY 1978, THROUGH THE SEVEN STATE HOUSING FINANCE AGENCIES (HFAs) IN OUR REGION, 14,500 SECTION 8 NEW AND SUBSTANTIAL REHABILITATION UNITS WERE PRODUCED. IN FY 1979, HOWEVER, WE EXPECT ONLY 8,500 UNITS TO BE PRODUCED THROUGH THE HFAs (IN PART THIS IS DUE TO THE LACK OF A STATUTORY SET-ASIDE FOR HFAs). THIS 41% REDUCTION IS DEVASTATING TO OUR STATES' HOUSING PROGRAMS. OUR HFAs HAVE PROVEN THEIR ABILITY TO PERFORM, PROVIDING DESPERATELY NEEDED NEW AND SUBSTANTIAL REHABILITATED HOUSING FOR THE LOW AND MODERATE INCOME RESIDENTS IN OUR REGION. PERFORMANCE SHOULD NOT BE REWARDED WITH FUNDING CUTS. NOW IN FY 1980 WE FIND OURSELVES FACING THE PROSPECT OF ADDITIONAL BUDGET CUTS,

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IN THE SECTION 8 PROGRAM. AT THE SAME TIME HFAs IN OUR REGION ALONE HAVE APPLICATIONS FOR CLOSE TO 20,000 UNITS WHICH ARE ELIGIBLE FOR THE SECTION 8 NEW OR REHABILITATION PROGRAM WHICH ARE READY FOR CONSTRUCTION, BUT FOR WHICH NO FEDERAL FUNDS ARE AVAILABLE. NEW JERSEY ALONE HAS AN UNMET PIPELINE OF OVER 5,000 SECTION 8 UNITS, PRIMARILY HOUSING FOR THE ELDERLY. THESE "PIPELINE' UNITS REPRESENT A TREMENDOUS UNMET DEMAND FOR HOUSING IN THE NORTHEAST. WITHOUT AN APPROPRIATION LEVEL OF $34.8 BILLION, 400,000 SECTION 8 AND PUBLIC HOUSING UNITS WILL NOT BECOME A REALITY IN 1980-81 AND WITHOUT 400,000 UNITS WE WILL BE UNABLE TO MAKE ANY REAL PROGRESS TOWARD MEETING THE DEMAND FOR SAFE, SANITARY, DECENT AND MOST OF ALL AFFORDABLE HOUSING UNITS, NOT ONLY IN THE NORTHEAST BUT THROUGHOUT THE NATION.

THERE ARE SEVERAL POINTS WHICH SHOULD BE MADE ABOUT THE SECTION 8 PROGRAM WHICH JUSTIFY PROVIDING REASONABLE AND ADEQUATE APPROPRIATIONS FOR THE PROGRAM IN FY 1980 DESPITE TIGHT BUDGET RESTRICTIONS.

FIRST OF ALL, THIS IS A PROGRAM WHICH LEVERAGES THE PRIVATE DOLLAR EFFECTIVELY. CONEG IS A COALITION, NOT ONLY OF GOVERNORS, BUT OF PRIVATE SECTOR REPRESENTATIVES AND LEADERS FROM EACH OF THE SEVEN STATES TOGETHER WITH LABOR LEADERS AND OTHER PUBLIC SECTOR REPRESENTATIVES. WE BELIEVE IN A PUBLIC-PRIVATE PARTNERSHIP AND SECTION 8 IS A PROGRAM WHICH HAS BROUGHT STATE AND FEDERAL GOVERNMENT INTO AN EFFECTIVE AND PRODUCTIVE WORKING RELATIONSHIP. BUT WE MUST BE ABLE TO ASSURE PRIVATE DEVELOPERS THAT THERE WILL BE AN ADEQUATE SECTION 8 PROGRAM IN WHICH THEY CAN PARTICIPATE. IN ADDITION, REDUCTIONS IN THE SECTION 8 PROGRAM WILL SERVE TO FURTHER DEPRESS THE CONSTRUCTION INDUSTRY WHICH IS ALREADY EXPERIENCING A SLOWDOWN.

SECOND, WE SHARE THE CONCERN OF CONGRESS, IN PARTICULAR, OVER THE FEDERAL BUDGET AND THE NEED TO LIMIT FEDERAL DEFICITS. HOWEVER, THE BUDGET AUTHORITY FOR SECTION 8 WHICH YOU PROVIDE IN THE FY 1980 BUDGET WILL HAVE NO IMMEDIATE OUTLAYS IMPACT.

THIRD, THE ROLE OF THE STATE HOUSING FINANCE AGENCIES IN THE NORTHEAST IS EXTREMELY IMPORTANT. THE MAJORITY OF ALL NEW SECTION 8 HOUSING CONSTRUCTION IS PROCESSED THROUGH STATE HOUSING FINANCE AGENCIES. THE STATE AGENCIES HAVE PERFORMED WELL IN THE SECTION 8 PROGRAM AND DESERVE A REASONABLE LEVEL OF SECTION 8 UNITS -- A LEVEL WHICH RECOGNIZES THIS PERFORMANCE.

IN THE PAST ARGUMENTS HAVE BEEN MADE THAT STATE-FINANCED UNITS ARE MORE EXPENSIVE. DATA HAS FINALLY BEEN COLLECTED BY HUD AND THE COUNCIL OF STATE HOUSING FINANCE AGENCIES WHICH INDICATES THAT THIS IS SIMPLY NOT THE CASE. STATE HOUSING FINANCE AGENCY AVERAGE CONSTRUCTION COST PER UNIT WAS WELL BELOW THE CAPITAL COST VALUE SUGGESTED BY THE OFFICE OF MANAGEMENT AND BUDGET FOR 1980. THE COST OF HFA UNITS ARE WELL WITHIN THE OMB "LIMITS" EVEN WHEN AN INFLATION FACTOR IS ADDED, ACCORDING TO THE COUNCIL OF STATE HOUSING FINANCE AGENCIES.

FINALLY, THE OLDEST HOUSING STOCK IN THE NATION IS FOUND IN THE NORTHEAST. MUCH OF THIS HOUSING IS IN SERIOUS NEED OF REPLACEMENT OR REHABILITATION. THE SECTION 8 PROGRAM IS OF VITAL IMPORTANCE TO THE NORTHEAST REGION, NOT ONLY BECAUSE OF THE NEED FOR HOUSING UNITS, BUT ALSO BECAUSE OF THE CRITICAL ROLE WHICH HOUSING CONSTRUCTION PLAYS IN THE REVITALIZATION OF OUR CITIES.

CONEG FEELS THAT THE FUNDING LEVEL FOR THE SECTION 236 FLEXIBILE SUBSIDY PROGRAM SHOULD BE $92 MILLION, THE LEVEL RECOMMENDED BY THE HOUSE BANKING COMMITTEE AND THE HOUSE BUDGET COMMITTEE. THIS FUNDING LEVEL TAKES INTO CONSIDERATION THE INCLUSION OF NON-FHA INSURED STATE FINANCED 236 PROJECTS. FURTHER CONEG OPPOSES ANY EFFORTS TO CHANGE THE 1978 LEGISLATION WHICH ALLOWS PROJECTS DEVELOPED BY THE STATE HOUSING FINANCE AGENCIES (UNDER SECTION 236 (B)) TO BE ELIGIBLE FOR FLEXIBLE SUBSIDY ASSISTANCE. THERE IS NO DIFFERENCE

BETWEEN FEDERALLY INSURED 236(J) PROJECTS AND STATE-FINANCED 236(B) PROJECTS. LOW AND MODERATE INCOME FAMILIES IN STATE-FINANCED PROJECTS SHOULD NOT BE TREATED DIFFERENTLY THAN THOSE IN FEDERALLY INSURED PROJECTS. IT IS A MATTER OF EQUITY. IN BOTH CASES THERE ARE A SUBSTANTIAL NUMBER OF PROJECTS THAT HAVE RUN INTO FINANCIAL OPERATING DIFFICULTY. AN INTERESTING POINT, HOWEVER, IS THAT THE DISTRESSED 236(B) PROJECTS HAVE AN AVERAGE NEED FOR FINANCIAL ASSISTANCE WHICH IS $566 PER UNIT LESS THAN THE NEED IN FEDERALLY INSURED DISTRESSED PROPERTIES. JANUARY 1979 ESTIMATES SHOW A NATIONAL NEED OF $122.7 MILLION FOR 236(J) PROJECTS AND $32 MILLION FOR 236(B) PROJECTS FOR A TOTAL OF $154.7 MILLION. AS YOU CAN SEE, EVEN THE RECOMMENDED $92 MILLION LEVEL IS BELOW WHAT IS ACTUALLY NEEDED. IN THE SEVEN NORTHEASTERN STATES WHICH I REPRESENT HERE TODAY, WE HAVE A NEED OF $43.97 MILLION FOR 236(J) PROJECTS AND $26 MILLION FOR 236(B) PROJECTS. AS YOU CAN SEE, A HIGH PROPORTION (36%) OF 236(J) PROJECTS IN NEED OF ASSISTANCE ARE IN THE NORTHEAST. ALSO AS YOU CAN SEE, A MAJORITY OF 236(B) STATE-FINANCED PROJECTS IN NEED OF ASSISTANCE ARE IN THE NORTHEAST, THEREFORE, ANY ATTEMPT TO ELIMINATE THESE PROJECTS FROM FUNDING ELIGIBILITY WOULD DISPROPORTIONATELY HARM OUR REGION. IN ADDITION, ANY EFFORTS TO REDUCE THE OVERALL FUNDING LEVEL OF THE PROGRAM BELOW $92 MILLION WILL DISPROPORTIONATELY EFFECT THE NORTHEAST BECAUSE WE HAVE A LARGE PORTION OF BOTH 236(J) AND 236(B) PRØJECTS IN NEED OF ASSISTANCE.

MY FINAL POINT DEALS WITH THE SECTION 312 REHABILITATION LOAN PROGRAM, WHICH WILL BE EXPANDED IN FY 1980 TO INCLUDE MULTI-FAMILY UNITS. GIVEN THIS INCLUSION, WHICH IS SORELY NEEDED, WE SUPPORT AN FY 1980 FUNDING LEVEL OF $150 MILLION. THIS IS THE LEVEL RECOMMENDED BY THE HOUSE BANKING COMMITTEE (WHEN REPAYMENTS AND CARRYOVERS ARE INCLUDED, APPROXIMATELY $260 MILLION WILL BE AVAILABLE). BY WAY OF EXAMPLE, LET ME ILLUSTRATE OUR REGION'S

NEED FOR SECTION 312 FUNDS. IN FY 1979 THE NEWARK AREA OFFICE OF HUD ESTIMATED A NEED OF $10.4 MILLION STATEWIDE JUST FOR MULTI-FAMILY ($7.96 MILLION) AND MIXED COMMERCIAL AND RESIDENTIAL UNITS ($2.4 MILLION). WHEN FUNDING WAS ANNOUNCED, THE NEWARK OFFICE WAS ALLOCATED ONLY $2 MILLION. ALSO, IN NEW JERSEY AT THE END OF FY 1978 THERE WERE $2.723 MILLION MORE IN SINGLE FAMILY 312 LOAN APPLICATIONS THAN THERE WAS MONEY AVAILABLE.

WE FINALLY WISH TO REITERATE THE SUPPORT OF CONEG GOVERNORS, CONEG PRIVATE AND PUBLIC SECTOR REPRESENTATIVES FOR THE URBAN DISCRETIONARY ACTION GRANT PROGRAM. THIS PROGRAM IS ONE OF THE MOST SUCCESSFUL EXAMPLES OF A FEDERAL PROGRAM LEVERAGING PRIVATE SECTOR INVESTMENT. MANY UDAG GRANTS INVOLVE STATE, LOCAL AND FEDERAL GOVERNMENT WORKING TOGETHER WITH THE PRIVATE SECTOR. FUNDS ARE TARGETED TO AREAS MOST IN NEED; AREAS WITH EXTRAORDINARILY HIGH LEVELS OF OLD AND DETERIORATING HOUSING STOCK. THIS PROGRAM HAS BEEN ESPECIALLY EFFECTIVE IN THE NORTHEAST. THE COALITION OF NORTHEASTERN GOVERNORS IS IN THE PROCESS OF DESIGNING A NORTHEAST ECONOMIC DEVELOPMENT STRATEGY IN WHICH THE ROLE OF THE PRIVATE SECTOR WILL BE CENTRAL. UDAG FUNDS CAN PLAY AN IMPORTANT ROLE IN THAT STRATEGY. WE URGE YOU TO CONSIDER THE FULL FUNDING OF UDAG AT THE $675 MILLION LEVEL RECOMMENDED BY THE ADMINISTRATION.

LET ME CONCLUDE BY STRESSING THAT BOTH THE NEED AND THE DEMAND DO EXIST FOR THE THREE HOUSING PROGRAMS I HAVE JUST DISCUSSED. IF IT IS THIS COMMITTEE'S POLICY TO RECOMMEND TO CONGRESS THAT IT SPEND THE LIMITED DOLLARS AVAILABLE WHERE THEY ARE MOST NEEDED AND WHERE THEY CAN BE PROPERLY USED IN A TIMELY MANNER, THEN I RESPECTFULLY SUBMIT THAT THESE THREE HOUSING PROGRAMS MEET SUCH CRITERIA AND DESERVE TO BE FUNDED AT THE LEVELS WHICH CONEG HAS RECOMMENDED HERE.

THANK YOU.

Mr. O'NEILL. It is good to be before your Committee, Mr. Chairman. I appreciate it. It is good to see some old friends as well.

I am here testifying not only on behalf of the State of Massachusetts but also in conjunction with something called CONEG, Coalition of Northeastern Governors, which is made up of seven State Governors and private membership as well, both from labor and from business.

In particular today I would like to focus on three different housing programs; the assisted housing programs, Section 8, and low-rent housing as well as the Flexible Subsidy program, and the Section 312 Rehabilitation Loan program. I will talk about them within the framework of a year which is clearly the year of the stringent budget.

First, the Coalition of Northeastern Governors is on record of supporting a national total of 400,000 assisted units with a corresponding budget authority of $34.8 billion. This is the budget authority necessary to attain 400,000 real units of housing. Current housing needs in the Northeastern States fully justifies this funding level.

In fiscal year 1978, through the seven State Housing Finance Agencies in our region, 14,500 Section 8 new and substantial rehabilitation units were produced. In fiscal year 1979, however, we expect only 8,500 units to be produced through the HFA's. This 41 percent reduction is devastating to our State's housing programs. Our FHA's have proven their ability to perform. They provide desperately needed new and substantial rehabilitated housing for the low- and moderate-income residents of our region.

Performance should not be rewarded with funding cuts. Now in fiscal year 1980 we find ourselves facing the prospect of additional budget cuts in the Section 8 program. At the same time HFA's in our region alone have applications for close to 20,000 units which are eligible for Section 8 and ready for construction, yet no Federal funds are available. New Jersey has an unmet pipeline of over 5,000 Section 8 units.

In Massachusetts, our State HFA has received a reservation of 904 Section 8 units for fiscal year 1979. By January, MHFA had requests for 17,000 units and the agency estimates that 4,125 of these could meet all program requirements and begin construction by September. These pipeline units represent a tremendous unmet demand for housing in the Northeast.

Several points should be stressed about the Section 8 program which justify funding in times of budget restraint.

First, this program leverages the private dollar quite effectively. CONEG is a coalition, not only of governors, but of business representatives, labor and other public members. We believe in a public-private partnership to build our economy. Section 8 has brought State and Federal Government into an effective and productive working relationship. But we must assure private developers that there will be an adequate Section 8 program to complete the partnership. Further reductions in the Section 8 program will depress the construction industry which is already experiencing a slowdown.

Second, we share the concern of Congress over the Federal budget and the need to limit Federal deficits. However, the budget authority for Section 8 will have no immediate outlays impact.

Third, the State Housing Finance Agencies in the Northeast have performed capably. In fiscal year 1978, through these agencies, 14,500 Section 8 new and substantial rehabilitation units were produced.

In the past, arguments have been made that State-financed units are more expensive. Studies by HUD and the Council of State Housing Finance Agencies show that this is simply not the case. Average construction cost per unit was well below the capital cost value suggested by the Office of Management and Budget for 1980. The cost of HFA units are well within the OMB limits even when an inflation factor is added.

The oldest housing stock in the Nation is found in the Northeast. Much of this housing is in serious need of replacement or rehabilitation. The Section 8 program is important to the Northeast region because of the housing need and the critical role which housing construction plays in the revitalization of our cities.

Finally, and this is a personal statement, while the Section 8 program has established itself as a major source of rental housing for low- and moderate-income people, I believe it is important that we continue to meet the objective of targeting assistance to the areas of greatest need.

I hope that we can look once again—and I again separate myself from the other coalition members—and focus in for a moment on the allocation formula on which regional funding distribution is determined. It should accurately reflect the true measure of housing needs.

The measure of substandard housing, for instance, is based solely on the lack of plumbing facilities right now. It does not count apartments in Boston which do not have central heating. Nor does it count homes in Newark or Hartford which are in a state of extreme physical disrepair.

I also have some concern that the present formula does not sufficiently weight the serious problem of housing affordability. A recent Congressional Budget Office report points out that the number of low- and moderate-income households with either substandard or overcrowded housing has decreased by 24 percent between 1939 and 1974, due largely to Congressional support for housing programs like these we are discussing today. At the same time, however, the number of low- and moderate-income households with excess housing costs has increased by 13 percent.

I mention these factors because they do play a significant role in our view of the Section 8 program. They should not be ignored. Nor should they be confused with support for the program itself.

Let me return to my statement on behalf of CONEG.

CONEG also endorses a funding level of $92 million for the Section 236 Flexible Subsidy program, the same level recommended by the House Banking Committee and the House Budget Committee. This funding takes into consideration the inclusion of non-FHA insured, State-financed 236 projects. CONEG opposes any efforts to change the 1978 legislation which allows projects developed by the

State Housing Finance Agencies to be eligible for Flexible Subsidy assistance.

There is no difference between Federally-insured projects and State-financed projects. Low- and moderate-income families in State-financed projects should not be treated differently than those in Federally-insured projects. It is a matter of equity. In both cases there are a substantial number of projects that have run into financial operating difficulty.

An interesting point, however, is that the distressed State-financed projects have an average need for financial assistance which is $566 per unit less than the need in Federally-insured distressed properties. January, 1979 estimates show a national need of $122.7 million for Federally-insured projects and $32 million for State projects for a total of $154.7 million.

As you can see, even the recommended $92 million level is below what is actually needed. In the seven Northeast States which I represent here today, we have a need for $4 million for Federal projects and $26 million for State projects. Any attempt to eliminate these projects from funding eligibility would therefore disproportionately harm the Northeast.

The Section 312 Rehabilitation Loan program includes multifamily units for the first time this year. Given this inclusion, which is sorely needed, we support a fiscal year 1980 funding level of $150 million, the level recommended by the House Banking Committee.

Let me illustrate our region's need for this funding. In fiscal year 1979, the Newark HUD area office estimated a need of $10.4 million statewide just for multifamily and mixed commercial and residential units. Yet, the Newark office was allocated only $2 million.

I would like to discuss two other items and again I am going to separate myself from the other Governors of the coalition while I have this chance.

Last year Congress passed the Livable Cities program. This program gives people who live in the community a chance to become a part of the urban revitalization activities around them. It addresses elements of urban life that make a difference in the commitment people have for their community.

Livable Cities provides money for community groups, a YMCA, a housing authority or an ethnic center to build self-esteem and community pride in areas undergoing economic revitalization. In fact, one of the best examples comes from Springfield, Massachusetts, your home district, Mr. Chairman, where restoration of the YMCA Little Theatre will promote live theater in downtown Springfield. Community groups will take part in projects such as ethnic theater, children's theater, and special elderly and minority drama workshops. This effort will encourage linkage with the South End neighborhood by providing a place and opportunity to participate in the performing arts.

In short, this program touches people in a way that bricks and mortar alone do not. This modest request deserves support.

A final matter of grave concern to the Commonwealth is EPA's construction grants program. I favor the Administration's recommended funding level of $3.8 billion for construction grants—down 10 percent from fiscal year 1979 appropriations of $4.23 billion.

The recommendation for zero funding, however, strikes me as "throwing the baby out with the bathwater." The direct effects on Massachusetts would be devastating—$100 million out of the economy, 3,300 jobs lost, as well as $200 million of indirect economic losses.

With that I want to thank you for the opportunity to come before you and ask you for your help, understanding that it is a year of budget cutting and program cutting. Hopefully, you are looking at the budget in such a way that State governments and local governments can feed into this overall picture of trying to put things into perspective, but doing it in a way that would provide a level of service to people where people have a need.

Thank you.

Mr. BOLAND. I note on page 2 of your statement, regarding the Section 8 program, you indicate that the budget authority for Section 8 units in the fiscal year 1980 budget will have no immediate outlays impact. Of course we have the responsibility to look to the future, too.

Mr. O'NEILL. I understand.

Mr. BOLAND. In fact, if we didn't approve a single additional unit in fiscal year 1980, the housing payments alone for the subsidies would run to about $8.5 billion in 1990. Over the 40-year period—whether it is 20, 30 or a 40-year period that the program runs and most of the State-financed programs are 40 years—that is a commitment of $252 billion. I think we have to look down the road and look at those problems that might arise in the future. We need to consider whether or not there are going to be budget constraints in the years when I won't be here and many others will not be here. I think we have the responsibility of looking at that now. It is easy to say it doesn't have any impact today, but I think we have the responsibility of looking at what the impact is down the road, too.

I think you share that view.

Mr. O'NEILL. I do share that view. As a matter of fact, I share it almost with full faith, but I have to suggest to you that we do have a tremendous need. In my State of Massachusetts alone we have a need for low- and moderate-income families of about 400,000 units. We are not meeting that demand. We have an opportunity to go to both the other sectors of the public area and the private area to develop new techniques to induce the private developers into a housing capacity where they can fare far better with that type of investment than they can in the stock market. But it is going to take us a couple of years to get to that point, and we still have to address that need.

Mr. BOLAND. I would like to induce the private developers into Section 8 low- and moderate-income family units. They love the program when it is attuned to housing for the elderly. I know what your philosophical stand is with respect to housing for family units. That is a terribly important part of taking care of the needs of families, and it comes as a disappointment to me that developers are really not too interested in family units for low- and moderate-income families.

Lindy?

Mrs. BOGGS. I would just like to thank the Governor very much for his expert testimony and for his grasp of the needs and of the difficulties and his insistence that we try to meet them.

Mr. O'NEILL. You are always kind. I thank you very much.

Mr. BOLAND. Marty?

Mr. SABO. No questions.

Mr. BOLAND. We thank you very much. We are delighted to have you with us. You always make a persuasive case and we will do the best we can to help CONEG.

Mr. O'NEILL. Thank you.

Mr. BOLAND. The Committee will stand in recess until 1:30.

AFTERNOON SESSION

VETERANS ADMINISTRATION BUDGET

WITNESSES

EDWARD J. LORD, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION

ROBERT E. LYNGH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION

Mr. TRAXLER [presiding]. The Committee will come to order. Our first witnesses for the afternoon are Edward J. Lord and Robert E. Lyngh, who will discuss the VA with us. If you have prepared testimony, we will be pleased to submit it for the record, and if you would care to make some remarks, we would be pleased to hear you.

[The statement follows:]



Statement of

The American Legion

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BY

EDWARD J. LORD, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION

AND

ROBERT E. LYNGH, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION

BEFORE THE

SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

APRIL 26, 1979

FY 1980 BUDGET FOR VETERANS ADMINISTRATION

Dear Mr. Chairman:

The American Legion appreciates the opportunity to present its views and recommendations on the proposed Fiscal Year 1980 budget for the Veterans Administration. The Legion is particularly interested in the shortfalls affecting the medical care area and a needed cost-of-living adjustment for service-connected compensation benefits.

STATEMENT OF ROBERT E. LYNGH, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
TO THE COMMITTEE ON VETERANS AFFAIRS
UNITED STATES SENATE
APRIL 25, 1979

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to comment upon the provisions of S. 741, the Veterans Medical Amendments Act of 1979, which would amend title 38, United States Code, to revise and clarify eligibility for certain health care benefits; to revise and clarify the Department of Medicine and Surgery's personnel system; and to revise and clarify medical resources utilization and for other purposes.

Title I - Veterans Health Care and Related Benefits Amendments

Section 101 would amend section 111(e)(2)(A) so as to severely limit reimbursement of travel expenses of beneficiaries receiving nonservice-connected medical care by requiring that special vehicular transportation is required for medical reasons and that prior authorization for such travel be obtained. These same limitations would apply to reimbursement for travel expenses under sections 614 and 628.

This Committee in its report entitled "Budget Views and Estimates for Fiscal Year 1980" cited similar legislative proposals made in 1977 and 1978, which were rejected primarily on the grounds that these restrictions would work a serious hardship on the veterans with the least available income and other health care options. The Committee questioned whether or not this proposed amendment would work equitably.

We would also like to voice concern with the proposal offered by section 101. The present criteria for authorized reimbursement of travel expenses for beneficiaries was enacted by PL 94-581 which we supported. Rather than eliminate this benefit which permits needy veterans to obtain needed medical care without added financial hardship, we would recommend the VA implement more adequate and stringent administrative controls to reduce misuse or abuse under this program.

Section 102 proposes to amend section 601(4)(c)(ii) so as to require a VA physician (employee or fee base) finding that medical services provided under section 612(f) and 612(g) are not available at either a Veterans Administration or government facility.

We would support the proposal to require a physician examination to determine the availability of "appropriate treatment" in a Veterans Administration or government facility. In our opinion, this would serve to alleviate some of the difficulties in providing authorized medical care, particularly for those entitled to medical treatment by virtue of being housebound or in need of aid and attendance for whom care is now only available "within the limits of VA facilities."

Section 102(b)(1) would amend section 612 by deleting paragraph (2) to eliminate the 1 year presumptive service connection for dental treatment.

The American Legion is opposed to this amendment. By definition the dental conditions for which veterans now receive onetime outpatient dental treatment are service-connected, although noncompensable in degree. If the

availability of treatment is precluded, as is proposed, many dental conditions may worsen to the extent that they become compensable in degree. Thus, we do not feel it is fair to penalize the veteran if the service departments are unable to fulfill the responsibility of treating the veteran's dental conditions prior to the release from active duty.

Section 102(b)(2) would amend the ambulatory care provisions of section 612(f)(1) for the purpose of restricting VA pharmacy issuance of over-the-counter nonprescription drugs, medicines, and supplies. We would be opposed to this amendment. Many medicines, drugs and supplies are classified as "over-the-counter." Regardless of their nature, they are necessary and appropriate to the medical care of eligible veterans and, as such, should be available through the VA pharmacies.

Section 101(b)(4) amends section 612(g) to authorize home health care services for housebound and aid and attendance beneficiaries whose present medical care services for nonservice-connected care is restricted to VA facilities' capability.

The American Legion would not be opposed to the adoption of this amendment, since it would make available medical care services for veterans whose severe disabilities greatly restrict their access to medical care which might otherwise be available to them.

Section 102(b)(5) would amend section 612(i) so as to authorize in the third priority for medical care those veterans or persons requiring physical examination for compensation and pension purposes.

In a similar proposal, section 101 of S. 7 would assign to this priority only those requiring compensation examinations. From an administrative point of view, we do not see why pension examinations could not be accommodated under this priority.

Section 103 amends section 613 to modify the definition of a person eligible for medical care under the provisions of CHAMPVA. In addition, this provision would extend the eligibility for children between the ages of 18 and 23 who, while attending a full-time course of instruction, incur a disabling illness or injury resulting in an inability to continue attendance.

Resolution No. 116 (Kentucky), adopted by our 1978 National Convention, sought the amendment of section 613 to provide that the term "veteran," as used in this section, include a person who died on active military, naval, or air service. In view of the foregoing, we would be in support of the proposed amendments to section 613.

Section 104 would amend section 617 so as to authorize the furnishing of invalid lifts, or the cost thereof, or other such devices or their modification. The maximum allowable for the cost of such home improvements and structural alterations would be limited to the amount authorized under current section 612(f), which is $600. We would be in support of this added benefit for the seriously disabled.

Title II - Veterans Medical Personnel Amendments

Section 201(a) amends section 4104(a)(2) to authorize the appointment of "psychologists."

Section 201(b) defines the qualification for such psychologist appointees and adds the requirement that podiatrists and optometrists be included in those persons who must be U.S. citizens to be eligible for appointment to the Department of Medicine and Surgery.

Section 201 is a hold harmless provision for those employed by the VA as psychologists on or before the effective date of the Act.

Section 202 seeks to amend section 4106(b) so as to shorten the appointment probationary period from the present 3 years to 2 years. It would further add that during such probationary period, an appointee's performance can be reviewed by a duly authorized board, and if found "not fully qualified and satisfactory for reasons relating to professional competence, work performance, or suitability," upon a decision by the Chief Medical Director, such employee's probationary period may be terminated, the employee may be reassigned, or become subject to other nondisciplinary action consistent with continued employment in a capacity in which the employee can effectively function.

Section 203 would amend section 4110 so as to provide that disciplinary board proceedings or determinations are limited to those appointees determined as having completed their probationary period.

With regard to the proposed amendments offered by sections 202 and 203, one of The American Legion's primary concerns is the continuing ability of the Department of Medicine and Surgery to provide "quality medical care" throughout the hospital system of the Veterans Administration. The

capacity to provide this level and quality of care is predicated on the maintenance of a highly motivated and dedicated staff of physicians and health care professionals. We would not object to the proposal to reduce the probationary period for such professionals from 3 to 2 years. However, while recognizing the need to utilize review by a Professional Standards Board in order to ensure the competence and high professional standards of the medical staff, we do not find in the proposed outline of alternative non-disciplinary action, adequate due process provisions. Such proposals, if implemented, would permit arbitrary and punitive action to be taken against professional staff members, whether in a probationary or tenured status, without affording them the protection of full due process in adverse actions. The existence of this type of situation cannot help but exercise an invidious and demoralizing influence which leads inevitably to a serious decline in staff morale in general, together with a weakening in recruitment and retention. All of these factors are detrimental to efforts the VA should be making to maintain a full staff of competent professionals whose primary interest is the treatment of veterans.

On this basis we believe the language of the amendments should be modified to assure reasonable due process provisions in the disposition of professional employees.

Furthermore, we understand the issue of "due process" in personnel actions within the Veterans Administration is currently before the Courts. Judicial action may define the measure of constitutional entitlement to due

process that may rest with professional persons who enter VA employment in good faith.

Title III - Medical Resources Utilization Amendments

Section 301 amends section 5053(a) to authorize arrangements by contract or other form of agreement by the VA hospitals and "organ banks, blood banks, and similar institutions," as well as other hospitals, etc.

We would not oppose the establishment of such agreements.

We thank the Committee for receiving our views.

Mr. LORD. Mr. Lyngh will be testifying for the American Legion.
Mr. TRAXLER. Fine. You may proceed, Mr. Lyngh.

STATEMENT OF MR. LYNGH

Mr. LYNGH. May I say, Mr. Chairman, the American Legion is most appreciative of the opportunity to present its views on the proposed budget for the Veterans Administration for fiscal year 1980.

The first observation that must be made about the Administration's proposed budget is that it is, quite clearly, a straight-line budget. At $20.246 billion, it shows an increase of only $295 million over fiscal year 1979, for the provision of all benefits and services to veterans. With an annual inflation rate exceeding 9 percent for calendar year 1978, this miniscule increase in funding for veterans programs must certainly be considered to be in conformity with the President's announced intention to practice fiscal austerity.

We do believe it is necessary to say, however, that economy should not be practiced, at the expense of those who have fought the nation's wars. We say that because there are certain shortfalls in the President's budget that we wish to bring to the attention of the Subcommittee. We hope the Subcommittee will agree with us that the shortfalls should be corrected in the appropriations measure.

We would also like to point out that the Veterans Administration budget for fiscal year 1980 approximates 3.6 percent of the total Federal budget. It certainly cannot be said that is an excessive sum to spend for the care and welfare of veterans, their dependents and survivors.

In connection with statutory benefits provided for veterans and their dependents and survivors, it should be noted that there are no new benefits proposed. And the American Legion is not submitting any new benefit proposals for consideration by Congress. In general, we are in agreement with the adjustments proposed, and there is one more that we intend to submit.

The Administration has proposed a modest 7.8 percent increase in disability compensation for the service disabled, and in dependency and indemnity compensation for the survivors of the service deceased. In testimony submitted earlier to the Committee on Veterans Affairs, we suggested that with due regard to the 9 percent rate of inflation, that will probably be repeated during the present calendar year, and the lag in passing catch-up legislation, a 10 percent increase would be more equitable.

The Administration has indicated that it will propose a revamping of the vocational rehabilitation program for the service disabled, which will cost a small additional increase in funding. The Legion is in agreement with the need for this action.

The Administration has proposed nothing in the way of an increase for those Vietnam-era veterans who are still in training under G.I. bill programs. We consider this curious in light of the President's continually expressed concern about the problems of these younger veterans. These veterans have not had an increase in training benefits since passage of Public Law 95–202, which was effective October 1, 1977. We believe they are entitled to, and

should have an upward adjustment of their training allowances, and we shall shortly submit legislative proposals hoping to achieve that goal.

Under the heading of general operating expenses, the Administration requests budget authority of $592.8 million, a decrease of $51.1 million from fiscal year 1979. It is our understanding from briefings provided us by VA that this reduction will be achieved by eliminating about 900 staff positions during fiscal year 1980. In fact, we are given to understand that these staff reductions have already begun during fiscal year 1979.

It is our considered judgment that these staff reductions are interfering with fulfillment of the VA mission to provide prompt and efficient service to claimants. We can tell you from the experience of our own service officers that the caseload in all VA Regional Offices continues to be heavy.

An additional problem is that VA is just beginning implementation of Public Law 95-588, the revised pension program. This new law requires action on each of the pensioners now on the rolls, as well as processing new claims that are constantly being filed.

We do not believe there is any way that VA can accomplish the projected staff reductions, and maintain an ability to provide prompt and efficient service. VA management talks of increased efficiency and productivity. That kind of talk is a bromide. The fact is that VA has already used more overtime in fiscal year 1979 than it used through the entire fiscal year 1978. Those figures do not confirm increased productivity. Excessive use of overtime is not going to increase efficiency.

It is our earnest recommendation that the proposed staff reductions in the Department of Veterans Benefits be postponed, at least until full implementation of Public Law 95-588 has been achieved, which will not be during fiscal year 1980.

The most serious shortfalls in the Administration's proposed budget for fiscal year 1980 appear in funding requests for medical programs.

The record will show that in the appropriation measure for fiscal year 1979, Congress added funds beyond those requested, to achieve the following goals: Maintenance of 1,879 beds scheduled for closing; 1,500 additional staff-years for those beds; 700 staff-years to meet anticipated increases in the ambulatory care caseload levels; staffing new medical facilities; other staffing improvements, and medical care workload requirements. The appropriation measure also included an additional $10 million for medical and prosthetic research.

What has happened since enactment of the appropriation measure is, in the judgment of the American Legion, little short of disastrous. The Office of Management and Budget has diverted the funds provided for the purposes specified, mostly for use to meet the 5.5 percent pay increase for Federal employees. The 1,879 beds have, in fact, been closed. The staff positions have not been filled, and another 5,000 positions have been eliminated from the system. Of the $10 million additional funds provided for pure research, $4 million is being used for pay raises, and the remaining $6 million for purchase and renovation of equipment.

At this point, I would like to interpolate figures that might be of particular interest to you from the State of Michigan in that the five hospitals in Michigan are losing 181 positions from the hospital staffs. They are having 175 beds closed down at a total cost to the hospitals in Michigan of $1,838,781.

What has been done to the veterans health care program so far during fiscal year 1979, is, in our opinion, the most blatant thwarting of the will of Congress that the Office of Management and Budget has ever perpetrated. We of the Legion simply do not see how Congress can allow this diversion of funds intended to provide needed health care services to sick and disabled veterans to go unchallenged.

Then we come to the Administration proposals for fiscal year 1980. The budget request programs the elimination of an additional 1,641 positions from the system—which will necessitate the closing of additional beds. And there is a decrease of $1.4 million in requested funds for medical and prosthetic research. The persistence of the Administration in reducing these programs, in frustration of the will of Congress, is almost unbelievable.

What about the effect of these actions? VA officers point out that the aggregate employee level in the Department of Medicine and Surgery has, in fact, increased since fiscal year 1977. So that while staff positions are being taken out of all medical centers, the aggregate staff is, in fact, increasing.

The answer to that is very simple. In both the fiscal year 1979 and fiscal year 1980 budgets, there is provision for new staff to man the new facilities that are coming on line. New clinics, and new units in existing medical centers are being put into operation, and, of course, staff must be provided for them. So, it is quite possible for new staff to be added, while, at the same time, staff reductions are effected from ongoing activities.

As to the claims that quality and timeliness of care will not be affected, we of the Legion say that we have proof to the contrary. We are beginning now to get reports from American Legion service officers of veterans being turned away from admitting sections at VA medical centers.

But the hard fact is that if present trends continue, the system, as we have it now, is going to be dismantled. As we said earlier, we are getting reports now of veterans being turned away. And we are also getting reports of hospital staffs being hard-pressed to maintain services due to personnel shortages. These reports have come to us from Arizona, Oregon, Illinois, Iowa, Connecticut, Florida, North Carolina, to name some of the States affected.

According to the Report of the Committee on the Budget, the House Committee on Veterans Affairs has recommended the addition of $159 million to the medical subfunction care. It is the petition of the American Legion to this Committee that this much at least be added, to restore the system to ability to fulfill its mission.

It is our further petition that the appropriation measure shall include language that will mandate Executive branch use of designated funds for the purposes for which Congress has intended. That will foreclose the diversion of such funds by the executive branch to other uses. If the language of the act is such that

diversion will threaten violation of the Congressional Budget and Impoundment Act of 1974, Public Law 93-344, the OMB will be precluded from thwarting the will of Congress, as it has done in fiscal year 1979.

The Committee on the Budget recommends deferral of funding for two additional replacement hospitals. We wish to say that the need for the replacement hospitals has been fully justified in earlier studies, and the need for a new hospital at Camden has also been fully justified. Delay in proceeding with this construction will only cause further aging of the physical plants of the system, deny needed care to veterans of South Jersey, and increase the ultimate costs of accomplishing needed work.

This concludes our summary, Mr. Chairman.

Mr. TRAXLER. Thank you very much for the excellent statement. We appreciate your recommendations to the Subcommittee. As you know, we have made every effort to fully fund the Veterans Administration programs. We are as frustrated as you are with the actions downtown, and we are going to be looking for ways in which to fully implement the will of Congress in this area.

Mr. LYNGH. If it is possible that the language of the Act, the appropriations measure could hem in OMB and take away from them the latitude they have given themselves we would support that. We saw one of the reports they have made in response to complaints written to them by Members of Congress, like Chairman Roberts of the House Committee on Veterans Affairs, in which they said Congress gave us money that the President didn't ask for, so we took the money and used it for something we thought more important. That is a thwarting of the will of Congress, because the appropriation measure did say in fiscal 1979 what Congress intended the money to be used for. Apparently the language was sufficiently lax in its legal conformity that they felt able to divert the funds and still not violate the Impoundment Act.

Mr. TRAXLER. It is a very, very tough constitutional question as to whether the Congress can force the Executive to add personnel or tell them not to delete personnel by Statute. I would only feel comfortable in this area if we had the advice of good constitutionalists, and I am not sure what they would advise on that question.

There are some ways, hopefully, we can at least keep them from utilizing funds appropriated for one purpose for another purpose.

Mr. LYNGH. That is diversion. That is what the problem has been. Congress did get around the President in other administrations when the Impoundment Act was passed. That was a situation where the President was not spending money, but withholding the funds. Congress enacted a law, which says you may not do that, so now the succeeding Administration is diverting it. It is still another way of getting around the intention of Congress, and it seems to me there has to be some answer. If there isn't any answer, it means Congress is ineffective in dealing with the Executive branch. It cannot work its will, in essence.

Mr. TRAXLER. I appreciate that, especially in connection with the diversion of funds the Congress has directed be spent in certain areas, programmatic areas.

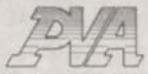
We appreciate your good counsel and testimony. Thank you.

WITNESS

GERALD JONES, LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. TRAXLER. Gerald Jones, your statement will be put in the record. Feel free to proceed in such manner as you wish.

[The statement follows:]



CHARTERED BY THE CONGRESS OF THE UNITED STATES

STATEMENT OF

GERALD JONES, LEGISLATIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE

THE HOUSE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES

CONCERNING THE VETERANS ADMINISTRATION BUDGET

APRIL 26, 1979

Mr. Chairman and members of the Subcommittee, it is a privilege to appear today to present the views of the Paralyzed Veterans of America concerning the Veterans Administration's budget for FY 1980. PVA is an organization of approximately 10,000 veterans, all of whom suffer from spinal cord injuries or diseases.

PVA must state clearly and openly that its ultimate goal is to restore catastrophically disabled veterans to the role of productive citizens whenever possible. Therefore, we will examine the VA's budget primarily as it affects medical care, rehabilitation, and readjustment programs. PVA has a holistic view of veterans' care, commencing with the individual's injury or disease and culminating with his full gainful employment whenever possible. Because we are a veterans' service organization we see first-hand the need for quality medical care as the basic beginning for restoring the catastrophically disabled veteran.

The VA, for whatever reason, is being reduced in its capacity as a provider of quality medical services. As of mid-March, 1979, the VA had 6,000 full-time permanent staff positions vacant in its Department of Medicine and Surgery. Considering the vastness of the over-all system, 6,000 vacancies are not extreme until one examines at what level some of these losses exist: 436 physicians, 907 nurses, 508 practical nurses, 786 nursing assistants, and 184 lab technicians. Physicians, nurses, and lab technicians are vitally needed professionals without whom a health care system cannot function.

4330 East-West Highway, Suite 300, Washington, D. C. 20014 301/652-2135

Congress established the size of the VA's staff for Fiscal Year 1979 but the Administration's FY 1980 budget will result in approximately 8,000 fewer VA personnel in the next year. Nearly 7,000 of these personnel, or approximately 85 percent, will be in the VA's medical care program. Furthermore, 1980 will see 2,000 VA beds lost with a total loss of over 6,000 beds in the next four to five years.

The reduction in the size and efficiency of the VA hospital system comes at a time when many World War II veterans will actually increase demands on this provider. Reducing the VA's capabilities is not just a whimsical or short-term matter. Ten years ago the system included 105,000 beds but today has only 88,000.

Any reductions in the VA hospital system almost inevitably affect the eighteen Spinal Cord Injury Centers located within VA hospitals. PVA has heard from its chapters and members the damaging effects that reductions in personnel, budgeting, and equipment have caused already in the Department of Medicine and Surgery. Since these Spinal Cord Injury Centers depend upon the general support of the various VA hospitals, many routine SCI services are being delayed and postponed. As of January, 1979, Spinal Cord Injury Centers at Hines and McGuire VA Medical Centers lacked funds to employ urologists. Individuals who are confined to wheelchairs commonly experience urinary tract infections and only proper care and preventive practices can deter the formation of kidney and bladder stones. Yet, two Spinal Cord Injury Centers cannot employ and retain a sufficient number of urologists.

PVA has examined health care in the VA's Spinal Cord Injury Centers, and one astute service officer wrote of VA medical personnel in his area: "They are very frustrated because they cannot provide enough timely care to satisfy the demand."

The Directors of VA medical facilities in Michigan recently issued a memorandum that states: "Effective July 1, 1979, we will no longer provide Non-Service Connected Veterans with medications, drugs, and supplies which are available commercially without a prescription." This, of course, includes expensive items such as collection devices for incontinence that many catastrophically disabled veterans simply cannot afford to purchase. PVA conducted a study that showed that if a catastrophically disabled veteran had to purchase non-prescription items, at retail prices, necessary for his health care this alone would equal approximately what that individual has to pay monthly for housing.

Recently, Doctor James C. Crutcher, Chief Medical Director for the VA, lamented that a nonservice-connected veteran "did not receive all his medications" because his nonservice-connected status excluded him from priority care. Doctor Crutcher advised PVA's Director for Medical Services: "You can assure him that this will not happen again." We foresee Doctor Crutcher's statement as misleading or erroneous unless there is an increase in funds to enable VA medical facilities to provide needed medicines, supplies, and treatment to veterans.

Spinal Cord Injury Centers are frequently filled to capacity and important equipment is lacking. An example is that SCI patients often do not have respirators available to them, even though respirators should be standard equipment in these centers. In addition, spinal cord injury patients are

experiencing waiting lists for admission to SCI centers, and their health problems are usually correctable if treated quickly and properly. However, if these needs are not met in a timely manner they become severe, requiring costly, painful hospitalization.

Alternatives to complete hospitalization should be considered, both for their economic savings and lessening the burden of coping with a severe disability. PVA has repeatedly encouraged the VA to provide suitable alternatives to in-patient care, and, until the VA alters its health care program's structure, any reduction of beds in Spinal Cord Injury Centers will be disasterous for catastrophically injured veterans. Regardless of whether the VA maintains its reliance on institutionalizing patients suffering spinal cord disabilities or not, adequate medical care must be readily available for each such veteran.

PVA's goal, ultimately, is to see the nation's veterans kept healthy, and, in cases where it is feasible, we want to see the catastrophically disabled ones rehabilitated and returned to the role of productive citizens.

A close analysis of vocational rehabilitation as sponsored by the VA indicates areas where the program can be made more beneficial to trainees at an actual cost savings to the government. Rehabilitation itself is an economic venture as well as a humanitarian one, because it restores individuals to productivity. In addition to increased self-support, goals such as contributing to family management, participating in community affairs, and, quite importantly, achieving personal satisfaction, become attainable.

Vocational rehabilitation, as administered by the VA, has an obvious weakness: the veteran is considered to be rehabilitated merely when he is ready for employment. Rehabilitation must prepare and train the individual for employment, but the VA should define rehabilitation as completed only when the individual has successfully and for a specified period of time maintained suitable employment.

The VA analyzed its vocational rehabilitation program in 1978, and PVA agrees with most of the proposals expressed in the "Study of the Provisions for Veterans Vocational Rehabilitation." Basically the changes would bring veterans' vocational rehabilitation into line with the more up-to-date philosophy of rehabilitation provided for in the Vocational Rehabilitation Act of 1973. While these improvements might appear to be more costly than current practices, they are not, because they provide long-term savings to the government by returning the handicapped person to employment. The VA admits that by and large its current rehabilitation program is an expensive failure.

Perhaps the best way to illustrate the need for changes in the vocational rehabilitation program administered by the VA would be to show its effects on PVA's members, many of whom qualify for training under Chapter 31 of Title 38, United States Code. The data upon which our statistics are based was accumulated in 1976; however, PVA will have available in a few months more current statistics for 1978. According to our survey of PVA's service-connected disabled members, 69% have pursued some training since their injury; 81% indicate they now receive no income from a paying job. In addition, 71% continue to receive Social Security Disability Insurance benefits as a result of their inability to pursue gainful employment. We can draw several conclusions from this data. In the first place, our members are quite interested in using training and education to overcome their disability. Secondly, the pursuit

of training or education has been no guarantee that employment will follow. Certainly, the rehabilitation program stops short of placement assistance to the service-connected disabled veteran, thereby failing in its purpose of full rehabilitation. Only 15% of the respondents indicated they were working at steadily paying jobs, while 86% indicated that they had worked steadily prior to injury. An additional 44% indicated that although they had worked at some time since their injury, they are now unemployed. and 50% indicated they have been unemployed for four or more years. Of course, there are among our membership those for whom working is not feasible. But this is a small percentage. In our survey of service-connected disabled members, 32% indicated they would be interested in additional training to benefit them in further vocational adjustment. Our members are well aware that training and education are the key to job opportunities.

The VA administers two types of educational assistance programs, and vocational rehabilitation under Chapter 31 offers the disabled person more individualized assistance than does the educational program under Chapter 34 (GI Bill). However, the VA reports that "approximately 50% of Vietnam era veterans rated 100% disabled have participated in training under Chapter 34." In our present economy, we cannot stress enough that economics plays a major factor in choice of programs. Simply put, a veteran is provided more subsistence allowance under Chapter 34 than under Chapter 31: the conclusion as to why service-connected disabled veterans choose Chapter 34 over Chapter 31 is obvious. The disabled veteran needs the more individualized treatment that Chapter 31 offers, but he cannot afford to receive this training because of the low subsistence allowance. Rehabilitation is no longer simply a means of training to a level of employability. Rehabilitation involves attaining maximum potential for normal living, including all spheres of life. It must be seen as an approach involving physical, social, psychological, and vocational rehabilitation. An approach to rehabilitation which concentrates solely on one area to the exclusion or minimizing of the others is doomed to minimal success, if success is obtainable at all.

Even if the FY 1980 budget reduces funds available for the vocational rehabilitation program, the expenditure still will be great; therefore, it seems counterproductive to cut expenditures for this vital service when a small percentage increase in funds and a corresponding redefinition of the rehabilitation goal could make the program successful and save the government vast amounts of money in the long run.

Very closely related to improvements needed in the Department of Medicine and Surgery and in the vocational rehabilitation program is the need for readjustment counseling for psychologically injured veterans, especially the younger ones. However, such a program probably would be part of the Department of Medicine and Surgery and detract from its equally urgent medical program. Legislation to serve the needs of veterans attempting to readjust to civilian life has been needed for a long time.

PVA and other veterans' organizations have testified before the Committees on Veterans' Affairs during previous sessions of Congress stressing the need for such a program. Unfortunately, many Vietnam era veterans continue to be plagued by psychological problems that have been with them since their discharge or release from active duty. As these veterans returned from a very unpopular war, society chose to ignore the contribution they made for this great country. Returning veterans were often avoided by their non-veteran peers who were fortunate enough to avoid the draft or to obtain medical deferments from

military service. As the veteran attempted to cope with these readjustment problems, he has also become aware that, in many cases, his military speciality training and experience had not adequately prepared him or her to secure employment in an economy where meaningful job opportunities were already in short supply. Thus, many of these difficulties which should have been acute developed into chronic problems and continue to exist today.

Also, we believe that any comprehensive readjustment program must recognize the fact that in many cases the veteran's drug or alcohol abuse problem is part of overall readjustment. A Louis Harris survey, which was conducted for the VA in 1971, found that the proportion of those who used drugs in the military was almost double the percentage of those who had experimented with drugs in civilian life. The great majority of Vietnam era veterans continue to blame the armed services for their drug use. A 1973 Department of Defense study reported that 35 percent of the enlisted men serving at that time in Southeast Asia had used heroin; and 50 percent said they had tried narcotics in one form or another.

In short, the VA's Department of Medicine and Surgery, despite what the VA Administrator maintains, needs to be expanded in size and scope, not reduced if it is to meet the needs of the nation's veteran population.

Maintaining the VA's medical facilities, improving the vocational rehabilitation program,and creating a readjustment program merely address the basic needs of veterans and are not exorbitant schemes. Furthermore, the VA needs to practice preventive medicine in addition to having a hospital system. It is essential to provide preventive health services to catastrophically disabled veterans such as those with spinal cord injuries or diseases. The frequent medical complications related to decubitus ulcers, kidney and bladder infections and other genital-urinary tract medical problems suggest the need for such a program.

In our opinion, a preventive health-care program would greatly reduce the necessity for hospitalization for the most seriously disabled veterans and increase the likelihood of these veterans remaining independent and free from an institutional setting. The long-term financial savings of such a program would be great, and the nation's veterans would enjoy the improved health care system that they deserve.

In conclusion, Mr. Chairman, we have tried to show ways in which existing shortages within the VA are harming America's veterans, and those most in need of assistance are the ones already suffering most. Furthermore, there is a need for the VA to expand its services in order for the government to recognize long-term savings on expenditures already made. It seems foolish to allow a person's health to deteriorate to the point of needing hospitalization; to train a severly disabled veteran but provide no VA assistance in his search for employment; to allow young veterans to be on Social Security or welfare rolls because of readjustment problems induced at least partly by their experiences in military service.

Mr. Chairman, thank you for your attention.

Mr. JONES. Thank you. Mr. Chairman, it is a privilege to appear today to present the views of the Paralyzed Veterans of America concerning the Veterans Administration's budget for fiscal year 1980. PVA is an organization of approximately 10,000 veterans, all of whom suffer from spinal cord injuries or diseases. PVA must state clearly and openly that its ultimate goal is to restore catastrophically disabled veterans to the role of productive citizens whenever possible. In our written statement we examine the VA's budget as it affects medical care, rehabilitation, and readjustment of Vietnam era veterans. PVA has a holistic view of veterans care, commencing with the individual's injury or disease and culminating with his full gainful employment whenever possible. Because we are a veterans service organization we see first-hand the need for quality medical care as the basic beginning for restoring the catastrophically disabled veteran.

Mr. Chairman, in the interest of brevity, I shall at this time concentrate on the importance of adequate medical care for veterans and the effect that the VA budget has on this vitally important service.

PVA fully recognizes the fact that Congress can legislate an adequate budget for the VA's operation but that the Office of Management and Budget ultimately controls the appropriation of such funds. Furthermore, we realize that the VA Administrator controls actual allocations within his agency, and such programs as we feel are especially worthy may not receive priority treatment, even when sufficient funds are made available to the VA.

Nevertheless, we hope that this Subcommittee will lead Congress to recognize that the VA must have sufficient funding. Furthermore, we hope that Congress, as the representative assembly of this country, will express its displeasure to the Executive branch. Its appointed spokesmen are too frequently ignoring the dictates of the citizens' representatives.

The VA, for whatever reason, is being reduced in its capacity as a provider of quality medical services. As of mid-March, 1979, the VA had 6,000 full-time permanent staff positions vacant in its Department of Medicine and Surgery. Considering the vastness of the overall system, 6,000 vacancies are not extreme until one examines at what level some of these losses exist: 436 physicians, 907 nurses, 508 practical nurses, 786 nursing assistants, and 184 lab technicians. Physicians, nurses, and lab technicians are vitally needed professionals without whom a health care system cannot function.

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The reduction in the size and efficiency of the VA hospital system comes at a time when many World War II veterans will actually increase demands on this provider. Reducing the VA's capabilities is not just a whimsical or short-term matter. Ten years ago, the system included 105,000 beds but today has only 88,000.

Any reductions in the VA hospital system almost inevitably affect the 18 Spinal Cord Injury Centers located within VA hospitals. PVA has heard from its chapters and members the damaging effects that reductions in personnel, budgeting, and equipment have caused already in the Department of Medicine and Surgery. Since these Spinal Cord Injury Centers depend upon the general support of the various VA hospitals, many routine SCI services are being delayed and postponed. As of January, 1979, Spinal Cord Injury Centers at Hines and McGuire VA Medical Centers lacked funds to employ urologists. Individuals who are confined to wheelchairs commonly experience urinary tract infections and only proper care and preventive practices can deter severe complications. Yet, two Spinal Cord Injury Centers cannot employ and retain a sufficient number of urologists.

PVA has examined health care in the VA's Spinal Cord Injury Centers, and one astute service officer wrote of VA medical personnel in his area: "They are very frustrated because they cannot provide enough timely care to satisfy the demand."

The Directors of VA medical facilities in Michigan recently issued a memorandum that states:

> Effective July 1, 1979, we will no longer provide non-service connected veterans with medication, drugs, and supplies which are available commercially without a prescription.

Mr. Chairman, I have a copy of a VA memorandum I would like to submit for the record, with your approval.

Mr. TRAXLER. Surely.

[The information follows:]

VETERANS ADMINISTRATION
MEDICAL DISTRICT 14
ANN ARBOR, MICHIGAN 48105

IN REPLY
REFER TO:

TO ALL NON-SERVICE CONNECTED VETERANS:

Congress, the Office of Management and Budget and the Veterans Administration recognize that it is spending an increasing share of the available resources for the care of Non-Service Connected Veterans. Public Law 95-581 established priorities for the care of Veterans and gives top priority to Service Connected Veterans. In view of limitations in the Federal Budget, immediate steps must be taken in order to assure that we can continue to give priority Service-Connected Veterans.

Effective July 1, 1979 we will no longer provide Non-Service Connected Veterans with medications, drugs, and supplies which are available commercially without prescription. (Except diabetic supplies) These nonprescription medications, drugs and supplies include such items as aspirin and aspirin-related products, antacids, laxatives, dietary supplements, swabs, vitamins, cold and cough preparations.

This means that the Non-Service Connected Veterans must purchase these items, since they will no longer be supplied by the Medical District 14 Medical Centers. (Please see attached list.)

Our Medical Staffs will continue to inform the Non-Service Connected patient of the need for such medications, drugs, and supplies, but these will not be provided by our Pharmacies. We regret we are no longer able to provide this service, but we recognize our responsibility to give priority to the care of Veterans with Service-Connected disabilities. Should you have any questions, please feel free to contact us.

A. ZAMBERLAN
Director
VAMC Ann Arbor, MI

C. ANDERSON
Director
VAMC Saginaw, MI

J. DONACHIE
Director
VAMC Battle Creek, MI

R. DROSKE
Acting Director
VAMC Allen Park, MI

"To care for him who shall have borne the battle, and for his widow, and his orphan." ABRAHAM LINCOLN

OVER-THE-COUNTER ITEMS NO LONGER FURNISHED
BY MD #14 VETERANS ADMINISTRATION MEDICAL CENTERS

ANALGESICS
- Aspirin Tablets, Plain or Buffered
- Tylenol Tablets or Liquid

ANTACIDS
- Amphogel Tablets
- Gaviscon Tablets
- Gelusil Tablets and Liquid
- Milk of Magnesia Liquid
- Mylanta Tablets and Liquid
- Riopan Tablets and Liquid
- Sodium Bicarbonate Tablets

COUGH PREPARATIONS
- Robitussin
- Robitussin-DM

DERMATOLOGY PRODUCTS (Including disinfectants and shampoos)
- Analgesic Balm
- Bacitracin Ointment
- Benzoin Tincture
- Betadine Ointment and Shampoo
- Calamine Lotion
- Cetaphil Lotion
- Dermassage Lotion
- Domboro Tablets
- Emulave Bar
- Eucerin
- Fostex Cake
- Freezone Liquid
- Green Soap Tincture
- Hemorrhoidal Suppositories
- Icthammol Ointment
- Keri Cream
- Kwell Cream
- Lubriderm Lotion
- Maxifil Cream
- Neopolycin Ointment
- Neosporin Ointment
- Nupercainal Ointment
- Nutraderm Lotion
- Nutra-Plus Lotion
- Oil of Wintergreen
- Oilatum Bar
- P & S Liquid
- Pentrax Shampoo
- Purpose Shampoo
- Salicylic Acid Ointment
- Salicylic Acid Plaster
- Soyaloid Powder
- Sulfur Soap
- Talcum Powder
- Tinactin Powder

DERMATOLOGY PRODUCTS (cont'd)
Topical Sun Screen Agents
Viform Cream
Whitfield's Ointment (also double strength)
Zetar Shampoo
Zinc Oxide Ointment & Paste

DIETARY SUPPLEMENTS & DIGESTANTS
B-Plcat Liquid
Ensure Liquid
Lipomul-Oral
Meritene Powder

EYE, EAR, NOSE AND THROAT PRODUCTS
Cepacol Mouthwash
Hydrogen Peroxide Solution, 3%
Afrin Nasal Spray
Neo-Synephrine Solution, 1/4%, 1/2%
Tearisol (artifical tears)

HEMORRHOID PREPARATIONS
Hemorrhoidal Suppositories
Nupercainal Ointment

LAXATIVES, STOOL SOFTENERS, AND G.I. DRUGS
Aromatic Cascara Fluidextract
Bacid Capsules
Colace Capsules
Doxidan Capsules
Dulcolax Tablets & Suppositories
Fleet Enema
Glycerin Suppositories
Kaopectate Suspension
Metamucil
Mineral Oil
Phospho-Soda Liquid
Surfax Capsules

VITAMINS AND MINERALS
Ascorbic Acid Tablets
Hexavitamin Tablets
Homicebrin Syrup
Niacin Tablets
Niacinamide Tablets
Os-Cal 500 Tablets
Pyradoxine Hydrochloride Tablets
Riboflavin Tablets
Thiamine Hydrochloride Tablets
Vitamin A
Vitamin B Complex with Vitamin C Capsules
Vitamin D Capsules



MEDICAL SUPPLIES AND PROSTHETIC SOFTWARE ITEMS
This group includes all non-drug items such as tapes, gauzes, pads syringes, needles, swabs, catheters, ostomy supplies, urinal bags, etc. (Diabetic supplies are not included in this group.)

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Mr. JONES. These supplies include expensive items such as collection devices for incontinence that many catastrophically disabled veterans simply cannot afford to purchase. PVA conducted a study that showed that if a catastrophically disabled veteran had to purchase non-prescription items, at retail prices, this alone could equal approximately what that individual has to pay monthly for housing.

Recently, Dr. James C. Crutcher, Chief Medical Director for the VA, lamented that a non-service-connected veteran "did not receive all his medications" because his non-service-connected status excluded him from priority care. Dr. Crutcher advised PVA's Director for Medical Services: "You can assure him that this will not happen again." We foresee Dr. Crutcher's statement as misleading or erroneous unless there is an increase in funds to enable VA medical facilities to provide needed medicines, supplies, and treatment to veterans.

Spinal Cord Injury Centers are frequently filled to capacity and important equipment is lacking. An example is that spinal cord injury patients are experiencing delays in admission to SCI centers because of waiting lists, and their health problems are usually correctable if treated quickly and properly. However, if these needs are not met in a timely manner they become severe, requiring costly, painful hospitalization.

Alternatives to complete hospitalization should be considered, both for their economic savings and lessening the burden of coping with a severe disability. PVA has repeatedly encouraged the VA to provide suitable alternatives to in-patient care, and, until the VA alters its health care program's structure, any reduction of beds in Spinal Cord Injury Centers will be disastrous for catastrophically injured veterans. Regardless of whether the VA maintains its reliance on institutionalizing patients suffering spinal cord disabilities or not, adequate medical care must be readily available for each such veteran.

PVA's goal, ultimately, is to see the nation's veterans kept healthy, and, in cases where it is feasible, we want to see the catastrophically disabled ones rehabilitated and returned to the role of productive citizens.

Mr. Chairman, this concludes PVA's statement of its purpose and goals, and I trust that our comments illustrate the damage that has been done already to the VA health care system. I sincerely feel that the veterans health care provider is being reduced in its function and scope at a rate that should alarm everyone who is concerned with caring for the men and women who have served this nation in its times of urgent need.

Thank you for your attention.

Mr. TRAXLER. Thank you very much, Mr. Jones. This is your first appearance before the Subcommittee?

Mr. JONES. Yes, it is.

Mr. TRAXLER. It is the first time a representative from your organization has been here, so we welcome you and are pleased with your testimony. The Members of the Subcommittee share the concerns you have over the events of the last few years in the VA medical area. Again, we are grateful for the perspective you have brought us.

Mr. JONES. Thank you very much.

VETERANS ADMINISTRATION MEDICAL CARE PROGRAM

WITNESS

CHARLES E. JOECKEL, JR., ASSISTANT NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. TRAXLER. Our next witness is Mr. Joeckel, from the Disabled American Veterans. Welcome back.

Mr. JOECKEL. It is nice to be here. With your permission, Mr. Chairman, I would like to submit my full text for the record and summarize. I think our testimony depicts what is happening in the VA hospital system to veterans. In the full text you will see a breakdown of what we have done in the survey of the VA hospital system. We have submitted that computer breakdown to the Committee.

[The statement follows:]

STATEMENT OF
CHARLES E. JOECKEL, JR.
ASSISTANT NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES
OF THE HOUSE APPROPRIATIONS COMMITTEE
APRIL 26, 1979

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

It is with deep concern for the VA Medical Care Program and the integrity of Veterans Administration Programs as a whole, that I appear here today on behalf of the 615,000 members of the Disabled American Veterans.

As I am sure you are aware, Mr. Chairman, it has been the position of our organization in past years to request on behalf of the Veterans Administration necessary funds to maintain all VA programs, to increase the level of benefits provided under the compensation, pension and education programs, to expand VA hospital and medical care benefits and to provide adequate staffing throughout the Veterans Administration.

Our position in this regard has not changed. However, unlike previous years, our request on behalf of the Veterans Administration for Fiscal Year 1980 will not be predicated upon asking this Committee for enormous sums in hopes of striking a compromise which will be beneficial to the VA and in line with the wishes of the Office of Management and Budget and the Congress.

Instead, I prefer to discuss the Fiscal Year 1980 Budget Request for the Veterans Administration in terms of those for whom the system was created to serve--VETERANS, especially disabled and sick veterans.

MEDICAL CARE

Mr. Chairman, the Fiscal Year 1980 budget for the entire Federal government has been characterized as "lean and austere." Indeed, the Administration should be commended for its efforts to control inflation, contain hospital costs and to "hold down" federal spending.

Quite frankly, it is the means by which the Administration seeks to achieve these noteworthy goals that alarms our organization. These goals, in our opinion, should not be accomplished at the expense of needy, sick and disabled veterans.

Further, containing health care costs within the VA Medical Program and controlling inflation by curtailing federal spending throughout VA programs is based, in this instance, on misleading

statistical information, false assumptions and on the highly unlikely fact that the Congress will enact cost-savings legislation that has time and again been rejected by both the House and Senate.

For example, Mr. Chairman, originally the VA estimated a savings of $218 million if legislation were enacted to provide reimbursement from private insurers, employers and other non-federal sources for the cost of medical care and treatment to nonservice-connected disabled veterans. Recently, the VA revised its estimated savings downward to $170 million.

Even if the Congress enacted such legislation it is highly doubtful that the savings would begin to approach $100 million as the VA's own statistics show that 76% of all nonservice-connected veterans receiving VA medical treatment do not have private medical insurance.

The money "saved" by requiring private medical insurance companies to reimburse the federal government for the cost of nonservice-connected medical care would go into the general revenue account to the U. S. Treasury and not to the VA. Neither should we be under the illusion that private medical insurance companies would absorb the loss of revenue they would suffer should this proposal be enacted into law. Any increased cost to them would be passed on to veterans and non-veterans alike in the form of higher medical insurance premium rates--creating still another inflationary spiral.

Mr. Chairman, this Committee has already been provided with all the necessary statistical information from the Veterans' Affairs Committee, the DAV, other veterans' organizations, the VA, the Office of Management and Budget and from the investigative staff of the full Committee on Appropriations, relative to the needs of the VA health care system. I am also sure that you have received written testimony on the VA Health Care Program from several VA medical district directors as well.

It is needless to recite these statistics. Instead, let us take a close look at what has already occurred in the VA Health Care Program since October 1, 1978 and examine what will happen if the VA Appropriation Request for Fiscal Year 1980 is allowed to stand as is.

As you know, since October 1, 1978 the Office of Management and Budget has imposed rigid employment ceiling controls on the VA and for the period from October 1, 1978 through January 31, 1979 the President implemented a two for one hiring freeze on federal employment.

What effect has the Administration's actions already had on the quality of care provided to veterans?

This is the question that our organization attempted to answer in two separate VA medical care surveys conducted from November 1978 through the end of February 1979 (surveys attached).

Mr. Chairman, the first survey (November 2, 1978 - January 15, 1978) conducted with the cooperation and assistance of our 260 National Service Officers nationwide attempted to determine the effects of budgetary restraints on the VA's health care system. Our survey results were staggering as you will note from the following excerpts:

*Phoenix, Arizona--four surgical jobs vacant, 29 nursing vacancies. Forty-five bed ward never opened due to ceiling. Since October 24, 1978 the facility has lost 7 registered nurses and 4 licensed practical nurses.

*Augusta, Georgia--funding limits the number of surgical procedures under the Open Heart Surgery Program to 82 annually. In Fiscal Year 1978, 114 were performed. The actual demand for the procedure is 200 annually. No funding supplied for personnel to operate Hemodialysis Unit. No funding has been provided for Pulmonary Intensive Care Unit.

*Indianapolis, Indiana--if the employment ceiling continues, some nursing units will be closed and waiting lists for inpatient services will begin.

*Winston-Salem, North Carolina--dropped the acceptance rate for hospitalization from 72.7% in July 1978 to 67.7% in October 1978. Actually, only 45% of the applicants are admitted, the remaining 22.7% are treated as outpatients.

*San Antonio, Texas--Ward 5B, surgical ward, utilized for urology and general medicine has been redesignated as a nursing administrative unit.

Mr. Chairman, more than 13 thousand DAV members readily responded to our second survey conducted in January 1979 and designed to measure the impact of VA staffing and funding cuts on current services provided to veteran consumers themselves. Our findings revealed that:

Outpatient Survey Results

*Ninety-one percent of the respondents had been "block scheduled"--a practice which violates policies established by VA Central Office.

*Forty-three percent of the respondents reported waiting an hour or more before being seen by a physician, and 15% reported waiting more than 3 hours.

*Thirty-seven percent of these veterans spent only 15 minutes or less with the doctor when receiving outpatient medical care.

*Even though eligibility for travel allowances for service-connected disabled veterans is established by law, 37% of the respondents said they were not informed of their eligibility and 35% said that their travel allowances were not approved.

*Of those authorized to take lodging and meals in the vicinity of the VA facility where they were receiving outpatient treatment, 85% said they were given $25 or less to cover their expenses.

*Sixty-six percent waited a half hour or more to receive prescribed medication from pharmacies at VA facilities, 14% waited 2 hours or more and 37% complained of incorrect labeling or late delivery of prescriptions.

*Twenty-one percent of the outpatients stated that they received discourteous treatment from VA employees.

Hospital Survey Results

*Forty-nine percent of the applicants for hospitalization said they waited an hour or more before seeing the admitting physician and 10% waited 4 hours or more.

*Only fifty-one percent of the applicants for hospitalization were admitted and 14% of the respondents were referred to non-VA facilities for treatment.

*Twenty-three percent of those applying for inpatient care said they received discourteous treatment from VA employees.

Mr. Chairman, in spite of the VA's assurances that the scope and quality of health care will not be affected, these survey results vividly portray the inability of the Department of Medicine and Surgery to carry out its mission to meet the health care needs of this nation's veterans.

What can we expect if the Fiscal Year 1980 budget request is allowed to stand?

It is no secret that the Administration plans to curtail, if not terminate, medical care services to nonservice-connected veterans. An Administration bill (S. 741), introduced into the Senate by request, depicts what is in store for America's needy nonservice-connected but disabled veterans. The VA would limit payment of expenses for travel to and from a VA facility and prohibit dispensing of over-the-counter drugs for such veterans. Indeed some VA hospitals have already implemented such practices without authority to do so.

Mr. Chairman, the DAV simply cannot understand the rationale behind the Administration's attempts to limit VA health care services to sick and indigent nonservice-connected veterans. Limiting of VA health care provided to needy nonservice-connected veterans can only result in such veterans seeking medical assistance through other federally-funded programs or in community facilities.

In the short and long-run such curtailment of VA services will only result in increased federal expenditures as studies show that the Veterans Administration health care delivery system is cost effective--providing relatively inexpensive medical care to veterans. In addition, we simply do not believe that state and locally funded facilities are prepared to undertake the increased burden imposed upon them by the Administration.

Further, Mr. Chairman, the savings realized as a result of the curtailment of health care to nonservice-connected disabled veterans will ultimately be passed along as an increased cost in the VA nonservice-connected disability pension program. Needy nonservice-connected disabled veterans, who are forced to seek private medical care and pay for over-the-counter drugs, will pass along these costs as unusual medical expenses for VA pension purposes--resulting in increased monthly pension payments.

As you know, Mr. Chairman, the number of VA operating hospital beds has steadily declined from 105,000 ten years ago to 88,000 today. An additional 2,000 beds are scheduled to be closed in 1980.

Our concern here is two-fold; 1) the under utilization of valuable resources and 2) the mathematical equation relating bed numbers to personnel reductions.

It seems almost redundant to say that the American veteran population is rapidly aging--World War I veterans are age 80 or more and World War II veterans average 59 years. Obviously, it does seem logical that if there are excess acute beds in the VA system, that some of these beds could be better utilized by converting them to longterm care units. The VA health care system is in dire need of nursing and domiciliary facilities. Rather than wasting these resources and closing whole wards, we would recommend a bi-level care system within VA medical facilities an acute care center with a new dimension which addresses the nursing and domiciliary needs of veterans.

In addition, the practice of assigning employment reductions based on the number of beds lost to the system is, in our opinion, counter-productive. Obviously, employees released based on the fact that a number of beds will no longer be utilized, could be diverted elsewhere in the system to alleviate staffing shortfalls and improve the already deplorable staff-to-patient ratios.

What will happen to the VA Medical Program if these practices are permitted to continue?

The continual, indeed annual, loss of beds will accelerate the loss of employees. Reduction in services to nonservice-connected disabled veterans will result in a gradual decline in VA inpatient and outpatient services. As these practices continue, the shut-down of medical care to veterans perpetuates itself until ultimately the need for a separate system for veterans disappears.

We do not believe that such is the goal of this Committee nor is it a sentiment held by the Congress--as evidenced last year in the overwhelming support for the Roberts' Amendment to the First Concurrent Resolution on the Budget for Fiscal Year 1979.

We do, however, believe, Mr. Chairman, that the decline in the VA health care system has reached the saturation point. Simply stated, the VA can no longer "treat more and more and more veteran patients with fewer beds and personnel."

You will recall that nearly ten years ago the major veterans organizations were in sharp disagreement with the Administration over the funding levels and the quality of care provided at VA hospitals. At that time, the national media presented programs on the subject and Life Magazine ran exposes on the VA's declining health care system.

Nearly a decade later, Mr. Chairman, we are again embarking on the very situation which brought about the original critisism of the VA Medical Care Program.

Permit me to relate to you some of the effects that VA staffing and funding cuts have had upon veteran patients themselves.

Tragically, a January 29, 1979 article in the Louisville Times reports on the death of Clyde Graves, Jr., a totally paralyzed veteran. Mr. Graves' mother alleges that her son did not receive high quality care which would be expected of any hospital. Here, Mr. Chairman, are some of the statements of the VA hospital Director and Chief of Staff which appeared in the article.

> "I think the care that was provided in this case was as good as we could do with the staffing we had."
>
> "the military veterans who receive free treatment there simply cannot expect one-on-one care."
>
> "...we don't have adequate nursing or other staffing in the hospital for the patient load we're working with."

"the quality of care we provide has not been impaired... but we have to do more with less. We simply have to plan more carefully. Attention is focused on the patients who need it most."

"so five nurses are assigned to each 41 bed ward on the day shift, 3 on the evening shift and 2 from the midnight to 8:00 a.m. This is only half to two thirds as many nurses per patient as private hospitals provide."

In a letter to our office dated January 24, 1979 a Bay Pines, Florida VA Nursing Assistant whose name is withheld by request for fear of reprisal states:

"the root of the problem is understaffing as your special report pointed out. We thank God you mentioned DAV's uppermost concern in the areas of "nursing assistants" (frankly we wondered if anyone acknowledged our needs, our existence) and we thank you."

"Nursing assistants are the workhorse of most all medical and psychiatric teams and right now our morale is at rock-bottom as short staffed as we are and with the worst yet to come. Every ward is understaffed and job insecurity runs high."

"Our psychiatric service has suffered the worst and is literally losing its safety factor in giving up the nursing assistants required to maintain emergency control and safety of life and limb of both patients and staff alike."

"No one spends as much time with the patient and knows them as well as the nursing assistants who are not only the eyes and ears of nurses and doctors but the main line of defense to protect innocent patients in upper echelon staff as well when an emergency arises. Not a day is without incident."

A veteran from Houston, Texas relates that after a three hour wait, "with a twelve-thirty appointment," he was told by a doctor "we have a $100 million pharmacy, but we don't have the medication and our Administrator won't get it." The veteran indicates that he is spending $4 daily for his medication.

Our DAV National Service Officer in Providence Rhode Island relates the story of a disabled veteran with a service-connected psychiatric disability who was admitted to the VA Hospital in Providence on December 24, 1978 and discharged on December 26, 1978. On December 28, 1978 he was transported to the Providence VA Hospital once again by the local Police Department for an admission due to a reported attempted suicide. The VA physician on duty at the Emergency Admitting Unit stated to the veteran that they could not admit him due to the fact that space was

not available. He was advised that he had one of two alternatives to pursue; 1) that they would transport him to the Rhode Island State Medical Center or 2) he could go home.

In response to an inquiry on behalf of a service-connected disabled veteran made by a DAV National Service Officer in Minneapolis, Minnesota the VA states "the most disturbing problem occurred on October 14, 1978 when Mr. ----- was seen at admissions after a long wait, then seen again on October 17 and eventually hospitalized on October 19 at Bethesda Hospital with a heart attack. An apology was given to Mr. ----- for the long delay in being seen at admissions on Saturday, October 14, 1978. He was told about the steps we have taken to rectify that problem."

Mr. Chairman, these are but a few of the tragic stories related to us by service-connected disabled veterans seeking medical care at VA facilities over the past several months. We ask, is this the "strengthening of the VA hospital system to make it capable of delivering the finest health care available" that was promised by the President prior to his election in 1976?

Contrary to these promises, Mr. Chairman, the Administration proposes a Fiscal Year 1980 budget for the Veterans Administration which will provide for less than a 1% increase in expenditures while total federal spending is up by 7.7%--a proposal that, if adopted, will devastate the VA Medical Program.

Given the President's desire to control inflation and the sentiment in the Congress to hold down federal spending, the Disabled American Veterans respectfully requests that this Committee restore the following sums which, we believe, are consistent with the wishes of both the President and the Congress, and will meet the health care needs of America's veterans:

*Approximately $138 million to restore medical care employees slated for removal from the VA medical care system and to improve VA's dismal staff-to-patient ratios;

*Approximately $15 million dollars to maintain high quality prosthetics and medical research programs;

*approximately $81 million dollars to adequately staff new medical facilities scheduled to open in 1979 and Fiscal Year 1980;

*approximately $40 million to restore medical care employees slated for reduction in Fiscal Year 1980;

*approximately $45 million providing for replacement and modernization of outdated VA medical facilities; and

*increase from $5 to $10 million the funds available for grants for the construction and improvement of State Extended Care Facilities.

We should not, however, be under the assumption that the restoration of these needed funds will save the VA health care system. The fact remains, Mr. Chairman, that approval of our recommendations for Fiscal Year 1980 will only serve to keep the system from "going under" at a rapid pace--sometime soon, a major policy decision on the future scope and quality of the VA Medical Care Program must be made.

Accordingly, Mr. Chairman, until such time that the Congress decides to alter the role of the Veterans Administration as the primary health care provider for veterans, the VA should be accorded the funding necessary to extend quality health care second to none.

Department of Veterans Benefits

As I am sure you are aware, Mr. Chairman, the number of full-time personnel in the VA's Department of Veterans' Benefits has declined steadily since 1976. The 1979 employment ceiling for DVB is 929 below the end-of-year 1977 total. The Administration's budget request for Fiscal Year 1980 proposes to reduce by an additional 1,639 the number of full-time employees in the Department of Veterans' Benefits.

A significant number of these personnel reductions is based upon the decline in workloads for educational trainees under Chapters 31 and 34 of Title 38, U. S. Code. However, some 900 of these personnel reductions are based upon the phasing-in of the Target System--a ready computer access to individual VA claims folders.

We do believe that the Target System will indeed improve the efficiency and productivity in the VA's Veterans' Services Division. We also feel that the system will serve to "stave-off" future increases in personnel (other than adjudicative). However, we have serious reservations of Target's current efficiency and productivity that would warrant a reduction in employment of the magnitude proposed by the Administration for Fiscal Year 1980.

In the last three years for instance, the processing time for reopened claims has been more than sixty days in 46% of all cases and more than ninety days in 30% of all cases. The VA's Chief Benefits Director has recently indicated that, due to increased workloads and reduction in adjudicative personnel, a claim now requires a 115 day processing period. The average length of time an adverse benefit decision has remained at the

local Regional Office, following receipt of the veteran's written intent to appeal and before being sent to the Board of Veterans Appeals, has been 186.7 calender days--some 6 months.

Given the increased workloads based upon the enactment of Public Laws 95-479 and 95-588, we do not believe the Department of Veterans Benefits will be able to sustain such a large reduction in personnel and maintain timeliness of claims processing. Further, Mr. Chairman, it is our opinion that no matter how efficient the Target computer may become, this system cannot replace necessary adjudicative and rating personnel who render judgmental decisions.

As we do not believe that the education workloads will decline as rapidly as anticipated by the VA and as the Target System, in our opinion, is not capable of immediately replacing some 900 employees, we respectfully request that the Committee increase the VA appropriation request by $17.1 million to restore approximately one half of the employees scheduled for removal in Fiscal Year 1980.

As we see it, Mr.Chairman, the VA Buget Request for Fiscal Year 1980 falls short of providing the necessary funds to meet its current program. Considering these short falls, we believe that the Administration's request should be increased by approximately $341 million.

In conclusion, the Disabled American Veterans strongly supports full funding of the Veterans Administration Fiscal Year 1980 budget request with the additions recommended in this presentation.

This concludes my statement, Mr. Chairman, and I wish to thank you and the members of the Subcommittee for giving us this opportunity to appear here today.

VA OUTPATIENT AND HOSPITAL QUESTIONNAIRE

Please complete both sides of this questionnaire and return to:

Disabled American Veterans
National Service & Legislative Headquarters
807 Maine Avenue, S.W.
Washington, D.C. 20024

PART I – OUTPATIENT TREATMENT

1. Are you receiving outpatient treatment? Yes____ No____

2. If so, name of VA facility _____

3. Do you have scheduled appointments? Yes____ No____

4. Are other veterans scheduled at the same time for the same clinic? Yes____ No____

5. Appointment time _____
   Time you were treated _____
   How much time spent with doctor, nurse & others? _____

6. Were you referred to X-ray? Yes____ No____
   Were you referred to laboratory? Yes____ No____
   Were you referred to another clinic? Yes____ No____

7. Was medication prescribed? Yes____ No____
   If so, time spent waiting for medicine _____
   If prescriptions are mailed, are they labeled correctly and are they received on time? Yes____ No____

(Cut here)

8. Were you informed about travel allowance? Yes____ No____
   Was travel reimbursement authorized? Yes____ No____
   Check one: 17¢ per mile ____ 11¢ per mile ____
   Common carrier rate? _____
   If you stayed overnight, how much were you reimbursed? _____

9. Were you required to be at the VA clinic during a mealtime? Yes____ No____
   If so, did the VA give you a meal chit? Yes____ No____

10. Departure time from VA facility _____

11. Were you treated for a service-connected disability? Yes____ No____
    Are you rated fifty percent (50%) or more for your service-connected disability? Yes____ No____

12. If treated for service-connected disability or rated fifty percent (50%) or more, did you receive priority treatment? Yes____ No____

    Please Comment: _____

    _____

    _____

    _____

13. Were VA personnel courteous and prompt? Yes____ No____

(CONTINUED ON OTHER SIDE)

PART II – HOSPITAL CARE

1. Have you recently applied for admission to a VA hospital? Yes____ No____

   If so, what hospital? _____

   How long did you wait before seeing an admitting doctor? _____

   Were you admitted? Yes____ No____

   Were you referred to a VA Outpatient Clinic? Yes____ No____

   Were you referred to non-VA services? Yes____ No____

2. Were VA hospital personnel courteous, compassionate and efficient? Yes____ No____

3. Please comment briefly on above:

   _____

   _____

   _____

   _____

4. Please comment briefly on quality of care:

   _____

   _____

   _____

   _____

   _____

5. Any other comments you may wish to make concerning VA hospitals:

   _____

   _____

   _____

   _____

_____

(Veteran's Name – OPTIONAL)

(Cut here)

02/15/79 NATIONAL TOTALS

PART I-OUTPATIENT TREATMENT			YES	NO
RECEIVING OUTPATIENT TREATMENT			12399	0
HAVE SCHEDULED APPOINTMENTS			10487	1912
OTHERS SCHEDULED FOR SAME TIME APPOINTMENT TIME			9556	2843
	8 TO 11	5071		
	11 TO 1	692		
	1 TO 4	2256		
	4 TO 8	226		
WAIT TIME	0 TO 1 HR	4072		
	1 TO 3 HRS	2027		
	3 OR MORE HRS	1053		
TREATMENT TIME	8 TO 11	2974		
	11 TO 1	1455		
	1 TO 4	2918		
	4 TO 8	403		
TIME SPENT WITH DOCTOR	0 TO 15 MIN	3222		
	15 TO 30 MIN	3576		
	30 TO 60 MIN	1873		
	1 TO 2 HRS	714		
	2 OR MORE HRS	583		
REFERRED TO X-RAY			7443	4956
REFERRED TO LABORATORY			7573	4826
REFERRED TO ANOTHER CLINIC			4221	8178
MEDICATION PRESCRIBED			10785	1614
TIME SPENT WAITING FOR MEDICINE	0 TO 15 MIN	1019		
	15 TO 30 MIN	1884		
	30 TO 60 MIN	2559		
	1 TO 2 HRS	1845		
	2 OR MORE HRS	1152		
PRESCRIPTIONS LABELED CORRECTLY/RECEIVED ON TIME			7839	4560
INFORMED ABOUT TRAVEL ALLOWANCE			7766	4633
TRAVEL REIMBURSEMENT AUTHORIZED			8087	4312
	.17	1194		
	.11	3843		
	C.C.	3022		
OVERNIGHT REIMBURSEMENT	$0.01 TO 25.00	73		
	$25.01 TO 100.00	12		
	$100.01 AND OVER	1		
REQUIRED TO BE AT CLINIC DURING MEAL TIME			5159	7240
VA MEAL CHIT ISSUED			2533	9866
DEPARTURE TIME FROM VA FACILITY	8 TO 11	436		
	11 TO 1	1115		
	1 TO 4	2290		
	4 TO 8	1633		
TREATMENT FOR SERVICE CONNECTED DISABILITY			10094	2305
50 PERCENT OR MORE RATING FOR SERVICE CONNECTED DISABILITY			7067	5332
PRIORITY TREATMENT OF DISABILITY			4357	8042
OUTPATIENT PERSONNEL COURTEOUS			9794	2605
COMMENTS			10338	2061

02/15/79 NATIONAL TOTALS

PART II-HOSPITAL CARE			YES	NO
RECENTLY APPLIED FOR ADMISSION TO VA HOSPITAL			8062	0
WAIT TIME BEFORE SEEING ADMITTING DR.	0 TO 15 MIN	390		
	15 TO 30 MIN	622		
	30 TO 60 MIN	796		
	1 TO 2 HRS	755		
	2 TO 4 HRS	624		
	4 OR MORE HR	363		
WERE YOU ADMITTED			4117	3945
REFERRED TO VA OUTPATIENT CLINIC			4312	3750
REFERRED TO NON VA SERVICES			1148	6914
VA HOSPITAL PERSONNEL COURTEOUS,ETC			6171	1891
COMMENTS			7755	307

TOTAL QUESTIONNAIRES RECEIVED	12,678
QUESTIONNAIRES EDITED OUT	66
TOTAL QUESTIONNAIRES PROCESSED	12,612
QUESTIONEES RESPONDED TO BOTH PARTS	7,853
QUESTIONEES RESPONDED ONLY TO PART I	4,546
QUESTIONEES RESPONDED ONLY TO PART II	209

46-105 O - 79 - 51

Motto: "If I cannot speak good of my comrade, I will not speak ill of him."

DISABLED AMERICAN VETERANS

NATIONAL SERVICE and LEGISLATIVE HEADQUARTERS
807 MAINE AVENUE, S.W.
WASHINGTON, D.C. 20024
(202) 554-3501

SPECIAL BULLETIN

To: All Supervisory National Service Officers

From: Norman B. Hartnett, National Director of Services

Subj: VA Ceiling Control Test

Date: November 2, 1978

On July 2, 1978 the VA initiated a Ceiling Control Test for full-time employees at VA medical facilities. The first 12 weeks from July 2 to September 23, 1978 have been designated as a pretest period and beginning September 24, 1978 the VA set employment ceilings for full-time medical personnel in terms of work years per employee (based on 2,080 hours) rather than on the actual number of paid employees on its payroll.

We at National Service and Legislative Headquarters are concerned over what effect the Ceiling Control Test will have on Medical Personnel Employment. In anticipation of the VA Appropriation Request for Fiscal Year 1980 and Congressional Budget and Appropriations Hearings, we are conducting a survey of all National Service Offices to secure answers to the following questions:

1. (a) Has the Ceiling Control Test resulted in any loss of full-time or part-time employees at your medical facility?
   (b) If so, in what areas have the reductions occurred?

2. (a) Is your facility over or under the established ceiling?
   (b) If your facility is over its ceiling, what plans does the VA have to meet the test ceiling?
   (c) If your facility is under the established test ceiling, which area is most affected/understaffed?

3. What is the staff-to-patient ratio for inpatient caseload at your hospital?

4. What is the outpatient staff-to-patient ratio?

5. Have any hospital beds been closed since September 24, 1978? If so, how many?

6. (a) Has the implementation of any special medical programs been held up or cancelled due to a shortage of qualified personnel?

(b) Since July 2, 1978, has there been any change in the rejection rate for hospital admissions, and what percent of current applicants are being admitted to your hospital?

7. What VA hospital services are available in your area on weekends and holidays?

8. (a) For the last three months of Fiscal Year 1978 (ending September 30, 1978) did the Prosthetics Department have adequate funds available to meet the caseload demand or were patients (particularly service connected veterans) requested to wait for their prosthetic and orthotic devices until after October 1, 1978?
(b) Is it anticipated that the Prosthetic Department will be adequately funded through September 30, 1979?

9. If your hospital maintains either a Prosthetic or Medical Research Program, were adequate funds available for the Fiscal Year ending September 30, 1978 and is it anticipated that necessary funding will be available through September 30, 1979?

10. Please comment on the general efficiency of your hospital--is there control over personnel--are all employees busy or is there visiting between employees, handling of personal business by telephone or frequent and long rest/coffee breaks? Could your facility have better management over employee time?

In addition to securing answers to the above questions we are also concerned about the treatment in VA outpatient clinics. Accordingly, we are requesting that you arrange to have a few reliable service connected veterans, who are going through the outpatient clinic, keep a record of their progress.

Please ask them to prepare a time log showing the exact time of their arrival and departure from the outpatient clinic, exactly how much time was spent on each part of their examination or treatment, and the elapsed time spent waiting between each scheduled procedure and at the pharmacy to fill prescriptions. Ask each veteran participant to indicate: (1) whether or not VA personnel were prompt and courteous; (2) if the outpatient clinic involved timely met the prescribed appointment or if the appointment was block scheduled; and (3) if the VA advised the veteran regarding beneficiary travel and, if so, were travel personnel courteous, was reimbursement authorized and at what rate--17¢ per mile, 11¢ per mile or by common carrier rate.

It would be most helpful if you could secure the requested information pertaining to each medical facility in your area and forward it, together with the time logs prepared by the veterans, to this office no later than January 12, 1979.

Your cooperation in this endeavor is most essential and, of course, will be greatly appreciated.

Sincerely yours,

Norman T. Hartnett

NORMAN T. HARTNETT
National Director of Services

Basically we are asking for an increase in the VA appropriation request for 1980 of about $341 million, $24 million in medical care and $17.1 to restore employees in DVB.

With your permission, Mr. Chairman, I would like to submit to you some of the correspondence that we have collected from the various VA hospitals and from VA central office and just touch on each one briefly.

Mr. TRAXLER. Thank you. Did you want that included in the record?

Mr. JOECKEL. Yes, sir, with your permission.

Mr. TRAXLER. Would it be all right if we review this material? It is rather voluminous and staff will work with you.

Mr. JOECKEL. That will be fine; thank you.

[CLERK'S NOTE.—The correspondence is on file with the Committee.]

Mr. TRAXLER. Please proceed.

Mr. JOECKEL. The correspondence that I have just submitted indicates the cutbacks in non-service-connected care to veterans, and the inability of the VA to successfully run several of its medical units, surgery, and particularly in the cardiovascular surgery area.

In addition, there is correspondence to another veterans organization, where the VA states: "The active involvement of all professional staff members to assist non-service-connected applicants in obtaining health care through community resources should be an established procedure." And we believe quite frankly, Mr. Chairman, that is the responsibility of the Veterans Administration.

We also have correspondence from the Governor's Office of Tennessee, outlining the problems in the hospital system there.

And at Boston VA Regional Hospital, there are problems in the neurological service.

Finally, we have correspondence between our office, the office of Congressman Leach and Office of Management and Budget concerning the cutbacks and some of the waste. OMB has somewhat misled Mr. Leach on these cutbacks, and I think it is very important for the Committee to have that.

In conclusion, I would like to say that these cutbacks in the VA medical program come at a time when World War II veterans need it most. Many Vietnam era veterans like myself will view the cutback as still another reduction in their benefits. In other words, the system was available for 35 years for other veterans, but will not be around when the Vietnam-era veteran will need it.

In any event, we respectfully request full funding of the VA budget request for fiscal year 1980 with the recommendations in our presentation.

Mr. TRAXLER. We thank you very much for your testimony, and, as I said to Mr. Jones, this Subcommittee has a deep concern for the direction that the VA is heading. You can be sure we will give this matter very, very careful consideration. We will be working within the framework, of course, of the Budget Resolution; I am not totally certain what their recommendations are to the House in this area. I am sure you will make a careful review of

that. Please advise us sometime before next week is over what your thoughts are in connection with that.

Mr. JOECKEL. You should receive it in the mail within the next day or so. In fact, may I add we enjoy the relationship and working together with the staff members of the Committee.

Mr. TRAXLER. Thank you. We think they are pretty fine people, too.

Mr. JOECKEL. Thank you.

Mr. TRAXLER. Thank you.

VETERANS ADMINISTRATION BUDGET

WITNESS

DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. TRAXLER. Next we have Mr. Donald Schwab, from the Veterans of Foreign Wars.

I had the pleasure, Don, of sitting next to your Executive Director last Saturday down in Bay City, Michigan, and, as ever, I was impressed with him.

Mr. SCHWAB. He is quite a speaker, isn't he?

Mr. TRAXLER. Delightful; a very fine gentleman.

Mr. SCHWAB. Thank you, sir.

I also will summarize my statement with the understanding it will be printed in full in the record, and I will attempt not to be overly redundant in view of the previous testimony.

[The complete statement follows:]

V F W VETERANS OF FOREIGN WARS OF THE UNITED STATES

NATIONAL LEGISLATIVE SERVICE

Office of Director

STATEMENT OF

DONALD H. SCHWAB, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO THE PROPOSED VETERANS ADMINISTRATION FISCAL YEAR 1980 BUDGET
CONTAINED IN THE HUD-INDEPENDENT AGENCIES APPROPRIATION

WASHINGTON, D. C. APRIL 26, 1979

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the privilege of appearing before this distinguished Subcommittee to present the views of the Veterans of Foreign Wars of the United States with respect to the Veterans Administration Fiscal Year 1980 budget.

My name is Donald H. Schwab and it is my privilege to serve the 1.85 million men and women of the Veterans of Foreign Wars of the United States as their National Legislative Director.

Mr. Chairman, the President's proposed F.Y. 1980 Federal Budget is $615.5 billion in budget authority and $531.6 billion in outlays, an increase of $55.8 billion in budget authority and $38.2 billion in outlays over the F.Y. 1979 budget. Of this increase, the Department of Health, Education and Welfare is scheduled to receive an additional $21.0 billion in budget authority and $18.7 billion in outlays, of which, $5.5 billion in budget authority and $3 billion in outlays are earmarked for increases in public assistance and other income supplements.

At the same time, Mr. Chairman, the proposed Veterans Administration budget for Fiscal Year 1980, as submitted by the President, was for $20.9 billion in budget authority and $20.4 billion in outlays, which was purported to be an increase over the F.Y. 1979 budget. We, of the V.F.W., did not see this as an increase, but a decrease, since the Second Concurrent Budget Resolution with respect to the F.Y. 1979 VA budget listed $21.0 billion in budget authority and $20.7 billion in outlays. However, the Office of Management and Budget, not the Congress, has decided the VA budget for F.Y. 1979 will be $20.4 billion in budget

authority and $20.3 billion in outlays. The President's revised budget is $21.1 billion in budget authority and $20.5 billion in outlays. The House Budget Committee has recommended $21.0 billion in budget authority and $20.5 billion in outlays, which is some $65 million less in budget authority than the Administration's revision. As a result, the following critical shortfalls exist:

(1) $374 million due to proposed negative legislation by the Administration to eliminate veterans benefits such as flight training and correspondence schools for Vietnam veterans; limit reimbursement for travel to VA facilities for treatment by non-service-connected veterans and eliminate dental care for Vietnam veterans the first year following separation from the Armed Forces, and to charge veterans with non-service-connected disabilities for medical care and treatment in VA facilities, if these veterans have some form of health insurance. It is doubtful Congress will pass any of this negative legislation and the V.F.W. will strongly oppose its passage.

(2) At least $149 million for the restoration of personnel and bed reductions already accomplished or contemplated, and

(3) Approximately $10 million for inflation and medical and prosthetic research.

Mr. Chairman, we are more concerned this year with respect to the future of the Veterans Administration hospital and medical care system than at any time since the 89th Congress, when in 1965, the Johnson Administration sought to close 31 VA facilities.

The Administrator of the Veterans Administration is authorized, subject to the approval of the President, to operate not less than 125,000 hospital beds in facilities over which he has direct control. This 125,000 bed authorization was first established over two decades ago when Sumner A. Whittier was the VA Administrator. Mr. Whittier's predecessor, Harvey V. Higley, had requested the same number of beds, but the old Bureau of the Budget, not the Congress, thought 87,000 beds were the right number. That was in 1955 when there were some 12 million fewer veterans than the current 30 million. As of October 31, 1978, the VA operated 89,498 beds with an average daily patient census of 71,574. Since then, 3,132 beds have been cut, bringing the bed count down to 86,366, notwithstanding the fact that the 95th Congress appropriated funds to maintain these 3,132 beds and the 1,500 personnel needed for their operation. Furthermore, an additional 1,600 hospital beds are scheduled to be cut in 1980, which would reduce the total operating beds to 84,766. This would be over 2,000 beds less than the Bureau of the Budget thought "right" 24 years ago, when, to repeat, there were 12 million fewer veterans. Coupled with a planned reduction of 500 domiciliary beds, the VA health care delivery system will suffer a total bed reduction by 1980 of 5,232 beds.

In addition, Mr. Chairman, we are shocked and dismayed that the House Budget Committee has recommended reducing the President's request for major construction by $143 million in budget authority and $7 million in outlays, to defer the construction of a replacement hospital in Baltimore, Maryland and a new hospital in Camden, New Jersey. The Budget Committee has stated "It is

questionable whether funds for the two hospitals can be obligated in F.Y. 1980. . . . Additionally, it is hoped that need for these two facilities rather than outpatient or nursing home facilities will be reviewed carefully." The need for these two hospitals was fully justified by the VA and previously approved by the President. This need has, in no way, diminished, Mr. Chairman, and we urge that the funds be appropriated so that construction may proceed.

Mr. Chairman, the Administrator has stated more beds are not needed. We believe otherwise. We believe many veterans seeking and needing medical or hospital care are turned away from VA facilities to seek treatment in community-based facilities. We know for a fact veterans with non-service-connected disabilities are being counseled by VA personnel with respect to alternate sources of treatment which, in some cases, means lining up with welfare recipients. This is not an unfounded claim, Mr. Chairman. No, we now have in hand two memoranda written by a hospital director and the thrust of them is to cut medical care for our veterans, copies of which are appended to my testimony.

Mr. Chairman, under existing law, a veteran of any war or of service after January 31, 1955, who is under age 65, is eligible for necessary hospital care for a non-service-connected disability if he or she is unable to defray the expenses of private hospital care. Veterans who are age 65 or older are entitled to such care without regard to their ability to bear the cost of private care. This authority is enunciated in section 610, Title 38 USC.

Coupled with the foregoing, Mr. Chairman, another area of deep concern with us is the rapidly worsening personnel situation within the VA hospital and medical care system. Outpatient clinics have been understaffed and underfunded for years, and the overall staff-patient ratio is below that of private hospitals. The Leach Amendment to the Civil Service Reform Act requires the Executive Branch to cut personnel to the level in effect October 1, 1977. This means a cut of 30,000 positions throughout the entire government. Cutting the VA back to the October 1977 level would mean a reduction of nearly 5,000 positions. However, Mr. Leach has advised both the OMB and our organization that his amendment was not intended to cut personnel proportionately across the board, but left the option where cuts should be made to the President. Having said this, the VA has already cut some 5,080 personnel within the Department of Medicine and Surgery and projected cuts will total 8,650 in 1980. Additionally, within the same time frame, nearly 1,800 positions will be cut from the Department of Veterans Benefits, those with whom the veteran normally makes initial contact. Making this situation worse was the President's insensitive hiring freeze imposed October 25, 1978 and which ran for more than 90 days, permitting the hiring of only one person for every two positions vacated. In areas such as dietetics, housekeeping and maintenance, the damage done by reduction of VA personnel may take a long time to repair.

Mr. Chairman, last December one of our Field Representatives, Leland S. Gregerson, surveyed the Veterans Administration Medical Center in Salt Lake City, Utah. The following extracts are taken from his report which was referred to the Chief Medical Director on January 30, 1979: " . . . survey teams have found this hospital to be understaffed in most services. It was found that justification for over 100 additional positions exists . . . This has been documented by surveys conducted by the Joint Commission on Accreditation of

Hospitals (JCAH) and VA Internal Audit Team. Critical shortages comprised of 15 to 20 in nursing service, mostly in specialized treatment areas. Many additional critical staffing needs exist including doctors, psychologists, social workers, medical administrative personnel, dietetic service personnel, engineering, biomedical technicians and others."

Mr. Chairman, the death of 30 year old Vietnam veteran, Clyde Graves, Jr., on December 15, 1978, in the Louisville VA hospital was reported on the front page of "The Louisville Times" on January 29, 1979. The caption read "Lost in Rush? . . . Mother, hospital don't agree on son's care." In the newspaper article, the hospital Chief of Staff was quoted as stating the death was "perplexing" and "he was being adequately treated and was not considered in serious condition." He was further quoted as saying, "We don't have adequate nursing, or other staffing, in the hospital for the patient load we're working with."

Mr. Chairman, these crucial personnel shortages are both inexcusable and intolerable and must be rectified. As you know, they are the direct result of inadequate funding, the diversion of funds by the Office of Management and Budget; OMB's use of the Leach Amendment to the Civil Service Reform Act to take a meat axe to the VA and the President's insensitive hiring freeze of last October which ran for more than 90 days. Most unfortunately, the VA acquiesced to both inadequate funding and the diversion of funds by OMB. In addition, the VA failed to appeal, as was their right, either personnel reductions under the Leach Amendment or critical losses under the President's hiring freeze.

Mr. Chairman, when our National Commander-in-Chief, Eric Sandstrom, testified before both the Senate and House Veterans' Affairs Committees earlier this year, he stated that the Veterans Administration F.Y. 1980 budget was at least $1.1 billion short of funding necessary to carry out the mandates of Congress with respect to hospital and medical care for our Nation's veterans and the benefit programs for the men and women who served our Nation in uniform in periods of war and hostility. That our estimate is both realistic and restrained is borne out by the fact that the House Veterans' Affairs Committee will request that the President's proposed budget for the Veterans Administration be increased $768 million in budget authority and $758.4 million in outlays. The difference between our estimate and that of the Veterans' Affairs Committee is that we believe those availing themselves of educational benefits under the GI Bill are entitled to a cost of living increase and that the delimiting date for usage should be extended for severely disabled veterans.

Mr. Chairman, for the third consecutive year the President's budget has not included one cent for a cost of living increase for our Vietnam veterans availing themselves of the GI Bill for educational purposes, although through the effort of Congress the last increase was granted by Public Law 95-202 and became effective October 1, 1977. According to the National Center for Education Statistics, costs at all public institutions have gone up 11 percent in the past three years and 17.2 percent in private institutions. Adding to this hardship, and according to Senate Report 94-1243, 80 percent of the halftime or fulltime students have dependents and 61 percent have two or more dependents. We have noted that the proposed VA budget for 1980 includes $54 million to extend the 10 year delimiting date for educationally disadvantaged Vietnam veterans and also, $3.2 million to enhance the vocational rehabilitation program. For the record, a 10 percent increase under the GI Bill would have a first year cost of $393 million and a 5 percent increase would run approximately $200 million.

In our opinion, Mr. Chairman, this is a crucial and pivotal year with respect to the vast Veterans Administration hospital and medical care system, which is currently underfunded and understaffed and if the Office of Management and Budget has its way, future deep cuts are in the offing. We are convinced the grand design of OMB is to close those VA hospitals which are antiquated or in need of extensive renovation and turn the remaining hospitals over to some future national health insurance program. The directed curtailment of care for our veterans with non-service-connected disabilities is the forerunner of the destruction of one of the greatest medical care systems in the world. This, since there is simply no way to justify a medical care delivery system consisting of 172 hospitals, 16 domiciliaries, 95 nursing homes and 228 outpatient clinics solely for some 2.2 million veterans with service-connected disabilities. Notwithstanding protestation to the contrary, Mr. Chairman, there is ample evidence that the Office of Management and Budget fully intends to use the VA health care and medical system as a nucleus for national health insurance, as substantiated by:

(1) The F.Y. 1979 and proposed F.Y. 1980 budgets are financially starving the system, as previously outlined.

(2) In a speech last year, Dr. Peter Bourne, who was President Carter's health advisor at the time, stated that both the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and the VA medical system would have to be made a part of any adequate health care insurance system.

(3) In a planning memo written by Dr. James J. Mongam, Special Assistant for National Health Insurance to the Secretary of HEW, a merger of VA health facilities is recommended.

(4) The following recommendations were prepared by the National Academy of Sciences National Research Council Report entitled "Study of Health Care for American Veterans," as mandated by the Congress, pursuant to section 201(c) of Public Law 93-82:

"The Committee recommends that VA policies and programs should be designed to permit the VA system ultimately to be phased into the general delivery of health service in communities across the country.

"If the integrated-care demonstration projects ' . . . prove to have been successful, this pattern of care should be extended throughout the VA system. Ultimately it is expected that these integrated-care programs will become part of the community system of medical care accessible to non-veterans, as well as veterans."

(5) The Honorable Ronald V. Dellums, for himself and 8 cosponsors, has introduced H.R. 2969, to establish a United States Health Service, to provide high quality health care and to overcome the deficiencies in the present system of health care delivery. Title VI of this bill, consisting of 171 pages, would repeal nearly all existing provisions of law with respect to health services, including chapters 17, 73 and 81 and section 1506 of Title 38 USC, with respect to medical benefits and progams relating to veterans. Inasmuch as Mr. Dellums' bill has been jointly referred to eleven different committees, we see little chance of its advancement. However, the thought is there, the plan is there, and both of them translated into pending legislation.

Mr. Chairman, we, of the Veterans of Foreign Wars, take the strongest possible exception to so much of the report by the House Appropriations Committee to the House Budget Committee, dated March 8, 1979, with respect to the F.Y. 1980 budget as such pertains to veterans' medical care which reads, "While some additional resources may be required, the Committee believes it is counter-productive to add funds above the budget in this account for personnel increases that will ultimately not be realized. The Committee believes that staffing requirements of each hospital should be assessed to determine the optimum staffing necessary to deliver an adequate level of patient care. If additional staff resources are not allocated by the Office of Management and Budget, the operating bed capacities of the VA hospital system should be reduced accordingly." (underscoring supplied.) This shocking deferral to the Office of Management and Budget does not, in our opinion, in fact, reflect the true will of Congress. We believe it imperative that necessary funding for the restoration of badly needed personnel and hospital beds already cut be included in the budget and so request. Furthermore, if the Office of Management and Budget chooses to continue to defy the will of Congress, let the record clearly show this insensitivity on the part of the Administration to our Nation's veterans. In short, put the onus for the planned demise of the VA hospital and medical care system where it belongs -- on the Administration and not the Congress of the United States which has, over the years, proven its dedication to our Nation's veterans.

The Appropriations Committee opined, " . . . staffing requirements of each hospital should be assessed to determine the optimum staffing necessary to deliver an adequate level of patient care . . . " Apparently, the Appropriations Committee is unaware that under the provisions of section 201(c) of Public Law 93-82, the Veterans Administration paid the National Academy of Sciences $6 million out of its budget and the taxpayers money " . . . to utilize its full resources and expertise to conduct an extensive review and appraisal of personnel and other resource requirements in Veterans Administration hospitals, clinics, and other medical facilities to determine a basis for the optimum number and categories of such personnel and other resources needed to insure the provision to eligible veterans of high quality care in all hospital, medical, domiciliary, and nursing home facilities." (underscoring added.) Obviously, the National Academy of Sciences was unable to establish optimum staffing requirements, not even for $6 million, for no such recommendation was made.

It is inconceivable, Mr. Chairman, that a bare bones budget should be advanced for the Veterans Administration at a time when there are more veterans than at any period in our history -- over 30 million who have rendered a very special service, while concurrently, the proposed Federal budget would increase by billions of dollars funding for public assistance and other income supplements. Equally perplexing is the ongoing planned reduction of 10,450 personnel within the Veterans Administration Department of Medicine and Surgery and the Department of Veterans Benefits, while, at the same time, staffing is increased in the Environmental Protection Agency, the Department of Health, Education and Welfare and the Department of Justice, among others.

There appears to be instilled in the population, and, yes, even Members of Congress, that veterans benefits are for aged veterans only. People either do not know, or close their minds, to the fact that there are 8.8 million Vietnam veterans, of whom 64 percent have availed themselves of educational benefits under the GI Bill; that under law, all of these 8.8 million Vietnam veterans are entitled to hospital and medical care; that over 525,000 Vietnam

veterans are in receipt of compensation for their service-connected disabilities; that dependency and indemnity compensation is paid to the surviving spouses and children of over 63,000 Vietnam veterans who either died of service-connected causes, or were permanently and totally disabled at the time of death; that 14.4 thousand Vietnam veterans in financial need are in receipt of pension payable by the Veterans Administration for their non-service-connected disabilities, and that 29.4 thousand surviving spouses and children of Vietnam veterans who are in need are in receipt of death pension payable by the Veterans Administration.

In conclusion, Mr. Chairman, we of the V.F.W. are neither budget busters nor acting with financial irresponsibility, and we have not recommended any new, costly legislative initiatives. The primary thrust of our plea is that sufficient money be budgeted and appropriated to provide medical care second to none, mandated by a grateful nation through the wisdom of Congress for all who shouldered arms in defense of our republic, whether or not their disabilities are service-connected or non-service-connected. As we have stated before, our veterans are very special, for, because of them, and only because of them, we have a free nation where we, you and I, may live with dignity and honor in freedom and progress in accordance with our individual abilities and motivation.

Thank you.

DATE: January 19, 1979

TO: ACOS for Ambulatory Care (11C)
THRU: Chief of Staff (11) SPS

FROM: Medical Center Director (00)

SUBJ: Health care delivery to nonservice-connected veterans

1. It has become painfully clear that this medical center will no longer be able to provide health care and follow-up to all eligible veterans. With the personnel constraints recently imposed by VACO, it will no longer be possible for us to provide outpatient treatment or follow-up care to nonservice-connected, non-pensioned veterans beginning January 22, 1979. Additionally, we will not admit the nonservice-connected, non-pensioned veteran to the medical center for inpatient treatment unless he is an absolute medical emergency case or urgent case.

2. If a nonservice-connected, non-pensioned veteran presents himself/herself at the medical center, the medical staff is to evaluate the medical conditions and, if not emergent or urgent, the individual may be provided with sufficient medication to be able to have that veteran referred to his/her private physician or community resources.

3. It is with great regret that we must impose such restrictions, but there appears to be no other choice short of compromising the quality of care rendered.

Marjorie R. Quandt

MARJORIE R. QUANDT

cc:
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Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

VA FORM 2113

DATE: January 19, 1979

Memorandum

TO: Chairman, CCP Review Board (122)
THRU: Chief, Social Work Service (122) 1/22/79

FROM: Medical Center Director (00)

SUBJ: Follow-up of Nonservice-connected Patients in CCP *

1. It has become necessary to reassess the priorities of care at this medical center due to staffing constraints recently imposed by VACO. In discussion with certain of our staff, it has become readily apparent that we will not be able to provide health care and follow-up to all of the veteran patients to which we have provided in the past. Therefore, effective January 22, 1979, the following restrictions will be imposed until further notice:

a. Discontinuance of follow-up for any new patients who are nonservice-connected not holding a pension.

b. Notification to our sponsors that no new nonservice-connected, non-pensioned veterans will be taken into the program effective January 22, 1979, until further notice.

2. Of necessity, the above will be strictly adhered to due to budgetary and personnel constraints beyond our control.

MARJORIE R. QUANDT

cc:
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* Community Care Programs

Copies to Coordinators
1/22/79

But as has been pointed out here, the VA budget for fiscal year 1980 is practically a straight-line budget from the fiscal year 1979. This is being accomplished by the reduction of beds and personnel. Bed reductions between the fiscal year 1979 and the fiscal year 1980 are going to be over 5,232. Those directors with whom we have spoken said the bed reductions are going to be much larger because of the reduction of over 10,000 personnel in the VA, between the fiscal year 1979 and 1980. And they believe that the hospital and domiciliary, and nursing home care beds all together could easily reach 8,000 by the end of the fiscal year 1980.

Of course, a great deal of money missing from the budget is in the form of pending or proposed legislation, negative legislation, that is, by the Administration to eliminate current benefits for Vietnam veterans. There is pending legislation to do away with correspondence school training, flight training, to eliminate dental care for Vietnam veterans the first year following the separation from the service. The Administration is submitting negative legislation to require veterans with non-service-connected disabilities who have some form of health insurance to pay the Veterans Administration for their hospitalization. Veterans are being turned away with non-service-connected disabilities. Appended to my prepared text are two memoranda issued by the Director of the Chicago West Hospital, Marjorie Quandt, directing the reduction of care for those with non-service-connected disabilities if they are not also in receipt of a pension payable to the Veterans Administration.

Of course, as I am sure you are probably aware, Section 610, Title 38, says any veteran in need who cannot defray the cost of care in the community will be given care by the Veterans Administration. And this is in direct violation of that provision of the code, and we are not at all happy with it.

Mr. TRAXLER. I would think that the veteran would have a lawsuit if he wanted to pursue it.

Mr. SCHWAB. As far as I know, no one has pursued it.

Mr. TRAXLER. I notice in fairness to Marjorie Quandt, she says that it is painfully clear.

Mr. SCHWAB. Yes, it is painfully clear due to budgetary and personnel constraints. Along this same line, a veteran died in the hospital recently in Kentucky, and it made the front page of the newspaper down there. The hospital director said that death was perplexing, but he finally said we just don't have the staff to handle the patient load that we have.

There is another area where there is a cost saving, is the failure of the Administration for the third consecutive year to grant a cost-of-living increase for Vietnam veterans undergoing training under the G.I. bill. Two years ago, Congress, granted the cost-of-living increase, but in this 3-year period, the tuition at public institutions has gone up 11 percent; at private institutions 17 percent; and this works an undue hardship on younger veterans who have already been subjected to much hardship.

Mr. TRAXLER. We assume Mr. Roberts will look with favor upon at least a cost-of-living increase for those Vietnam era veterans who are in school. I trust we can expect justice will be done by the authorizing committee.

Mr. SCHWAB. The House Veterans Affairs Committee has not requested an increase for those going to school under the G.I. bill. The Senate Veterans Affairs bill has included it in their request. When our Commander-in-chief testified before both the Senate and House Veterans Affairs Committee in March, he said that, in our opinion, the VA budget is a billion dollars short of what is needed for just maintaining current care.

The House Veterans Affairs Committee initially went to the Budget Committee for three-quarters of a billion dollars increase and haven't gotten it.

Mr. TRAXLER. That is not part of the Budget Committee's recommendations as reported, is that correct?

Mr. SCHWAB. The G.I. bill increase in the House?

Mr. TRAXLER. Yes.

Mr. SCHWAB. No, sir, it is not.

Mr. TRAXLER. Did the Senate in their budget resolution have that provision, do you know?

Mr. SCHWAB. Yes, the Senate Veterans Affairs Committee requested it, and the Senate Budget Committee included it.

Mr. TRAXLER. We sincerely hope that at the conclusion of next week's floor action there will be some leeway that this Committee can have in these programs.

Mr. SCHWAB. Another area of concern, is the recommended deferral of funds for the construction of a new hospital in Camden, New Jersey, and a replacement hospital in Baltimore, Maryland. That was recommended by the Budget Committee, and they further went on to say they hoped consideration would be given to constructing an outpatient clinic instead of a hospital in either place. We are quite chagrined about this. Again, this recommendation is not in the recommendation of the Senate Budget Committee.

This is one that really we were chagrined to read, that the full House Appropriations Committee in their report to the Budget Committee dated March, 1979, stated:

> While some additional resources may be required, the Committee believes it is counterproductive to add funds above the budget in this account for personnel increases that will ultimately not be realized. The Committee believes that staffing requirements of each hospital should be assessed to determine the optimum staffing necessary to deliver an adequate level of patient care. If additional staff resources are not allocated by the Office of Management and Budget, the operating bed capacities of the VA hospital system should be reduced accordingly.

We object to this deferral to the Office of Management and Budget. We think Congress has always been a friend of the veteran. If OMB is going to lead to the demise of the VA medical and hospital care system, the onus ought to be put on them and not the Congress.

We were really surprised at that recommendation. Apparently the Appropriations Committee was unaware under the provisions of Public Law 93-82, the Veterans Administration paid the National Academy of Science $6 million to do just this. They never made such a recommendation. As a matter of fact, when you read their report, you would believe they were given a mandate to justify closing up VA hospitals and turning the remainder over to some future national health insurance program.

Mr. TRAXLER. I am reminded by staff that the National Academy of Sciences opposed the construction of the Camden facility.

Mr. SCHWAB. Yes, and the VA has fully justified it. Two Presidents have approved it.

Mr. TRAXLER. You might be interested, we have some witnesses this afternoon following you who will be addressing us on the Camden question, and you might enjoy what they have to say.

You should be aware, I think, that that report language that accompanied our recommendations to the Committee was too realistic in the sense that we said, "Gee, we have tried to work with those people at OMB; we appropriated the money. Now they won't spend it." It is frustrating. Perhaps your course of action represents the wisest of the options available to us. I am sure our colleagues on the floor would agree with that at least. Maybe we can devise some language or perhaps try to reach some accord with OMB—I doubt that is possible—on this question.

But it is frustrating to us, as we watch the 1979 Appropriation bill being implemented by OMB as opposed to the VA. We will do everything in our power to see that the decisions reached by the Congress in terms of funding of VA medical programs are carried out. I think that is a responsibility that this Committee has.

Mr. SCHWAB. We appreciate the fiscal climate in this session of Congress, and we don't mind taking our lumps along with everyone else, but we feel we are getting more lumps than anyone else. The Leach Amendment, you know, would cut back employment in the Federal Government. If you took that just equally across-the-board, the VA would lose 5,000 positions. They are going to lose over 10,000 positions in 1979 and 1980, and we just can't see how Congress can authorize a bare-bones budget for the VA when we have 30 million veterans. We don't see how the VA can carry the personnel cut they have while at the same time the Environmental Protection Agency, HEW, Department of Justice, among others, are receiving substantial increases in personnel. We think the priorities need to be reordered.

Mr. TRAXLER. Thank you, Don, for your excellent statement. We appreciate it very much.

Mr. SCHWAB. Thank you, Mr. Traxler. We appreciate the opportunity to be here.

VETERANS ADMINISTRATION—CAMDEN FACILITY

WITNESSES

MARVIN SOLOMON, M.D., CUMBERLAND COUNTY MEDICAL SOCIETY

LOUIS L. KEELER, M.D., COLLINGSWOOD, N.J.

FRANCIS E. BARSE, M.D., HADDON SURGICAL ASSOCIATES, CAMDEN, N.J.

Mr. TRAXLER. We have three distinguished guests who are here to discuss with us the Camden facility, I believe: Dr. Solomon, Dr. Keeler, and Dr. Barse.

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Dr. Solomon, you are first, and it is my understanding you don't have a prepared statement.

Dr. SOLOMON. I am sorry.

Mr. TRAXLER. We understand. It will appear verbatim in the record.

STATEMENT OF DR. SOLOMON

Dr. SOLOMON. Mr. Chairman, Members of the Subcommittee, I am pleased to have the opportunity to be able to appear before you.

As background, my name is Marvin Solomon, M.D., President of the Cumberland County Medical Society, South Jersey; concerned citizen, veteran of World War II, and a former VA hospital pathologist. I am well aware of the serious attempts to provide the veteran with well-deserved medical care.

Cumberland County is part of the coalition of seven counties of the medical societies in South Jersey. We represent 20 percent of the population. We were led to believe that the eventual formation of the VA hospital in Camden would take care of the seven counties in South Jersey. Instead, we find it is to take care of four counties in Pennsylvania, three bordering counties in New Jersey, leaving four of the most southern counties without access to the VA hospital. These veterans will continue their missions into the Delaware hospital.

Since the VA hospital proposed in Camden is four miles away from an under-utilized VA hospital attached to the University of Pennsylvania, and since the recent reactivation of the Naval hospital, and since a recent report showed 2,400 unfilled beds in Pennsylvania, we feel that the moneys that would be allocated for the Camden hospital should be utilized for South Jersey, namely, for the four counties which are not covered by the projected VA hospital.

We would recommend serious consideration of outpatient clinics in each of the local counties, staffed by local physicians. In that way there would be no problem about transportation to a facility in Camden, with the fuel shortage possibility that we are all aware of.

HSA has supplied us with figures that South Jersey has an unusually high cancer rate, heart abnormalities, and heart disease, as well as other factors connected with aging, strokes, et cetera, so it makes it mandatory that we review the application for a VA hospital in Camden.

We also recommend that the HSA representative of Philadelphia appear before the Committee to account for the huge number of unfilled beds in Pennsylvania. The Committee should inquire as to the lack of a certificate of need by the Veterans Administration in an area which is so tremendously under-utilized.

Also, we urge review in order to bring about a good cost containment and perhaps utilization of funds for other areas in the Veterans Administration.

I think this concludes my statement. I would like to give the remaining time to my colleagues from Camden.

Mr. TRAXLER. Mr. Sabo?

Mr. SABO. Is it fair to summarize your statement that there is an adequate supply of hospital beds in the projected area and Federal

expenditure would simply add hospital beds to an area that has enough?

Dr. SOLOMON. It is under-utilized, sir, including the VA hospital at the University of Pennsylvania, which is one of the major facilities in the Veterans Administration. We have to meet the needs of the people on the shore with clinics, which would be less costly.

Mr. TRAXLER. Do I also understand, that the Budget Committee did not recommend funding for the Camden facility?

Dr. SOLOMON. I don't know that, sir. I am not aware of that.

Mr. TRAXLER. Thank you, Doctor.

Dr. Keeler?

[The statement follows:]

LOUIS L. KEELER, M. D.
1055 HADDON AVENUE
COLLINGSWOOD, NEW JERSEY 08108

TELEPHONE 858-6014

Veterans Administration Hospital Testimony

It is an honor for me to be present today. Last year we assumed that this committee would agree with the separate reports of the office of management and budget and the general accounting office that the planned Camden Veterans Administration Hospital was not needed. Further the Veterans Administration testimony that the hospital was not needed was even further reason we felt that the Camden Veterans Administration Hospital would not be built. Most importantly, the President of the United States recommended the Camden Veterans Administration Hospital not be built. Had we an inkling all this data would be reversed, we certainly would have come to testify against construction of the Camden Veterans Administration Hospital.

I suppose it could be asked why do we care. Its been said to me that you can't beat the political process. I just have to hope that this is not true. This Camden Veterans Administration Hospital is an Urban Renewal project. In a nation that appears to be crumbling under inflation there is a peculiar thesis that New Jersey, and particularly Southern New Jersey, is entitled to its, "Cut of the Federal Pie" no matter how unwarranted the project such as this Veterans Administration Hospital. Besides, it is said, it is only $75,000.000.00.

We have the Department of H.E.W. daily reninding us that we are overbedded in this country by 100,000 beds. The Department of H.E.W., the Department of Health of the State of New Jersey, and our own Health Service Agency number V say that the Tri-County area has already 250 more hospital beds than it needs.

By 1985 the documented projections for this overbedding is 400 in the Tri-County area of Camden, Burlington, and Gloucester County even if the Veterans Administration Hospital is not built. None of the three Camden City Hospitals have had an occupancy of greater than 82% since 1977. The ideal figure given by the department of H.E.W. should be 88% occupancy in order for a hospital to have financial health. 80% occupancy is the break even point.

Into this difficult financial situation, the Federal Government is going to place 350 acute care Veterans Administration beds for which there has never been produced a study showing medical need even within the Veterans Administration system.

People in our area simply expect one of our inner city Hospitals to go bankrupt and I agree with this conclusion. But I feel it is terribly wrong. It is quite possible that the new Veterans Administration Hospital will be like the Edward Hebert Hospital by the U.S. Navy in New Orleans. As you know this hospital went bankrupt because of poor occupancy. However, the Veterans Administration Hospital in Camden won't let this happen without doing irreparable harm to the community hospitals in the area. I refer you to Congressman Florio's testimony before this committee last year regarding the use of eligible dependent groups if necessary (Page 7 paragraphs 5-11). Where are the dependents to come from but the already financially strapped community Hospitals?

Congressman Florio in testimony before this committee stated last year (Part 2-Public witnesses-Page 5) and I quote, "Ironically, there is growing

support in medical circles that the Veterans Administration Hospital system should come under the Health System Agency review, to insure that the construction of the Veterans Administration Hospitals around the country is compatible with health resources in the area."

"The Health Service Agency has reviewed it, has publicly supported it and has stated that the need exists for the construction of the Veterans Administration Hospital."

Gentlemen when the Health Service Agency in our area reviews a project, it is very time consuming and very extensive. Numerous meetings starting with the county councils and literally taking months to go through the various boards and committees at both the county and the main Health System Agency level. Only after this is a final decision made. It is fair to state that the total amount of hearings and committee minutes recorded would fill a 300 page book for any certificate of need that is requested. But somehow or another that never happened in the case of the Veterans Administration Hospital. The documentation and study took less than ½ a page. Only the H.S.A. Executive committee and the board itself considered the subject. Curiously, this happened shortly after it was announced that the general accounting office was coming to Camden to study the situation. Even with this, the vote was tied and the chair voted in favor of the motion. No statement can be produced that the H.S.A. board ever said a need exists for the creation of the Veterans Administration Hospital.

Further Mr. Florio states, "That the Health Systems Agency's findings show that the construction of the Veterans Administration Hospital will not

result in overbedding in the area." This cannot be documented. As a matter of fact the Health Systems Agencies own Health Systems Plan states on page 220 that there is a documented excess of 176 beds in Camden County and a total of 280 excess medical-surgical beds in the Tri-County area of Camden, Burlington, and Gloucester Counties and a total of 378 beds in the entire Health System Agency V. The Health System Agencies Health Service Plan has never even addressed the impact of the proposed Veterans Administration Hospital. You are aware from the previous hearings in March of 1979 that a "Veterans Hospital Impact Study Task Force" is in existence. This task force was created by the H.S.A. This task force met in March of 1979 before the hearings with representatives of the Veterans Administration here in Washington. We have not heard from this task force to date. They are good people. I respect them. Would you think it reasonable to withhold funding until their report has been thoroughly reviewed both at home and in Washington. And Gentlemen I mean the task's force force actual report not the filtered version that the same board that gave us the ½ page study previously presented might allow to come out as an official H.S.A. document. This should present no problems since I am given to understand that the financial manager of the Veterans Administration stated bef ore this committee in March that funding was not really needed until next year.

A most unusual situation has arisen of which I know this committee is aware. The Veterans Administration in their testimony before this committee in March of 1979 stated that they planned to deactivate 312 acute

medical-surgical beds at the Wilmington, Philadelphia, and Coatsville Veterans Administration Hospitals. The purpose of this is to make room in the system for 350 acute medical-surgical beds in the planned Camden Veterans Administration Hospital.

In effect then, the Veterans Administration to meet the congressional mandate is closing 312 beds it doesn't use to build a 350 bed acute care facility it does not need. This is bad enough, but when one considers the McClure report the situation is the exact opposite of that which the Federal Government is asking the private sector to do. The McClure report states that to achieve effectiveness in reducing hospital capacity, whole hospitals must be closed not just beds or wings. This is many more times economically efficient because it closes down the support systems for those beds, that is, laboratory, xray, and dietary which are the really costly items. The McClure report is now the working thesis for the department of H.E.W. which in effect has announced that in order to solve the overbedding problem in this country, H.E.W. is going to by various means bankrupt hospitals. Time does not permit to elaborate on this subject. But let me assure you the bankrupting of hospitals by the federal government is entirely possible and it may well be hospitals in your own districts.

The only hope we can have is that you Gentlemen will assist us in achieving a reduction in the cost of medical care by being at least as prudent as you expect the private sector to be.

EXCERPTS FROM THE CHP AGENCY EXECUTIVE COMMITTEE MINUTES OF June 4, 1975:

New Business:

Mr. Norcross requested that the Executive Committee authorize the President to join with the Governor, Legislature, the Greater Camden movement, the Veterans Organizations, labor groups in supporting the Cooper Medical Center complex, medical school and the VA site for the City of Camden. A motion was made an d seconded. The motion carried with one (1) abstention.

EXCERPTS FROM THE SOUTHERN NEW JERSEY HEALTH SYSTEMS AGENCY EXECUTIVE COMMITTEE MINUTES OF August 18, 1977:

A motion was made, seconded and carried to endorse the location of a VA Hospital in Camden. The vote was tied, with the Chair voting in favor of the motion.

EXCERPTS FROM THE SOUTHERN NEW JERSEY HEALTH SYSTEMS AGENCY BOARD OF DIRECTORS MINUTES OF August 18, 1977:

A motion was made to reaffirm CHP's decision in favor of the VA Hospital in Camden. Seconded, the motion carried, with 1 abstentions.

STATEMENT OF DR. KEELER

Dr. KEELER. I have with me my colleague, Dr. Francis Barse, who will also present a statement.

I am a graduate of the University of Pennsylvania School of Medicine. I am a neurological surgeon, and I practice in Camden County. I have six years of duty as a veteran in active service. It is an honor for me to be present today.

Last year, we assumed that this Committee would agree with the separate reports of the Office of Management and Budget and the General Accounting Office that the planned Camden Veterans Administration Hospital was not needed. Further, the Veterans Administration testimony that the hospital was not needed was even further reason we felt that the Camden Veterans Administration Hospital would not be built. Most importantly, the President of the United States recommended the Camden Veterans Administration Hospital not be built. Had we an inkling all this data would be reversed, we certainly would have come to testify against construction of the Camden Veterans Administration Hospital.

We have the Department of Health, Education and Welfare daily reminding us that we are overbedded in this country by 100,000 beds. The Department of HEW, the Department of Health of the State of New Jersey, and our own Health Service Agency Number V say that the Tri-County area has already 250 more hospital beds than it needs.

By 1985, the documented projections for this overbedding is 400 in the Tri-County area of Camden, Burlington, and Gloucester County, even if the Veterans Administration Hospital is not built. None of the three Camden City Hospitals has had an occupancy of greater than 82 percent since 1977. The ideal figure given by the Department of HEW should be 88 percent occupancy in order for a hospital to have financial health. Eighty percent occupancy is the break-even point.

Into this difficult financial situation, the Federal Government is going to place 350 acute care Veterans Administration beds for which there has never been produced a study showing medical need even within the Veterans Administration system.

People in our area simply expect one of our inner city hospitals to go bankrupt, and I agree with this conclusion. But I feel it is terribly wrong. It is quite possible that the new Veterans Administration Hospital will be like the Naval Hospital in New Orleans. As you know, this hospital went bankrupt because of low occupancy. However, the Veterans Administration Hospital in Camden won't let this happen without doing irreparable harm to the community hospitals in the area. I refer you to Congressman Florio's testimony before this Committee last year regarding the use of eligible dependent groups if necessary. Where are the dependents to come from but the already financially strapped community hospitals?

Congressman Florio, in testimony before this Committee stated last year and I quote:

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When the Health Service Agency in our area reviews a project, it is very time-consuming and very extensive. Numerous meetings starting with the county councils and literally taking months to go through the various boards and committees at both the county and the main Health System Agency level. Only after this is a final decision made.

It is fair to state that the total amount of hearings and committee minutes recorded would fill a 300-page book for any certificate of need that is requested. But somehow or another that never happened in the case of the Veterans Administration Hospital. The documentation and study took less than one-half a page, and that page is appended to report.

Only the HSA executive committee and the board, itself, considered the subject. Curiously, this happened shortly after it was announced that the General Accounting Office was coming to Camden to study the situation. Even with this, the vote was tied and the chair voted in favor of the motion. No statement can be produced that the HSA board ever said a need exists for the creation of the Veterans Administration Hospital in Camden.

Further, Mr. Florio states that the Health Systems Agency's findings show that the construction of the Veterans Administration Hospital will not result in overbedding in the area." This simply cannot be documented.

As a matter of fact, the Health Systems Agency's own health systems plan states that there is a documented excess of 176 beds in Camden County and a total of 280 excess medical-surgical beds in the Tri-County area of Camden, Burlington, and Gloucester Counties and a total of 378 beds in the entire Health System Agency V.

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We have not heard from this task force to date. They are good people. I respect them. Would you think it reasonable to withhold funding until their report has been thoroughly reviewed both at home and in Washington? I mean the task force's actual report, not the filtered version that the same board that gave us the one-half page study might allow to come out as an official HSA document. This should present no problems since I am given to understand that the financial manager of the Veterans Administration stated before this Committee in March that funding was not really needed until next year.

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In effect, then, the Veterans Administration, to meet the Congressional mandate, is closing 312 beds it doesn't use to build a 350-bed acute care facility it does not need. This is bad enough, but when one considers the McClure Report, the situation is the exact opposite of that which the Federal Government is asking the private sector to do. The McClure Report states that to achieve effectiveness in reducing hospital capacity, whole hospitals must be closed, not just beds or wings. This is many more times economically efficient because it closes down the support systems for those beds, that is, laboratory, X-ray, and dietary which are the really costly items. The McClure report is now the working thesis for the Department of HEW, which, in effect, has announced that in order to solve the overbedding problem in this country, HEW is going to, by various means, bankrupt hospitals. Time does not permit me to elaborate on this subject. But let me assure you the bankrupting of hospitals by the Federal Government is entirely possible and it may well be hospitals in your own Congressional districts.

The only hope we can have is that you gentlemen will assist us in achieving a reduction in the cost of medical care by being at least as prudent as you expect the private sector to be.

Thank you.

Mr. TRAXLER. We appreciate your statement

Dr. Keeler, I have a question for you.

We were advised that the controversy that existed between the allopaths and the osteopaths in the operation of the Camden Medical School had been resolved.

Is that a correct statement?

Dr. KEELER. First of all, I am not an expert in that area I have to say that, as to the negotiations that took place there, the only thing that I know for certain happened was that a 4-year school in Camden for the osteopaths was not granted. All the rest, as near as I can determine, was a paper agreement in which concessions were made. Only time will tell whether it is going to work or not. Concessions were made by both sides, but nothing more concrete than that.

Mr. TRAXLER. And who is our next witness?

Dr. BARSE. I am Francis Barse. I am a physician, a surgeon in the City of Camden.

Mr. TRAXLER. Oh, yes, one additional question of Dr. Keeler.

Are you a resident and practitioner in Camden County?

Dr. KEELER. Yes, sir.

Mr. TRAXLER. Please proceed, Doctor Barse.

Dr. BARSE. As a citizen, as a veteran, and as a physician, I welcome this opportunity to express my opinion that an acute care Veterans Administration hospital not be built in southern New Jersey.

As a citizen and taxpayer, I oppose it because it is not needed. The GAO, the OMB and the head of the Veterans Administration agree that it is not needed. The marginal 80 percent occupancy of acute care beds in the three existing veterans hospitals serving this veteran population indicate that it is not needed. The speed up in patient care pace in veterans hospitals will help make it continually unnecessary in the future.

A proposal to close a total of 200 to 300 under-utilized acute care beds at the Philadelphia, Wilmington and Coatesville VA hospital cannot create justification for building 300 acute care beds in Camden. This proposal also runs counter to the recommendations in the McClure report developed for HEW. In fact, this proposal affords strong evidence that these beds are not needed for any medical purpose.

As a veteran, I am opposed to this project because it will help to perpetuate a system of health care delivery that does not best serve the needs of eligible veterans. The Study of Health Care for American Veterans by the National Academy of Sciences' National Research Council reports, that the original reason for establishing Veterans Administration hospitals was that adequate non-Federal hospital facilities did not exist. Today, however, almost every community in the country has ample capacity to provide short-term hospital care to the general population (including veterans).

In serving the veteran population, there is excessive reliance on hospital care and inadequate ambulatory services. This pattern has led to substantial overuse of inpatient resources.

A patient census of a sample of VA hospitals found that about half the patients in acute medical beds and one third of the patients in surgical beds do not require and are not receiving the acute care services associated with these types of beds. It should be pointed out that in a system where funding is based on occupancy there is little incentive to reduce admission and length of stay.

Today, the acute care medical needs of an eligible veteran would most often be better served in the community facilities of his choice. He would require less frequent and shorter periods of hospitalization. While hospitalized, he would be close to family and friends. They, in turn, would not be required to commute long distances to visit the patient.

I think high priority should be given to implement such a system, perhaps by integrating eligible veterans in the Medicare program.

But even within the present system, this particular proposed hospital in Camden falls short of easing such problems for veterans. This hospital in Camden would serve the veterans of the three New Jersey counties that generally are already closest to existing VA facilities. While this group of patients would no longer be required to cross the Delaware River for their care, the veterans in the four Pennsylvania counties to be served would then have to cross that same river for medical treatment.

As a physician, I oppose it because it unnecessarily adds to the escalating costs of general medical care.

Perhaps, because we feel most often singled out as the principal cause for the billions spent annually for health care, many physicians are now gravely concerned.

Through conviction or by mandate, we are changing our practice patterns and in other ways trying to reduce the cost of care. Preadmission testing for patients to be hospitalized and greater use of ambulatory surgical and treatment facilities are two examples of these efforts. Interestingly, these modes are difficult to implement in many cases in the current method of health care delivery in the Veterans Administration.

The most difficult form of cost cutting in which I participate is utilization review as mandated by the PSRO (Professional Standards Review Organization)—a Federal program.

In this process an ongoing census of patients is made—much the same I expect as the veterans census referred to previously—to determine if the patients occupying acute care medical beds and surgical beds actually require and are receiving the acute care services associated with these beds. Unlike the VA hospital situation, as a result of our review, we must terminate insurance benefits for these patients if they do not require or are not receiving that level of care. These are people covered by Medicare and Medicaid—medically insured by the government that insures the veteran. Our patients can remain in the hospital under these circumstances, but, thereafter, they are responsible for their daily charges. The alternatives are to be transferred to a long-term care facility, when and if a bed becomes available, or to be discharged to their homes whether or not they can receive adequate care there.

Many of these patients cannot pay their bill and cannot go home. A significant number of extended care facilities will not even take the name of a patient unable to pay privately for his stay. The hospital continues to care for them but must then make up the resulting deficit. I expect that this leads to higher health insurance premiums and/or increased taxes.

If resources could be reallocated from unnecessary acute care facilities to urgently-needed extended and long-term care services, appropriate benefits might then be provided to the veteran, the aged and the indigent.

A 300-bed acute care veterans hospital in Camden—whomever and whatever it serves—does not serve to solve problems of health care needs. I urge it not be built.

Mr. TRAXLER. Thank you for your thoughtful statement.

Are there any questions?

Thank you very much, gentlemen.

[Dr. Barse's complete statement appears below:]

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WITNESS

JOSEPH A. PACERA, DIRECTOR, CORPORATE SERVICES, OUR LADY OF LOURDES HOSPITAL, CAMDEN, N.J.

Mr. TRAXLER. Mr. Joseph Pacera is our next witness.
This is your first appearance before our Committee?
Mr. PACERA. Yes, it is.
Mr. TRAXLER. We welcome you.
We will be pleased to make your statement a part of the record.
[The complete statement follows:]

Good afternoon:

My name is Joseph A. Pacera. I am the Director of Corporate Services at Our Lady of Lourdes Hospital in Camden, New Jersey. I am here at the direction of, and on behalf of, the Board of Directors of Our Lady of Lourdes Hospital. The Board has asked me to extend their appreciation to the Subcommittee for this opportunity.

Our Hospital supports the development of a VA facility in the city of Camden. We are committed both morally and pragmatically to the revitalization of our city. However, there is sufficient evidence to indicate that the proposed mix of beds is not consistent with community health care needs. We specifically refer to the proposed configuration to place 300 medical/surgical beds in the VA facility in Camden.

Overview of the Hospital

Our Lady of Lourdes Hospital and Rehabilitation Center is a 384-bed acute care community hospital, including a 50-bed comprehensive rehabilitation center located in the city of Camden. It is owned and operated by the Franciscan Sisters of Allegeny, New York. Lourdes is a major teaching affiliate of Jefferson Medical College with residents in the four (4) major areas and fellowships in Nephrology and Neonatology. The hospital serves a heterogeneous group of patients. Thirty percent of admissions are from Camden City, 45 percent from suburban Camden County, and 25 percent from the remaining southern New Jersey region.

The range of services offered by Lourdes extends from primary medical care for the medically indigent residing in or near the city (20,000 visits annually in our Family Health Center) to sophisticated tertiary services which include renal transplantation, dialysis, rehabilitation, open-heart surgery, and cardiac catheterization.

Nearly 12,000 inpatients are admitted annually and 37,000 emergency visits are serviced yearly. Lourdes' medical staff numbers approximately 250 and the hospital employs about 1200 persons -- the sixth largest employer in the county. The annual operating budget for the hospital is over $32 million.

Recent Initiatives

. In May 1976 the hospital opened a $12.2 million comprehensive regional rehabilitation center, including a full spectrum of integrated inpatient, support and outpatient services.

. In May 1978 the hospital upgraded its renal dialysis and transplantation facilities -- the largest and most active in southern New Jersey -- at a cost of $500,000. This program is the largest hospital-based dialysis and transplant service in the Delaware Valley.

. In 1978 the hospital upgraded its cardiovascular surgical and support equipment at a cost of nearly $100,000. We also equipped and staffed a four-bed intensive post-cardiovascular surgical suite.

Lourdes' Position on VA Hospital

. The hospital will, in 1979, be designated as the regional center for high-risk obstetrics and neonatology (either unilaterally or in conjunction with Cooper Medical Center).

. In the past year, the hospital has been recognized by the State Department of Health as an Evaluation Center for children with developmental delays.

. In mid-1977 we established the only pediatric pulmonary/Cystic Fibrosis service in the area.

These initiatives and others have been taken to meet community needs. This is supported by these needs being identified in the Health System Plan (HSP) developed by the Southern New Jersey Health Systems Agency, Inc. (HSA). The entire financing of these services, and their ongoing operational expense, is at best a break-even situation for the hospital. New Jersey is one of the most highly regulated States in its cost reimbursement SHARE system. The hospital's primary source of income is from providing the services of an acute-care general community hospital.

Acute Care Utilization

Between 1973 and 1978 the average daily occupancy at Lourdes decreased from 92% to 82%. This has been primarily due to the opening of West Jersey Hospital Eastern Division and Garden State Hospital in nearby suburban communities, and the opening of our additional rehabilitation beds. Many physicians and their patients have acted in concert with societal trends -- seeking to avoid use of the city and its resources, when this is possible. An urban hospital like Lourdes must employ three fundamental strategies to stay viable in this environment: 1) development of regional and/or specialized services; 2) seek strict regulation of the number of acute care beds operative in our service area; 3) further development of our ambulatory facilities.

Regional and Specialized Services

In the first part of this paper, we illustrated our initiatives regarding regional and specialized services. These programs, excluding obstetrics and pediatrics, were responsible, in 1977, for approximately 20,000 patient days -- or 17% of the total number of patient days at Lourdes. If a new VA hospital included these services, or acted as conduit to these services at other institutions, it could cause a significant negative impact on our occupancy. For example, if 5000 of these days were lost, our occupancy would fall to 78% and create a precarious financial situation.

Hospital Beds

There are strong federal (National Health Planning Guidelines), state (State Health Plan), and regional (HSA) initiatives to have less than four (4) hospital beds per 1000 population. Governmental planners have indicated ratios ranging from 3.0 to 3.7 beds/1000.

The ratio of beds to population in Camden County is 4.23/1000. The State Health Plan (SHP) and the Health Systems Plan (HSP) indicate that the tri-county area (Burlington, Camden, Gloucester -- the three New Jersey counties that the proposed VA Hospital would commonly serve) currently has an excess of approximately 250 medical/surgical beds. Excess beds, because of the substantial amount of fixed costs necessary to keep a bed operative, tend to increase costs to the health care system and decrease individual hospital occupancy.

Another factor which must be considered in any discussion regarding medical/surgical hospital beds is the rate at which they are used by the population. The statewide use rate in 1975 was about 1200 days/1000 population. With the increasing strength of utilization review, Professional Standards Review Organization (PSRO), experiments in reimbursing by diagnostic related groups (DRG) rather than length of stay (LOS), the growing interest in ambulatory surgery and the encouragement of public and private outpatient insurance coverage and the Federal commitments to HMO development, it does not appear sound to assume that the use rate in 1985 will stay at the 1975 level.

A study of PSRO impact on file with the Southern New Jersey PSRO leads us to conclude that the use rate of medical/surgical beds should be no more than 1000 days/1000 population in 1985. The projected adult population in Camden County in 1985 is 422,000 (New Jersey Department of Labor and Industry). Therefore, there would be a need for 1100-1165 beds at that time.

Currently there are 1537 medical/surgical beds in the county -- 400 more than will be needed in 1985. Without adjusting for those entering or leaving the county for hospitalization, the aggregated occupancy rate for the county in 1985 would be 75% $\left(\frac{422 \times 1000}{1537 \times 365}\right)$.

It is probable that a selective process will evolve, based on hospital location and/or special services, so that some hospitals will be operating at occupancies considerably higher than 75% while others will have a much lower occupancy. The prognosis for the latter is dim!

The construction and operation of additional acute care medical/surgical beds is unwarranted for the forseeable future in the greater Camden area. This is supported by both the State Health Plan and the Health Systems Plan.

The VA Hospital

This is the probable environment the proposed VA hospital will enter in the mid-1980's. We realize that the hospital will serve residents of the Delaware Valley. The excess bed situation in the more rural counties outside the greater Camden area is not as critical as it is in Camden County. However, the situation in the greater Trenton and Wilmington areas is about the same; and in Philadelphia, it is much worse. We, therefore, believe that the opening of 300 additional medical/surgical beds in the area could result in one of the following:

. An underutilization of the VA facility of such magnitude as to warrant further national attention to the VA Hospital System. The National Research Council's study conducted for the VA indicates that most veterans

have non-veteran related insurance coverage for hospitalization. For the past several months we have monitored the third-party coverage of all veterans admitted to Lourdes. Over 95% have non-veteran related health insurance. With the user population so well insured, is it prudent to project that the VA will be more attractive than non-governmental community hospitals? This situation might also be exacerbated by the enactment of National Health Insurance.

. If underutilization is a reality, the VA would probably consider the development of regionalized and specialized services, most of which already exist in the area. Because federal facilities are not subject to the same regulatory controls as community hospitals, this duplication could not be prevented. This could result in a decreased utilization of existing regional/special services. Related revenue and occupancy losses would be most critical to Lourdes and Cooper -- the two permanent urban hospitals -- because they have most, if not all, of these services in the greater Camden area.

. If utilization of the VA acute care beds was acceptable (80%+), the patient days must come from somewhere. The number of patient days is not, nor should it be, inexhaustible (1000 days/1000 population). In an area that now has a documented overbedding of 250 and a projected overbedding of approximately 400 in 1985, existing hospitals -- especially those with "location problems" -- could be damaged irreversibly.

Conclusion

The VA should construct a facility equal in value to its proposed hospital that could consist of:

. psychiatric beds

. alcohol and substance abuse beds

. outpatient services in both these areas

. chronic and long-term care beds (most health insurance coverage is limited or non-existent for this care; additionally, the veteran population is a relatively aged population)

. condominium-type housing for veterans, especially the handicapped, and their dependents

. a comprehensive skill development and job placement center, with special services for the handicapped

. other related services

Again, on behalf of the Board of Directors of Our Lady of Lourdes Hospital, I wish to thank you for the opportunity to share with you our concerns regarding this important undertaking.

ADDENDUM

COMMUNICATIONS BETWEEN OUR LADY OF LOURDES HOSPITAL
AND THE VETERANS ADMINISTRATION

January 9, 1979 --

Letter of inquiry from Sister M. Elizabeth Corry, OSF, Executive Director of the Hospital, to Dr. James C. Crutcher, Chief Medical Director of the Veterans Administration, requesting information on the VA's policy regarding relationships with existing tertiary and specialized services.

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March 21, 1979 --

Site visit conducted by two members of the Veterans Administration staff.

Mr. TRAXLER. You are here to talk about the proposed VA health care facility in Camden?

Mr. PACERA. Yes, I am.

Good afternoon.

My name is Joseph A. Pacera. I am the director of corporate services at Our Lady of Lourdes Hospital in Camden, New Jersey. I am here at the direction of, and on behalf of, the Board of directors of Our Lady of Lourdes Hospital. The Board has asked me to extend their appreciation to the Subcommittee for this opportunity.

Our hospital supports the development of a VA facility in the City of Camden. We are committed both morally and pragmatically to the revitalization of our city. However, there is sufficient, if not overwhelming, evidence to indicate that the proposed mix of beds is not consistent with community health care needs. We specifically refer to the proposed configuration to place 300 medical/surgical beds in the VA facility in Camden, and I refer to Dr. Crutcher's letter of November 27 to the HSA.

Our Lady of Lourdes Hospital and Rehabilitation Center is a 384-bed acute care community hospital, including a 50-bed comprehensive rehabilitation center located in the City of Camden. It is owned and operated by the Franciscan Sisters of Allegeny, New York. Lourdes is a major teaching affiliate of Jefferson Medical College with residents in the four major areas and fellowships in nephrology and neonatology. The hospital serves a heterogeneous group of patients. Thirty percent of admissions are from Camden City, 45 percent from suburban Camden County, and 25 percent from the remaining southern New Jersey region.

The range of services offered by Lourdes extends from primary medical care for the medically indigent residing in or near the city (20,000 visits annually in our Family Health Center) to sophisticated tertiary services which include renal transplantation, dialysis, rehabilitation, open-heart surgery and cardiac catheterization.

Nearly 12,000 inpatients are admitted annually and 37,000 emergency visits are served yearly. Lourdes' medical staff numbers approximately 250 and the hospital employs about 1,200 persons—the sixth largest employer in the county. The annual operating budget for the hospital is over $32 million.

In May 1976, the hospital opened a $12.2 million comprehensive regional rehabilitation center, including a full spectrum of integrated inpatient, support and outpatient services.

In May 1978, the hospital upgraded its renal dialysis and transplantation facilities—the largest and most active in southern New Jersey—at a cost of $500,000. This program is the largest hospital-based dialysis and transplant service in the Delaware Valley.

In 1978, the hospital upgraded its cardiovascular surgical and support equipment at a cost of nearly $100,000. We also equipped and staffed a four-bed intensive post-cardiovascular surgical suite.

The hospital will, in 1979, be designated as the regional center for high-risk obstetrics and neonatology—either unilaterally or in conjunction with Cooper Medical Center.

In the past year, the hospital has been recognized by the State Department of Health as an evaluation center for children with developmental delays.

In mid-1977 we established the only pediatric pulmonary/cystic fibrosis service in the area.

These initiatives and others have been taken to meet community needs. This is supported by these needs being identified in the Health System Plan (HSP) developed by the Southern New Jersey Health Systems Agency, Incorporated (HSA). The entire financing of these services, and their ongoing operational expense, is at best a break-even situation for the hospital. New Jersey is one of the most highly regulated States in its cost reimbursement (SHARE) system. The hospital's primary source of income is from and will continue to come from providing the services of an acute-care general community hospital.

Between 1973 and 1978, the average daily occupancy at Lourdes decreased from 92 percent to 82 percent. This has been primarily due to the opening of West Jersey Hospital Eastern Division and Garden State Hospital in nearby sururban communities, and the opening of our additional rehabilitation beds. Many physicians and their patients have acted in concert with societal trends—seeking to avoid use of the city and its resources, when this is possible. An urban hospital like Lourdes must employ three fundamental strategies to stay viable in this environment:

One, development of regional and/or specialized services that are not available elsewhere.

Two, seek strict regulation of the number of acute care beds operative in our service area;

Three, further development of our ambulatory facilities.

In the first part of this paper, we illustrated our initiatives regarding regional and specialized services. These programs excluding obstetrics and pediatrics, were responsible, in 1977, for approximately 20,000 patient days—or 17 percent of the total number of patient days at Lourdes. If a new VA hospital included these services, or acted as conduit to these services at other institutions, it could cause a significant negative impact on our occupancy. For example, if 5,000 of these days were lost, our occupancy would fall to 78 percent and create a precarious financial situation.

There are strong Federal (National Health Planning guidelines), State (State Health Plan), and regional (HSA) initiatives to have less than four hospital beds per 1,000 population. Governmental planners have indicated ratios ranging from 3.0 to 3.7 beds/1,000.

The ratio of beds to population in Camden County is 4.23/1,000. The State Health Plan (SHP) and the Health Systems Plan (HSP) indicate that the tri-county area—Burlington, Camden, Gloucester—the three New Jersey counties that the proposed VA hospital would commonly serve—currently has an excess of approximately 250 medical/surgical beds. Excess beds, because of the substantial amount of fixed cost necessary to keep a bed operative, tend to increase costs to the health care system and decrease individual hospital occupancy.

Another factor, and I don't think it has been mentioned today, which must be considered in any discussion regarding medical/surgical hospital beds is the rate at which they are used by the population. The statewide use rate in 1975 was about 1,200 days/1,000 population. With the increasing strength of utilization review, Professional Standards Review Organization (PSRO), ex-

periments in reimbursing by diagnostic related groups (DRG) rather than length of stay (LOS), which is being advocated by our Commissioner of Health, the growing interest in ambulatory surgery and the encouragement of public and private outpatient insurance coverage and the Federal commitments to HMO development, it does not appear sound to assume that the use rate in 1985 will stay at the 1975 level.

A study of PSRO impact on file with the Southern New Jersey PSRO leads us to conclude that the use rate of medical/surgical beds should be no more than 1,000 days/1,000 population in 1985. The projected adult population in Camden County in 1985 is 422,000 (New Jersey Department of Labor and Industry). Therefore, there would be a need for 1,100–1,165 beds at that time.

Currently there are 1,537 medical/surgical beds in the county—400 more than will be needed in 1985. Without adjusting for those entering or leaving the county for hospitalization, the aggregated occupancy rate for the county in 1985 would be 75 percent [(422 x 1,000)/(1,537 x 365)].

It is probable that a selective process will evolve, based on hospital location and/or special services, so that some hospitals will be operating at occupancies considerably higher than 75 percent while others will have a much lower occupancy. The prognosis for the latter is dim.

The construction and operation of additional acute care medical/surgical beds is unwarranted for the foreseeable future in the greater Camden area. This is supported by both the State Health Plan and the Health Systems Plan.

This is the probable environment the proposed VA hospital will enter in the mid-1980s. We realize that the hospital will serve residents of the Delaware Valley. The excess bed situation in the more rural counties outside the greater Camden area is not as critical as it is in Camden County. However, the situation in the greater Trenton and Wilmington areas is about the same; and in Philadelphia, it is much worse. We, therefore, believe that the opening of 300 additional medical/surgical beds in the area could result in one of the following:

An underutilization of the VA facility of such magnitude as to warrant further national attention to the VA hospital system. The National Research Council's study conducted for the VA indicates that most veterans have non-veteran related insurance coverage for hospitalization. For the past several months we have monitored the third-party coverage of all veterans admitted to Lourdes. Over 95 percent have non-veteran related health insurance. With the user population so well insured, is it prudent to project that the VA will be more attractive than nongovernmental community hospitals? This situation might also be exacerbated by the enactment of national health insurance, even if phased.

If underutilization is a reality, the VA would probably consider the development of regionalized and specialized services, most of which already exist in the area. Because Federal facilities are not subject to the same regulatory controls as community hospitals, this duplication could not be prevented. This could result in a decreased utilization of existing regional/specialized services. Related revenue and occupancy losses would be most critical to

Lourdes and Cooper—the two permanent urban hospitals—because they have most, if not all, of these services in the greater Camden area.

If utilization of the VA acute care beds was acceptable (80 percent plus), the patient days must come from somewhere. The number of patient days is not, nor should it be, inexhaustible (1,000 days/1,000 population). In an area that now has a documented overbedding of 250 and a projected overbedding of approximately 400 in 1985, existing hospitals—experience those with "location problems," I mean in the inner city—could be damaged irreversibly.

The VA should construct a facility equal in value to its proposed hospital that could consist of:

Psychiatric beds;

Alcohol and substance abuse beds;

Outpatient services in both these areas;

Chronic and long-term care beds (most health insurance coverge is limited or nonexistent for this care; additionally, the veteran population is a relatively aged population);

Condominium-type housing for veterans, especially the handicapped, and their dependents;

A comprehensive skill development and job placement center, with special services for the handicapped;

Other related services.

Again, on behalf of the board of directors of Our Lady of Lourdes Hospital, I wish to thank you for the opportunity to share with you our concerns regarding this important undertaking.

I have attached to our submission a list of the communications we have had with the Veterans Administration.

[The information follows:]

ADDENDUM

COMMUNICATIONS BETWEEN OUR LADY OF LOURDES HOSPITAL AND THE VETERANS ADMINISTRATION

January 9, 1979: Letter of inquiry from Sister M. Elizabeth Corry, OSF, Executive Director of the Hospital, to Dr. James C. Crutcher, Chief Medical Director of the Veterans Administration, requesting information on the VA's policy regarding relationships with existing tertiary and specialized services.

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March 21, 1979: Site visit conducted by two members of the Veterans Administration staff.

Mr. TRAXLER. Thank you, Mr. Pacera.

How many beds are you talking about, in terms of psychiatric, alcohol and drug abuse?

Mr. PACERA. In terms of psychiatric, the VA is talking about 60 psychiatric. There would probably be an equivalent amount for alcoholic care. Then, there would be approximately 120 long-term beds.

Mr. TRAXLER. That would be about a 200-bed facility, including the long term.

Mr. PACERA. We also talked about condominium-type housing. We talked about vocational rehabilitation in job training centers for the handicapped. If it is looked on as a major project for urban renewal, this would deal with the issue without overbedding the situation.

Mr. TRAXLER. We note with interest that you say that you should construct a facility equal in value.

Thank you very much.

Mr. PACERA. Thank you.

VETERANS' ADMINISTRATION

WITNESSES

DR. WILLIAM B. DEAL, DEAN, UNIVERSITY OF FLORIDA COLLEGE OF MEDICINE; REPRESENTING THE ASSOCIATION OF AMERICAN MEDICAL COLLEGES

DR. THOMAS J. KENNEDY, ASSOCIATION OF AMERICAN MEDICAL COLLEGES

Mr. SABO. Our next witness is Dr. William Deal, of the Association of American Medical Colleges.

Welcome.

Dr. DEAL. Mr. Chairman, I am accompanied by Thomas J. Kennedy of the AAMC.

As a matter of introduction, let me say I am a newcomer to this Committee. I am a veteran. I received part of my post graduate training in the VA system.

Mr. Chairman, the members of the Association of American Medical Colleges (AAMC) appreciate this opportunity to appear before the Subcommittee during its consideration of the fiscal year 1980 budget for the medical care, medical research and health manpower training programs of the Veterans Administration.

Since its founding in 1872, the Association has steadily expanded its horizons, so that today it represents the whole complex of individuals, organizations and institutions charged with the undergraduate and graduate education of physicians. It serves as the national voice for all of the 125 operational U.S. medical schools and their students, more than 400 of the major teaching hospitals, and over 60 academic and professional societies whose members are engaged in teaching, in patient care and in biomedical research.

The Association's interest in this appropriation request stems from the extremely productive and fruitful relationships that have developed between the nation's medical schools and the Veterans Administration hospitals since the end of World War II. Affiliation agreements—the tangible evidence of strong institutional interelationship and interdependence in patient care, medical education and medical research—are now in force between 104 schools of medicine and 136 out of 172 VA hospitals.

This partnership has unquestionably served the public interest well. The academic atmosphere created in the VA hospitals by

closer affiliation with schools of medicine has enabled the VA to recruit and retain physicians of unusual talent and competence.

As a consequence, the quality of medical care provided former servicemen in the VA hopitals has been improved substantially. The calibre of graduate medical education in those hospitals has been greatly enhanced, and vigorous and productive research programs that have contributed greatly to the improvement in the health of both veterans and the general population have been mounted and sustained.

The expectation that such an outcome would ensue was the key factor in the decision made more than 30 years ago to establish and maintain close working relationships between VA hospitals and schools of medicine. Subsequent historical developments have amply vindicated the wisdom of the policy adopted.

The Association of American Medical Colleges is convinced that President Carter's proposed fiscal year 1980 VA budget for the medical care, research and training components will substantially damage the VA's programs in these areas. For this reason the Association comes before this Committee today to urge the Congress to provide appropriations levels more adequate to meet the needs of the VA than those recommended by the President. The extent of the increases believed necessary will be mentioned in connection with each program discussed, and are summarized in an attached table.

The President's budget recommends total budget authority of $5,594,739,000 in fiscal year 1980 for medical care, an amount that is $186 million, or 3 percent over the fiscal year 1979 appropriation. It also proposes a full-time equivalent (FTE) employment of 180,476, a decrease of 443 positions from the number authorized in fiscal year 1979 and 3,782 fewer than in fiscal year 1978.

As this Congress is well aware, the cost of providing medical care generally had increased at a rate in excess of that in all other sectors of the economy. Despite this rapid inflation, a proposed fiscal year 1980 medical care appropriation of only 3 percent greater than that estimated for expenditure in fiscal year 1979 is far short of price increases which may reasonably be anticipated. The increase provided last year, nearly 10 percent over fiscal year 1978, is a much more realistic approximation of the annual increment necessary to cover legitimate and mandated expansions in service and increased costs of providing care.

Simultaneous with this proposed underfunding of the health care program, the President's budget proposes a substantial decline in average full-time equivalent employment. Moreover, the impact of the reduction in positions is even greater than the bare bones numbers would suggest. The 443 FTE net decrease in employment from 1979 masks severe personnel reductions of 1,650 in existing hospitals, 159 in the education and training program, and 234 in domiciliary care institutions to accommodate the staffing needs of 421 in new and replacement hospitals, of 320 in nursing home care, of 76 in the New York VA prosthetics center, and of 783 in other new facilities.

For VA hospitals, the proposed fiscal year 1980 appropriation would provide 114 FTE employees per 1,000 patients, a significant, that is about 4 percent, reduction from the 188 in fiscal year 1978.

As you know, far better than I, the employment statistics that I have just cited may well underestimate the extent of reductions; certainly the levels estimated by the President or those which the Congress recently approved and provided funds to support as essential to maintain the quality of health care for our veterans.

In the fiscal year 1979 Appropriations Act, Congress provided for 184,192 FTE employees while the President's budget has reduced this number by 3,273 to the level of 180,919. If one looks at the statistics in terms of end-of-year rather than FTE employement levels, the Congressional appropriation for fiscal year 1979 provided for 198,070 employees in medical care, 2,375 more than the President had requested; but the actual number that the President estimates will be onboard on September 30, 1979 is 191,579, or 6,491 fewer than the Congress recommended. In short, whatever measure of employment is used—full-time equivalent or end-of-year—the current levels fall far below those intended by Congress for 1979. Presumably these reductions will be carried forward into fiscal year 1980, with the further decrement mentioned a moment ago.

Despite the proposed reduction in the level of employment and the meager budget increase, the VA has estimated that the number of inpatients admitted and of outpatient visits scheduled will significantly increase in 1980, over both the 1978 and 1979 levels. These statistics raise doubts in the Association's mind about the ability of the VA to continue to provide quality health care to the nation's veterans; they provide a most gloomy picture for those dependent on care provided at existing facilities.

This stringent budget proposal will also curtail the ability of the VA to hold up its end in the partnership with the medical schools. In the face of the increased numbers of undergraduate and graduate medical students seeking educational opportunities and the projected increase in the number of patients admitted for care, only a miniscule expansion in physician house staff and specialized fellows will be possible. For the academic year 1980-1981, VA facilities have indicated that they desire and could effectively utilize 800 more residency positions.

In the light of these facts, the Association proposes that additional funds of about $300 million be added to the Administration's 1980 request, to restore levels of employment at the 1978 level and to partially cover other increases in costs.

This compares to the $500 million increase provided by the Congress last year. The AAMC recognizes that the increase in VA medical care employment will require an exemption from the restrictions of the Leach Amendment to the Civil Service Reform Act. We know that this presents the Congress with a difficult task, but both the health of veterans and of the veterans health care system depend upon adequate funds and a sufficient number of employees.

The proposed fiscal year 1980 budget for medical and prosthetic research would be frozen at the fiscal year 1979 level. While the rehabilitative research component of this program is slated for a slight increase, the budget represents an actual retrenchment in the other two components: medical research and health services research. The proposed levels actually curtail the level of research activity much more severely due to inflation-induced increases in the cost of performing research; they virtually preclude the initi-

ation of any new projects to further improve our understanding of, and capacity to treat, disease and disability.

A comparable situation characterizes the medical research program, already compromised by the inability of the VA to carry out the sorely needed program expansion that had been approved by Congress last year. In fiscal year 1979, the Congress appropriated $10.2 million more for medical research than the Administration had requested, and specified that the additional funds should be used to expand the level of program activity by an increase in the number of employees in research.

The current budget submission by the VA indicates that the restrictions on employment contained in the Civil Service Reform Act prevented expansion in research staff; therefore, the additional funds would be used for supplies, equipment, and funding pay raises.

While this use of funds may be worthwhile, it does not carry out the expressed intentions of the Congress. The proposed fiscal year 1980 budget for medical research holds the full-time equivalent employment at the fiscal year 1979 level, itself a reduction from fiscal year 1978, and does not propose financial resources adequate to permit expansion into new program domains in fiscal year 1980. It is imperative that the Congress correct this situation before any irreversible deterioration in the VA medical research program occurs.

The availability of opportunities to conduct research is perhaps the most powerful device available to the VA system for recruiting and retaining talented and dedicated physicians in the system.

Moreover, the investments in research have been enormously profitable to veterans, to all of our citizens and to all humanity. The clinical trials carried out within the system over the last three decades—on tuberculosis, on hypertension and on cancer—have had extraordinarily large and positive impacts on the practice of medicine. The excellence of this effort is perhaps best attested to by the recent Nobel awards to Dr. Rosalyn Yalow and Andrew Schally for their brillant work respectively, on radioimmuneassay techniques and on hypothalamic releasing hormones. The VA research program furnishes a splendid illustration of how a vigorous research effort, at both fundamental and applied levels, reinforces and improves clinical care for the veteran.

The fundamental discoveries of Dr. Yalow and her long time collaborator, Dr. Saul Berson, have led to spectacular advances in the ability of the medical profession to diagnose and to more fully understand the mechanisms of disease. Dr. Schally's magnificent contributions have likewise had extremely significant practical spinoffs. The veteran, of course, had been the primary, or at least the first, beneficiary of this progress.

The AAMC recommends that the Congress add approximately $14 million to the amount requested by the President for medical and prosthetic research, to assure the continued validity of this most important and productive VA activity.

The Congress has long recognized that the quality of the VA health care system is deeply dependent upon its interaction with the medical schools of this Nation. This reality was strongly confirmed in the recently published study of the VA medical care

system by the National Academy of Sciences/National Research Council which found that the highest quality health care within the VA system was provided in VA facilities closely affiliated with medical schools.

To further illustrate the effective relationship between medical schools, Veterans Administration medical centers, the Florida American Legion presented last fall to me, as vice president for Health Affairs and dean of the College of Medicine, a citation at a formal ceremony commending the faculty of the University Medical Center as follows: "In appreciation for their outstanding contributions to the health care programs for veterans in the State of Florida, expressed through their superb support of the affiliation with the VA hospital." To further extend and strengthen the application of the principle of VA/medical school collaboration the Congress, in Public Law 92-541 authorized programs to:

"Assist in the support of faculty and in the construction of facilities for the five new State medical schools, affiliated with VA medical facilites;

Assist established medical schools and other health manpower training institutions affiliated with the VA to expand and improve training capacities for and to better utilize health manpower; and

Fund expansion of VA hospital education and training facilities and equipment, and to develop improved methods of educating health personnel."

Authority for appropriations of funds for all three of these programs expires at the end of fiscal year 1979 and the President has requested neither reauthorization or new funds in fiscal year 1980 for them.

The Association has urged the Congress to reauthorize assistance for these recently established medical schools, for other health manpower institutions, and for the expansion of the VA education program (as proposed by H.R. 2234). The present authorization level of $50 million should be continued and adequate funding provided. The AAMC does not recommend at this time any extension of authority to establish additional State schools, since the need for them is not as compelling as was once the case.

However, it must be emphasized that without Congressional approval of the $57.5 million supplemental appropriation for fiscal year 1979, including multi-year money for them, the VA will not have sufficient funds to meet its full 7-year commitment to the five medical schools already created under Public Law 92-541. If the supplemental appropriation is not enacted, it would be necessary both to reauthorize the program for these new schools and to appropriate funds in fiscal year 1980 to fulfill commitments to these institutions.

The consequences of a failure of the Federal Government to honor its commitments to these schools—created essentially at its insistence—would be serious both to the students whose careers would be placed in jeopardy and to the institutions which, acting in good faith, have made very large investments of time, energy, money, and dedication to initiating these new ventures.

Perhaps even more serious would be that the Federal Government would suffer a severe loss of credibility in the eyes of the State legislatures whose commitment to take over the support of

these schools was made only after long and careful study on the presumption that the Federal commitment was absolutely inviolable.

To conclude, the Association of American Medical Colleges believes that the President's fiscal year 1980 budget requests would seriously underfund the legitimate and vital needs of the health care, research and health manpower-training programs of the Veterans Administration; the recommendations of an additional $365 million for these programs represents an increase of less than 7 percent over the request of the President. I urge you to accept the Association's recommendation.

In conclusion, on behalf of the AAMC I thank you very much for your attention and the opportunity to appear before you today and to pledge our cooperation and support for your efforts to ensure that those who have served their country so valiantly receive the high quality medical care they so richly deserve.

At this point, I would be pleased to respond to any questions you may have.

[The complete statement follows:]

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aamc association of american medical colleges

TESTIMONY OF THE ASSOCIATION OF AMERICAN
MEDICAL COLLEGES ON FISCAL YEAR 1980
APPROPRIATIONS FOR THE VETERANS ADMINISTRATION*

Mr. Chairman and Members of the Subcommittee:

The members of the Association of American Medical Colleges (AAMC) appreciate this opportunity to appear before the Subcommittee during its consideration of the fiscal year 1980 budget for the medical care, medical research and health manpower training programs of the Veterans Administration.

Since its founding in 1876, the Association has steadily expanded its horizons, so that today it represents the whole complex of individuals, organizations and institutions charged with the undergraduate and graduate education of physicians. It serves as the national voice for all of the 125 operational U.S. medical schools and their students, more than 400 of the major teaching hospitals, and over 60 academic and professional societies whose members are engaged in teaching, in patient care and in biomedical research.

The Association's interest in this appropriation request stems from the extremely productive and fruitful relationships that have developed between the nation's medical schools and the Veterans Administration Hospitals since the end of World War II. Affiliation

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*Presented by Dr. William B. Deal, Dean and Vice President for Health Affairs, University of Florida College of Medicine, Gainesville, Florida, before the Subcommittee on HUD - Independent Agencies of the House Appropriations Committee on April 26, 1979.

agreements---the tangible evidence of strong institutional interrelationship and interdependence in patient care, medical education and medical research---are now in force between 104 schools of medicine and 136 out of 172 VA hospitals. This partnership has unquestionably served the public interest well. The academic atmosphere created in the VA hospitals by close affiliation with schools of medicine has enabled the VA to recruit and retain physicians of unusual talent and competence. As a consequence, the quality of medical care provided former servicemen in the VA hospitals has been improved substantially, the calibre of graduate medical education in those hospitals has been greatly enhanced, and vigorous and productive research programs that have contributed greatly to the improvement in the health of both veterans and the general population have been mounted and sustained. The expectation that such an outcome would ensue was the key factor in the decision made more than thirty years ago to establish and maintain close working relationships between VA hospitals and schools of medicine; subsequent historical developments have amply vindicated the wisdom of the policy adopted.

The Association of American Medical Colleges is convinced that President Carter's proposed fiscal year 1980 VA budget for the medical care, research and training components will substantially damage the VA's programs in these areas. For this reason, the Association comes before this Committee today to urge the Congress to provide appropriations levels more adequate to meet the needs of the VA than those recommended by the President. The extent of the increases believed necessary will be mentioned in connection with each program discussed, and are summarized in an attached table.

MEDICAL CARE

The President's budget recommends total budget authority of $5,594,739,000 in FY 1980 for medical care, an amount that is $186 million, or 3 percent, over the FY 1979 appropriation. It also proposes a full-time equivalent (F.T.E.) employment of 180,476, a decrease of 443 positions from the number authorized in FY 1979 and 3,782 fewer than in FY 1978.

As this Congress is well aware, the cost of providing medical care generally had increased at a rate in excess of that in all other sectors of the economy. Despite this rapid inflation, a proposed FY 1980 medical care appropriation of only 3 percent greater than that estimated for expenditure in FY 1979 is far short of price increases which may reasonably be anticipated. The increase provided last year, nearly 10 percent over FY 1978, is a much more realistic approximation of the annual increment necessary to cover legitimate and mandated expansions in service and increased costs of providing care.

Simultaneous with this proposed underfunding of the health care program, the President's budget proposes a substantial decline in average full-time equivalent (F.T.E.) employment. Moreover, the impact of the reduction in positions is even greater than the bare bones numbers would suggest. The 443 F.T.E. net decrease in employment from 1979 masks personnel reductions of 1,650 in existing hospitals, 159 in the education and training program, and 234 in domiciliary care institutions to accommodate the staffing needs of 421 in new and replacement hospitals, of 320 in nursing home care, of 76 in the New York VA prosthetics center, and of 783 in other new facilities. For VA hospitals, the proposed FY 1980 appropriation would provide

114 F.T.E. employees per 1000 patients, a significant, that is about 4%, reduction from the 118 in FY 1978.

As you know, far better than I, the employment statistics that I have just cited may well underestimate the extent of reductions; certainly the levels estimated by the President for FY 1979 in the proposed FY 1980 budget are substantially lower than those which the Congress recently approved and provided funds to support as essential to maintain the quality of health care for our Veterans. In the FY 1979 Appropriations Act, Congress provided for 184,192 F.T.E. employees while the President's budget has reduced this number by 3,273 to the level of 180,919. If one looks at the statistics in terms of end-of-year rather than F.T.E. employment levels, the congressional appropriations for FY 1979 provided for 198,070 employees in medical care, 2,375 more than the President had requested; but the "actual" number that the President estimates will be onboard on September 30, 1979 is 191,579, or 6,491 fewer than the Congress recommended. In short, whatever measure of employment is used---full time equivalent or end-of-year---the current levels fall far below those intended by Congress for 1979. Presumably these reductions will be carried forward into FY 1980, with the further decrement mentioned a moment ago.

Despite the proposed reduction in the level of employment and the meager budget increase, the VA has estimated that the number of inpatients admitted and of outpatient visits scheduled will significantly increase in 1980, over both the 1978 and 1979 levels. These statistics raise doubts in the Association's mind, about the ability of the VA to continue to provide quality health care to the nation's veterans; they provide a most gloomy picture for those

dependent on care provided at existing facilities.

This stringent budget proposal will also curtail the ability of the VA to hold up its end in the partnership with the medical schools. In the face of the increased numbers of undergraduate and graduate medical students seeking educational opportunities and the projected increase in the number of patients admitted for care, only a miniscule expansion in physician house staff and specialized fellows will be possible. For the academic year 1980-81, VA facilities have indicated that they desire and could effectively utilize 800 more residency positions.

In the light of these facts, the Association proposes that additional funds of about $300 million be added to the Administration's 1980 request, to restore levels of employment at the 1978 level and to partially cover other increases in costs. This compares to the $500 million increase provided by the Congress last year. The AAMC recognizes that the increase in VA medical care employment will require an exemption from the restrictions of the Leach Amendment to the Civil Service Reform Act. We know that this presents the Congress with a difficult task, but both the health of veterans and of the veterans health care system depend upon adequate funds and a sufficient number of employees.

MEDICAL AND PROSTHETIC RESEARCH

The proposed FY 1980 budget for medical and prosthetic research would be frozen at the FY 1979 level. While the rehabilitative research component of this program is slated for a slight increase, the budget represents an actual retrenchment in the other two components: medical research and health services research. The proposed levels actually curtail the level of research activity much more severely

due to inflation-induced increases in the cost of performing research; they virtually preclude the initiation of any new projects to further improve our understanding of, and capacity to treat, disease and disability. For example, the funding proposed for health services research would reduce the level of activity below that prevailing in FY 1979, requiring a discontinuance of some VA core groups affiliated with university-based health service research centers, and effectively prohibiting the funding of new health services research proposals from VA medical centers.

A comparable situation characterizes the medical research program, already compromised by the inability of the VA to carry out the sorely needed program expansion that had been approved by Congress last year. In FY 1979, the Congress appropriated $10.2 million more for medical research than the Administration had requested, and specified that the additional funds should be used to expand the level of program activity by an increase in the number of employees in research. The current budget submission by the VA indicates that the restrictions on employment contained in the Civil Service Reform Act prevented expansion in research staff; therefore, the additional funds would be used for supplies, equipment, and funding pay raises. While this use of funds may be worthwhile, it does not carry out the expressed intentions of the Congress. The proposed FY 1980 budget for medical research holds the full-time equivalent employment at the FY 1979 level, itself a reduction from FY 1978, and does not propose financial resources adequate to permit expansion into new program domains in FY 1980. It is imperative that the Congress correct this situation before any irreversible deterioration in the VA medical research program occurs. The availability of opportunities to conduct research is perhaps the most powerful device available

to the VA system for recruiting and retaining talented and dedicated physicians in the system.

Moreover, the investments in research have been enormously profitable to veterans, to all of our citizens and to all humanity. The clinical trials carried out within the system over the last three decades---on tuberculosis, on hypertension and on cancer---have had extraordinarily large and positive impacts on the practice of medicine. The excellence of this effort is perhaps best attested to by the recent Nobel awards to Dr. Rosalyn Yalow and Andrew Schally for their brillant work respectively, on radioimmuneassay techniques and on hypothalamic releasing hormones. The VA research program furnishes a splendid illustration of how a vigorous research effort, at both fundamental and applied levels, reinforces and improves clinical care for the veteran. The fundamental discoveries of Dr. Yalow and her long time collaborator, Dr. Saul Berson, have led to spectacular advances in the ability of the medical profession to diagnose and to more fully understand the mechanisms of disease. Dr. Schally's magnificent contributions have likewise had extremely significant practical spin offs. The veteran, of course, had been the primary, or at least the first, beneficiary of this progress.

The AAMC recommends that the Congress add approximately $14 million to the amount requested by the President for medical and prosthetic research, to assure the continued validity of this most important and productive VA activity.

ASSISTANCE FOR HEALTH MANPOWER TRAINING INSTITUTIONS

The Congress has long recognized that the quality of the VA health care system is deeply dependent upon its interaction with the medical schools of this nation. This reality was strongly confirmed

in the recently published study of the VA medical care system by the National Academy of Sciences/National Research Council which found that the highest quality health care within the VA system was provided in VA facilities closely affiliated with medical schools.

To further illustrate the effective relationship between medical schools veterans administration medical centers, the Florida American Legion presented last fall to me, as Vice President for Health Affairs and Dean of the College of Medicine, a citation at a formal ceremony commending the faculty of the University Medical Center as follows: "...in appreciation for their outstanding contributions to the health care programs for veterans in the state of Florida, expressed through their superb support of the affiliation with the VA hospital..." To further extend and strengthen the application of the principle of VA/medical school collaboration the Congress, in P.L. 92-541 authorized programs to:

- Assist in the support of faculty and in the construction of facilities for the five new state medical schools, affiliated with VA medical facilities;
- Assist established medical schools and other health manpower training institutions affiliated with the VA to expand and improve training capacities for and to better utilize health manpower;
- Fund expansion of VA hospital education and training facilities and equipment, and to develop improved methods of educating health personnel.

Authority for appropriations of funds for all three of these programs expires at the end of fiscal year 1979 and the President has requested neither reauthorization or new funds in FY 1980 for them.

The Association has urged the Congress to reauthorize assistance for these recently established medical schools, for other health manpower institutions, and for the expansion of the VA education program (as proposed BY H.R. 2234). The present authorization level of $50 million should be continued and adequate funding provided. The AAMC does not recommend at this time any extension of authority to establish additional state schools, since the need for them is not as compelling as was once the case. However, it must be emphasized that without Congressional approval of the $57.5 million supplemental appropriation for FY 79, including "multi year" money for them, the VA will not have sufficient funds to meet its full seven year commitment to the five medical schools already created under P.L. 92-541. If the supplemental appropriation is not enacted, it would be necessary both to reauthorize the program for these new schools and to appropriate funds in FY 1980 to fulfill commitments to these institutions.

The consequences of a failure of the Federal Government to honor its commitments to these schools---created essentially at its insistence---would be serious both to the students whose careers would be placed in jeopardy and to the institutions which, acting in good faith, have made very large investments of time, energy, money, and dedication to initiating these new ventures. Perhaps even more serious would be that the Federal Government would suffer a severe loss of credibility in the eyes of the state legislatures whose commitment to take over the support of these schools was made only after long and careful study on the presumption that the Federal commitment was absolutely inviolable.

To conclude, the Association of American Medical Colleges believes that the President's FY 80 budget requests would seriously underfund the legitimate and vital needs of the health care, research and health manpower-training programs of the Veterans Administration; the recommendations of an additional $365 million for these programs represents an increase of less than 7% over the request of the President. I urge you to accept the Association's recommendation.

In conclusion, may I express the gratitude of the AAMC for the opportunity to appear before you today and pledge its cooperation and support for your efforts to insure that those who have served their country so valiantly receive the high quality medical care they so richly deserve. At this point, I would be pleased to respond to any questions you may have.

ATTACHMENT I

APPROPRIATIONS FOR THE VETERANS ADMINISTRATION

		Actual FY 1978	Actual FY 1979	Admin. FY 80 Request	AAMC FY80 Recommendations
			(dollars in thousands)		
I.	Medical Care	$4,924,679	$5,408,912	$5,594,739	$5,900,000
	Average Employment (numbers)	184,258	180,919	180,476	185,000
II.	Medical and Prosthetic Research	111,053	122,847	122,847	136,685
	Medical Research	102,852	112,807	111,960	125,000
	Rehabilitation Research	5,948	6,596	7,885	7,885
	Health Services Research	2,253	3,444	3,002	3,800
III.	Assistance for Health Manpower Training Institutions	53,411	104,905	----	50,000
	Grants for New Medical Schools	24,177	25,000	----	----
	Other Health Manpower Training Institutions	29,234	22,437	----	50,000
	Supplemental Appropriation		57,468	----	

Mr. SABO. Thank you.
Mr. Chairman?
Mr. BOLAND. No questions.
Dr. DEAL. Thank you very much.

DEPARTMENT OF HOUSING AND URBAN AFFAIRS

WITNESSES

MR. DOUGLAS P. WHEELER, EXECUTIVE VICE PRESIDENT, NATIONAL TRUST FOR HISTORIC PRESERVATION
MISS PATRICIA XELLER, LEGAL STAFF

Mr. BOLAND. The next Committee witness is Mr. Douglas P. Wheeler, Executive Vice President of the National Trust for Historical Preservation.

We understand that you are interested in some aspects of the HUD budget?

Mr. WHEELER. Yes, indeed.

I am accompanied today by Miss Patricia Xeller of our legal staff. Thank you for the opportunity to appear before you and to talk for a minute about HUD programs, relatively small in funding but significant, we think, which directly or indirectly benefit historic preservation.

We are going to talk briefly, if you will allow me, about the Livable Cities request.

Mr. BOLAND. What do you know about Livable Cities?

Mr. WHEELER. I know about its history in the National Endowment for the Arts.

Mr. BOLAND. That is where we ought to leave it.

Mr. WHEELER. I am not sure I agree with that.

Mr. BOLAND. Why don't you pick it up there? You are familiar with the National Endowment for the Arts. I have looked at some of the programs that are expected to be funded under this, and I think that is precisely where it ought to be.

Mr. WHEELER. It hasn't been funded at this level as you know.

Mr. BOLAND. I understand that, but the National Endowment for the Arts has considerable funds. Some other grants that have been made by the National Endowment for the Arts don't have the priorities that you suggest would be better served in a Livable Cities program. I think that Endowment is the place where we ought to put it.

Mr. WHEELER. I agree that the program has been well administered at the National Endowment, but we are encouraged by HUD's willingness to begin to entertain some thoughts of this kind. Frankly that is a fairly new determination on HUD's part and we encourage it. HUD has a very significant role to play in solving the Nation's housing problems, and only recently——

Mr. BOLAND. Solving what problems?

Mr. WHEELER. The nation's housing problems, and only recently converts to our notion that preservation is one strategy by which to deal with those issues.

Mr. BOLAND. I am not sure that the Livable Cities program is going to preserve housing.

Mr. WHEELER. It has a lot to do with community development, Mr. Chairman, and indirectly with making the quality of the environment better.

Mr. BOLAND. Why don't you go ahead with your statement?

Mr. WHEELER. I will be happy to respond to your questions if you would like to interrupt as I proceed.

The National Trust and the preservation community, as I have already indicated, have for some time adopted a broader consensus about the needs of preservation as a housing strategy. We realize now the necessity of dealing with those problems, not only in terms of house museums but also in terms of neighborhoods and what we describe as the cultural environment, the built environment.

The Congress has likewise begun to realize the relationship of preservation to community revitalization, and has made preservation an element of the CDBG program as you probably are aware.

As I indicated, HUD has not always been as supportive of the preservation element of the housing program as we would like but we are encouraged by a new attitude on its part. I would point, as I do in the statement, to the recent memorandum from Assistant Secretary Embry to his regional administrators reaffirming HUD support as a part of his program.

Mr. Embry clearly states that the Department has a commitment to enhancing the quality of life in the country, and recognizing cultural values. We are encouraged that HUD is moving in that direction. We see the HUD program, indeed the NEA program, from the perspective of a private organization which has dealt with many of these communities and community organizations which would benefit from both a Self-Help program and the Livable Cities program.

I pointed out in our statement a number of places in which the Trust's own activities have tended to underscore that a public and private partnership can achieve results in housing and neighborhood revitalization which HUD has not been able to achieve through massive infusions of Federal money. So we would like to encourage HUD and indeed NEA to be innovative with relatively few dollars as possible.

Thus the Trust is endorsing these programs which are aimed at community revitalization, with reliance on Neighborhood Self-Help, and urges the Subcommittee to fund those as the Congress has asked.

As I say, the Trust believes these programs are important, based on several of our own experiences, in which we have been directly and indirectly involved. Last December, I had the pleasure of visiting Savannah with Mrs. Carter and Assistant Secretary Baroni where there is a pretty good example of a partnership between the private and public sectors. Here 312 and Section 8 monies and the innovative grant programs have all been used together with a loan from the National Trust to create a mechanism for the purchase, rehabilitation, and leasing of half of 1,200 housing units in a historic district. I think the significant part of that achievement is that housing rehabilitation has been achieved there without noticeable displacement of the original residents. The Trust is especially concerned that the two programs—Livable Cities and Neighborhood

Self-Help—which have just been enacted by the Congress—be realistically and sufficiently funded both in fiscal year 1979 and fiscal year 1980.

Our experience indicates that these programs provide assistance to neighborhoods, to community organizations, and to governments which are not otherwise assisted by the Federal Government, and can be assisted, though minimally, by resources available to the Trust.

I cite the example of the Historic Pullman Foundation near Chicago, where with a small grant, $1,250, from the National Trust, we were able to set in process a strategy which led to the protection and the ultimate rehabilitation of the Florence Hotel. That was an investment the Trust was going to make as a private organization.

Today the organization in Pullman, which was responsible for that effort, is cosponsor of a city grant application of $350,000 to UDAG, part of a $20 million revitalization plan in North Pullman. That all began with a small $1,250 grant by the Trust to a private organization, community-based organization in that section of Chicago. We are going to continue to support Pullman because it is an example of what can be done with reliance on neighborhood initiative and private support, and I might add which has not been done in many communities by massive government intervention.

The Livable Cities Act is one which we have supported both at NEA and again when it was authorized for a higher funding level at HUD because we think it demonstrates Federal recognition of the value of artistic cultural and historical considerations to neighborhood and urban revitalization. I think, too, it encourages the integration of a consciousness of good design in urban revitalization which we think are important to the quality of life in these communities.

There are aspects of that NEA program which, as you have already indicated, are particularly noteworthy and we hope that those will be continued by HUD, including the uncomplicated application process.

We are generally receptive to innovative projects and the potential of a project to leave a lasting mark on the community and for HUD and others to move in behind them to provide long lasting support.

We think for these reasons that the Livable Cities program should be funded at the authorized level.

I want you to know that we are not asking for that assistance for HUD, and NEA, without attempting to make a contribution to the Trust, which today has 155,000 members and is growing at about a rate of 20 percent annually and includes among its organizational members many of these same neighborhood and community-based organizations for which we hope to serve as a clearinghouse for information on neighborhood conservation. We will continue that service without regard to the support that we ask you give to HUD and NEA.

Because the Trust and the preservation community recognize that neighborhood conservation must be a principal component in the effort to revitalize our cities, and we have demonstrated across the country that it is a principal component, we support adequate

funding for the Neighborhood Self-Help Development program. We are convinced that organized citizen acts must be the cornerstone of a national neighborhood conservation movement. Local citizen organizations represent a tremendous resource in the struggle to combat urban problems.

Organizations such as these generally are without access to other sources of assistance—funds needed for preparing and implementing neighborhood development projects. We think it is important that the Committee recommend the funding of this program as well.

As a private sector partner in the development of our national urban policy, the Trust urges the Subcommittee to recommend full implementation of these two programs, which have emerged as tangible evidence of the Congress' commitment to efficient, good, quality urban revitalization.

We strongly believe that these programs will make an impact significantly greater than the limited resources required to implement them, particularly important in this time of fiscal constraint.

Mr. BOLAND. Thank you.

[The complete statement follows:]

TESTIMONY OF DOUGLAS P. WHEELER, EXECUTIVE VICE PRESIDENT OF THE NATIONAL TRUST FOR HISTORIC PRESERVATION, ON BEHALF OF APPROPRIATIONS TO THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON HUD--INDEPENDENT AGENCIES, APRIL 26, 1979.

Mr. Chairman and Members of the Subcommittee, I am Douglas P. Wheeler, Executive Vice President of the National Trust for Historic Preservation. I appreciate this opportunity to share our views concerning the Department of Housing and Urban Development's request for appropriations for its programs which directly or indirectly benefit historic preservation. Of particular interest to us at this time are the new Livable Cities and Neighborhood Self-Help Development programs, which show great promise in stimulating local initiatives for creative solutions to our urban ills.

The National Trust and the preservation community have recognized for some time the importance and necessity of developing a broader approach to the conservation of our built environment than that initially conceived by early preservationists. Today, we realize that the heritage of America goes far beyond those relatively few unique structures preserved as house museums to encompass the diversity of our cultural landscape. By this we mean the neighborhoods, commercial districts and smaller towns that comprise the built environment in which we live.

The Congress has also recognized the relationship of preservation to community revitalization. Significantly, historic preservation was expressly made an eligible activity of the Community

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Development Block Grant Program. Although HUD has not always been as sensitive to the impact of its programs on historic resources as we would like, there seems to be a new attitude on the part of the Department--one welcomed by the preservation community. Assistant Secretary for Community Planning and Development, Robert Embry, recently issued a memorandum to the Regional Administrators reaffirming HUD's support for preservation as part of that vital program. Mr. Embry clearly states the Department's commitment to enhancing the quality of life in America by recognizing cultural values in its programs, particularly those values represented by historic preservation. We applaud this commitment, and we look forward to working closely with the Department in futherance of our mutual goals.

The National Trust hopes to see more examples such as Hudson, New York, where the use of Community Development Block Grant funds has creatively stimulated major revitalization. Hudson utilized the grant funds in the redevelopment of its central business district, while emphasizing the preservation of its historic structures. The effort involved, among other aspects, offering interest subsidies to assist in rehabilitation and renovation, the promulgation of uniform design standards in the district and a facade easement program. As a consequence of this activity, the vacancy rate of commercial structures in the area dropped substantially, and plans were made to extend the effort to a four-block area adjacent to the central business district.

Many other HUD programs aid the cause of historic preservation. Through Urban Development Action Grants, Section 312 Housing Rehabilitation and Low Interest Loans, the Section 8 Substantial Rehabilitation Program and Comprehensive Planning Assistance, HUD encourages the conservation and revitalization of our urban communities and neighborhoods, where a significant portion of our historic and cultural resources are located.

Consequently, the National Trust endorses these programs aimed at community revitalization and urges the Subcommittee to recommend funding as high as reasonably possible given budgetary constraints.

To illustrate why the National Trust believes these programs are so important for neighborhood conservation and community revitalization, I would like to cite an example of how efforts of the National Trust, local preservationists, local government and HUD successfully are being joined to effect a major revitalization project. Last December I had the pleasure of joining First Lady Rosalyn Carter and Monseignor Geno Baroni in a visit to Savannah, Georgia to honor the Savannah Landmarks Rehabilitation Project. This nonprofit housing corporation is undertaking an innovative and exciting project. Focusing its activity in the Victorian District of Savannah, the organization is combining HUD programs such as Section 312, Section 8 and the Innovative Grant Program, with private money, including the commitment of a National

Trust Revolving Fund loan, to create a financial mechanism for the purchase, rehabilitation and leasing of half of the 1,200 housing units located in the historic district. Savannah Landmarks is using preservation to encourage community-wide support for this effort to enable low income tenants to remain in the area in decent housing.

As I mentioned earlier, the National Trust is especially concerned that two HUD programs authorized by the Congress this past year, Livable Cities and Neighborhood Self-Help Development, be realistically and sufficiently funded through supplemental appropriations for fiscal year 1979 and through appropriations for fiscal year 1980.

As constantly reaffirmed through the experience of the National Trust in its grants programs and the experience of preservationists in local communities, both the Livable Cities and Neighborhood Self-Help Development programs have the potential to stimulate private and public investment in local projects which are minimally assisted by federal grants. From our experience with our own Consultant Service Grants, we know that a small amount of "seed" money can go a long way. In 1975 we provided a $1,250 grant to the Historic Pullman Foundation, Inc. of Chicago, Illinois as part of its effort to save the Florence Hotel. The Florence was saved, which was for us more than ample return on our "investment." However, in retrospect this one project did

much more, as it gave this organization a chance to develop leadership, to gain experience in fund raising and real estate and to make valuable contacts. Today Historic Pullman Foundation is a cosponsor with the City of Chicago of a $350,000 UDAG grant that is part of a $20 million overall revitalization project in North Pullman. For its part, Historic Pullman will itself renovate 18 abandoned houses, a project that the National Trust has committed a $50,000 loan to support. The Foundation also packaged for private investors a project to adaptively reuse a factory complex that will include 425 residential units plus commercial and recreational space for neighborhood residents.

As we indicated in our comments on the Livable Cities Act to the House and Senate Authorizing Committees last summer, the National Trust enthusiastically supports this program because it demonstrates Federal recognition of the value of artistic, cultural and historic considerations to neighborhood and urban revitalization. Furthermore, it encourages the integration of a consciousness of good design in urban revitalization activities. We believe that, with the incorporation of the successful qualities of the predecessor program developed by the National Endowment for the Arts, this new HUD program will have a positive influence on the quality of life in our nation's cities and towns. I feel that it is important to stress, however, that particular aspects of the program conducted by NEA were considered to have been crucial to its success. Accordingly, we hope that an uncomplicated

application process, receptiveness to innovative projects, and, most importantly, the potential of a project to leave a lasting mark on a community be continued by HUD and NEA as they jointly administer this expanding program.

We believe that the amount appropriated for the Livable Cities program should not be less than $5 million.

Among the 155,000 members of the National Trust are some 1,600 organizations, many of them active in neighborhood conservation. Initiated with the assistance of a grant from the NEA, the National Trust serves as a clearinghouse for information on neighborhood conservation. We will continue this service in response to the need expressed at the grass roots level. Additionally, as I mentioned, the National Trust's grant and loan programs assist a variety of neighborhood conservation efforts.

Because the National Trust and the preservation community recognize that neighborhood conservation must be a principal component in the effort to revitalize our cities, we support adequate funding for the Neighborhood Self-Help Development Program. We are convinced that organized citizen action must be the cornerstone of a national neighborhood conservation movement. Local citizen organizations represent a tremendous resource in the struggle to combat urban problems.

We believe that the success of neighborhood groups, like those I discussed a moment ago, often operating on a shoestring budget, offers a valuable illustration of how local organizations effectively have acted to foster neighborhood conservation.

As organizations such as these are conventionally limited in funds for preparing and implementing neighborhood development, conservation and revitalization projects, it is most important that the Subcommittee recommend full funding of $15 million for the Neighborhood Self-Help Development Program. Such support is crucial to the continued existence and effectiveness of these groups.

Mr. Chairman, as a private sector partner in the development of our national urban policy, the National Trust urges the Subcommittee to recommend full implementation of these two programs which have emerged as tangible evidence of the Congress' commitment to efficient, good quality urban revitalization. We strongly believe that these programs will make an impact significantly greater than the limited resources required to implement them--particularly important in this time of fiscal constraints.

Thank you.

WITNESSES

DR. JAN DILL, INSTITUTE OF HAWAII
DR. ALBERT JONAS, DEAN, SCHOOL OF VETERINARY MEDICINE, TUFTS UNIVERSITY
KEN SCHLOSSBERG, WASHINGTON REPRESENTATIVE, TUFTS UNIVERSITY

Mr. BOLAND. Are Dr. Jan Dill from the Oceanic Institute of Hawaii, and Dr. Albert Jonas, Dean of the School of Veterinary Medicine at Tufts University here?

Dr. JONAS. On behalf of Dr. Jean Mayer, President of Tufts University, and Dr. Muruane, Vice President of the Development Office, I would like to express my appreciation for the opportunity to testify on behalf of what I believe is an important scientific project.

Veterinary medicine and terrestrial agriculture are intimately linked together. The high production of animal protein and animal products are, to a large extent, related to major gains in disease diagnosis and control, preventive medicine, improved genetics, and nutritional advances. The control, though not the elimination, of devastating diseases such as bovine tuberculosis, brucellosis or undulant fever, hog cholera, and Newcastle disease should remind us of our vulnerability to massive economic loss when these and other diseases afflict farm animals and of the essential role which veterinarians play in agriculture.

A new frontier for agriculture and the veterinary profession is now emerging—the oceans, seas, lakes, and streams of the United States and the world. Aquaculture, the cultivation of vegetable and animal forms in these water environments, is of major potential benefit to our country. However, our knowledge remains far behind that associated with terrestrial agriculture.

To successfully utilize aquaculture opportunities, we must carefully evaluate and expand our professional resources. Scientists must ask the right questions so that we can best solve the mystery of how to economically harvest the bounty of water environments. Classically trained nutritionists, geneticists, biochemists, microbiologists, animal pathologists, theologists, oceanographers, marine biologists, population dynamicists, and ecologists are all necessary in the effort to address this question.

The Tufts University School of Veterinary Medicine, a newly-established institution serving the New England region and the Nation, and the Oceanic Institute in Hawaii are committed to this exploration. The investigation requires the recruitment of a young staff seasoned with experienced investigators and a physical as well as an intellectual environment conducive to this research goal.

Tufts is a unique veterinary school in that it is located in the heart of one of the most active research communities in the world, Boston, Massachusetts. The school can draw on the expertise of scientists at the recently funded USDA Nutrition Center also at Tufts, the several medical and dental schools in the area, and the many prestigious marine biological laboratories in New England.

The "one medicine" approach to be used in the basic science curriculum of the veterinary, medical, and dental schools at Tufts will result in a major increase in faculty depth and breadth. In addition, the Commonwealth of Massachusetts has deeded to Tufts a 634-acre campus for the Veterinary School located in Grafton, Massachusetts, near Worcester. Grafton will have a large animal hospital facility, research space, and environmental laboratory space to undertake aquaculture experimentation. This site is located only 40 minutes from the Boston campus, is close to major scientific institutions in the Worcester area, and is just a short distance from thousands of miles of Atlantic coastline.

Similarly, the Oceanic Institute has unique geographical attributes, an affiliation with the University of Hawaii College of Tropical Agriculture, and the facilities and program capability to carry out lengthy and logistically complicated experiments.

The proper development of aquaculture resources demands expertise in disease diagnosis and control as well as nutrition. The Tufts University School of Veterinary Medicine and the Nutrition Center will have the necessary expertise to successfully develop this kind of programming. We therefore respectfully request your serious consideration of the proposal before you.

I would personally like to thank the Committee Members for their support of the Veterinary School.

[Dr. Jonas' complete statement follows:]

TUFTS UNIVERSITY

School of Veterinary Medicine

Office of the Dean

TESTIMONY OF DR. ALBERT M. JONAS, DEAN
TUFTS UNIVERSITY SCHOOL OF VETERINARY MEDICINE, BOSTON
APRIL 26, 1979

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Dr. JONAS. Mr. Dill would like to make his statement.

Dr. DILL. My name is Jan Dill and I am responsible for education and training programs at the Oceanic Institute in Waimanalo, Hawaii. Originally, we had planned to have Dr. Robert Shleser, our director of Research and Aquaculture Coordinator, speak to you today. Unfortunately, a previous commitment to work on a joint program with the Southeast Asian Economic Development Commission in the Philippines prevents his being here.

The Oceanic Institute, in collaboration with experts from Tufts University, the University of Florida, Texas A&M, Reed College, the University of Houston, the University of Hawaii, and CNEXO in Tahiti, proposes to establish a multidisciplinary scientific research effort focusing on the culturing of a single aquatic species, marine shrimp. We feel the potential for the needed expansion of production in aquaculture similar to the dramatic increases agriculture has sustained over the years await the solution of some of the basic research problems this cooperative effort has as its focus.

It is our belief that the solution of the basic research problems in the marine shrimp, such as we are presently proposing, will find application in the culturing of other species and, most importantly, serve as a demonstration of the practical achievements that can be made by focusing cooperating basic research in such a manner.

The attached program proposal goes into detail regarding the marine science program and its effect. I wish to take just a moment to highlight certain aspects of the concept.

There is increasing need to expand aquaculture in the United States. Factors such as increasing U.S. and world consumption, growing concern regarding the world fisheries catch, balance of payment pressures relating to importation in to the United States of foreign seafood, coastal pollution problems, and the general inefficient use of energy by traditional fishing methods have made aquaculture increasingly a matter of national concern.

Present aquaculture production in the United States provides only 3 percent of all the fish and shellfish consumed in the United States. Significant expansion of this production is plagued by several interrelated scientific, legal, and financial problems.

A central barrier which forms the focus of this proposal has been the inadequate support of basic research related to appropriate success suitable for aquaculture. Most existing programs of research focus on production, and the problems which are encountered are solved basically by trial and error and for specific cases rather than from an understanding of the cause-effect relationships that are essential to management. Much research money has been spent on achieving such limited solutions—money which could be better spent on obtaining the basic knowledge necessary to develop more generally applicable solutions.

The objective of the proposed program is to create an incentive for excellent scientists to apply their skills and technical capabilities to solving basic problems that affect the development of aquaculture. Selection of a single target species, marine shrimp, will allow the participants to follow a unified program of problem-solving, relating to an important species suitable for aquaculture.

Because the scientific resources necessary for such an endeavor are spread throughout the United States, each of the cooperating

institutions will be responsible for specific areas of basic research related to the culturing of marine shrimp and coordination will be undertaken by the Oceanic Institute.

Problem areas such as nutrition, larval feeding, reproductive physiology, genetics and breeding, and problems of disease will be the focus of the cooperating institutions. Each investigator will use the most appropriate techiques available in their field of expertise to solve the varied but interrelated problems which hamper the optimal culturing of marine shrimp. Such a scientific research process overlaying the existing production system will improve the reliability and thus the economics of production.

It is likely that solving production problems for this one species of crustacean will have applicability to other species such as crabs and lobsters, as well as general applicability in terms of methodology to other aquatic species.

Multi-institutional, it is our conviction that the proposed multidisciplinary basic research program we are proposing for the marine shrimp will have a series of interrelated consequences. One, it will provide the necessary basic scientific problem-solving for efficient production of an economically important marine species.

Two, there is a high probability that the answers to problems in the rearing of marine shrimp in the proposed areas of study will have immediate and direct application to important related crustaceans such as lobsters and crabs.

Three, the type of multi-institutional cooperative basic research we are proposing for marine shrimp will serve as a model for efficient future basic research programs aimed at focusing the best scientific minds in the United States on the crucial scientific problems involved in aquaculture development.

Finally, the proposed program should have direct, positive, economic consequences both in the commerical development of specific species it deals with, and the development of the aquaculture industry in general in the United States.

[The complete statement and additional information follows:]

Statement of Jan Dill, representing the Oceanic Institute of Waimanalo, Hawaii, before the House Subcommittee on HUD-Independent Agencies Appropriations -- April 26, 1979

My name is Jan Dill and I am responsible for education and training programs at the Oceanic Institute in Waimanalo, Hawaii. Originally, we had planned to have Dr. Robert Shleser, our Director of Research and Aquaculture Coordinator, speak to you today. Unfortunately, a previous commitment to work on a joint program with the Southeast Asian Economic Development Commission in the Philippines prevents his being here.

The Oceanic Institute, in collaboration with experts from Tufts University, the University of Florida, Texas A&M, Reed College, the University of Houston, the University of Hawaii, and CNEXO in Tahiti, proposes to establish a multi-disciplinary scientific research effort focusing on the culturing of a single aquatic species, marine shrimp. We feel the potential for the needed expansion of production in aquaculture similar to the dramatic increases agriculture has sustained over the years await the solution of some of the basic research problems this cooperative effort has as its focus.

It is our belief that the solution of the basic research problems in the marine shrimp, such as we are presently proposing, will find application in the culturing of other species and, most importantly, serve as a demonstration of the practical achievements that can be made by focusing cooperating basic research in such a manner.

The attached program proposal goes into detail regarding the marine science program and its effect. I wish to take just a moment to highlight certain aspects of the concept.

There is increasing need to expand aquaculture in the United States. Factors such as increasing U. S. and world consumption, growing concern regarding the world fisheries catch, balance of payment pressures relating to importation into the United States of foreign seafood, coastal pollution problems, and the general inefficient use of energy by traditional fishing methods have made aquaculture increasingly a matter of national concern.

Present aquaculture production in the United States provides only 3 percent of all the fish and shellfish consumed in the United States. Significant expansion of this production is plagued by several inter-related scientific, legal, and financial problems.

A central barrier which forms the focus of this proposal has been the inadequate support of basic research related to appropriate

success suitable for aquaculture. Most existing programs of research focus on production, and the problems which are encountered are solved basically by trial-and-error and for specific cases rather than from an understanding of the cause-effect relationships that are essential to management. Much research money has been spent on achieving such limited solutions--money which could be better spent on obtaining the basic knowledge necessary to develop more generally applicable solutions.

The objective of the proposed program is to create an incentive for excellent scientists to apply their skills and technical capabilities to solving basic problems that affect the development of aquaculture. Selection of a single target species, marine shrimp, will allow the participants to follow a unified program of problem-solving.

Because the scientific resources necessary for such an endeavor are spread throughout the United States, each of the cooperating institutions will be responsible for specific areas of basic research related to the culturing of marine shrimp and coordination will be undertaken by the Oceanic Institute. Problem areas such as nutrition, larval feeding, reproductive physiology, genetics and breeding, and problems of disease will be the focus of the cooperating institutions. Each investigator will use the most appropriate techniques available in their field of expertise to solve the varied but inter-related problems which hamper the optimal culturing of marine shrimp. Such a scientific research process overlaying the existing production system will improve the reliability and thus the economics of production. It is likely that solving production problems for this one species of crustacean will have applicability to other species such as crabs and lobsters, as well as general applicability in terms of methodology to other aquatic species.

Multi-institutional, it is our conviction that the proposed multidisciplinary basic research program we are proposing for the marine shrimp will have a series of inter-related consequences. One, it will provide the necessary scientific problem-solving for efficient production of an economically important marine species. Two, there is a high probability that the answers to problems in the rearing of marine shrimp in the proposed areas of study will have immediate and direct application to important related crustaceans such as lobsters and crabs. Three, the type of multi-institutional cooperative basic research we are proposing for marine shrimp will serve as a model for efficient future basic research programs aimed at focusing the best scientific minds in the United States on the crucial scientific problems involved in aquaculture development.

Finally, the proposed program should have direct, positive, economic consequences both in the commercial development of specific species it deals with, and the development of the aquaculture industry in general in the United States.

Proposal for

THE AQUACULTURE SCIENCE PROGRAM

INTRODUCTION

The continued growth of the world's population and the consequent steady increase in the demand for protein have made all of us more aware of the tremendous resource potential of the seas. Recent experience, however, indicates that simply increasing the world's fish catch is neither prudent nor, in many cases, possible. Despite a general agreement that we will turn more and more to the oceans for our food supplies, there has been no adequate endeavor to determine the efficacy of various approaches to harvesting that supply. Indeed, we do not even know if such action is feasible at this time.

The advances in agriculture serve as an appropriate model which we should strive to emulate in the seas. A comparable "green revolution" of the seas, whose purpose would be to increase the yield of marine species in the same way that scientific achievements have affected agricultural output through the development of new strains, should be made a national priority. Fish and other seafood species should now be added to the traditional list of animals farmed (not just collected) for human consumption. It seems logical that if we can mobilize our research resources in aquaculture, we can achieve a dramatic increase in our ability to utilize the wealth of the oceans to feed a hungry world.

The program outlined in this document proposes to establish a multidisciplinary scientific research effort, to focus on the culturing of a single aquatic species. Such a program will not only help solve basic-research problems for that species, but also serve as a demonstration of the achievements that can be made by focusing basic research, and as an incentive for investments in similar programs, for other species and by other organizations.

THE JUSTIFICATION FOR AQUACULTURE

World Seafood Consumption. On a world-wide basis, we can expect a shortage of fishery products within the next decade if the current population trend continues.

The world population is presently 4 billion, and it is expected to reach 6 billion by the year 2000. The world per capita consumption of fish averages about 28 pounds per year, ranging from less than one pound per year in Nepal and Afghanistan to around 150 pounds per year in Japan and Iceland.

World Fisheries Catch. Traditional stocks of marine resources, once thought to be unlimited, are now estimated by some experts to be capable of yielding a maximum global harvest of 100 to 150 million metric tons (mmt) per year. More conservative estimates rarely exceed 100 mmt, including that of the U.S. National Oceanic and Atmospheric Administration, which estimates that the 100 million figure will be reached by 1980. World fish catches currently exceed 68 mmt, and have hovered around 70 mmt for several years. It appears, then, that the world catch is starting to level off, and has definitely declined for selected species.

U.S. Seafood Consumption. In the United States, the per capita consumption of fish and shellfish was about 12.8 pounds in 1977, and is projected to rise to 15.2 pounds by the year 2000. From 1975 to 1980, the total U.S. demand for shrimp alone should increase by 13%, and by 2000 it will most likely have increased by 70%. Similarly, by the year 2000, the demand for salmon and trout is predicted to rise by 75%, and the demand for catfish to rise by 84%. The projected year 2000 demand for all fish and shellfish combined is expected to exceed the 1975 demand by 80%, an average annual increase of 3.4%. This compares with the projected annual increases in demand for most other types of animal protein: 2.7% for pork, 3.0% for beef, 3.6% for mutton and lamb, and 4.1% for poultry.

U.S. Fisheries Catch. For the United States, as for the world overall, most traditional fisheries resources are already being harvested at or near the optimum sustainable levels. In addition, the 200-mile fishery zones recently adopted throughout the world have created a chaotic situation where certain marketable marine products are less available to U.S. fisheries, or are available only at increased prices (due to penalties, duties, etc., paid to the countries claiming those fishing grounds). Even allowing for the introduction of nontraditional species into the market, the domestic supply of seafood available for the projected demands of the United States will probably be severely limited. This will lead to further increases in consumer prices, an inadequate supply of domestic seafood products, and increased seafood importation.

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U.S. Seafood Importation. In 1977, 4.5 billion pounds or 60% of the U.S. domestic supply of seafood was imported. This preponderance of imported aquatic goods is detrimental to the United States' seafood balance of payments and the value of the dollar, and is absurd in a country bordered by two oceans and a gulf, and having such an extensive river system as we have.

Energy and Seafood Production. Fish is eighth of nine food groups in its ratio of energy content to energy used for production. But for the ratio of energy use to protein content, fish has first place of the nine food groups, and is more efficient than meat and poultry by about one-third.

Coastal fishing is reasonably energy efficient, having about the same energy use level as milk from grass-fed cows. However, the United States' coastal fishery resources have been poorly managed and so are considerably overfished. Coupled with the new 200-mile fishery zones (which mark many traditional U.S. fishing grounds as other nations' property), the situation has forced many U.S. fishermen further and further from our domestic shores in search of fish and other seafood. This distant-water fishing is one of the least energy-efficient means of food production, and can be compared to feedlot beef production. Aquacultural cultivation of fishery products on and near land will eliminate the extravagant use of vessel fuel required in distant-water fishing; but as the products are cultivated more intensively, aquaculture's energy cost of production will rise accordingly.

Still, the energy efficiency of aquaculture is not out of line with that of similarly intensive agricultural production (40% of the energy used in the United States is for food production of all kinds). And with the low food conversion ratio of seafood products, aquaculture remains an energy bargain as a producer of protein. The food conversion ratio for species such as trout and salmon is about 1.1 pounds of dry food to one pound of fish product, compared with 10 pounds of food to one pound of beef product. One published document states that "one acre of a good estuary area can produce 100 tons of seafood, while one acre of top quality pasture can yield only 100 to 250 pounds of beef."

An additional bonus is the healthful high protein/low fat content of seafood products. Traditionally, the United States has been a beef-eating nation, and so public support

for fish farming has been lacking. But as people become increasingly aware of the health benefits of seafood, new interest in seafood and its culture can be expected.

Foreign Efforts in Aquaculture. Many countries in the world are far ahead of the United States in developing aquaculture. Countries such as Japan, China, Yugoslavia, Indonesia, and Malaysia spend more money (relatively and, in some cases, actually) in aquaculture research, and consume much more cultured seafood (pound-wise and percentage-wise) than the United States. One document reports:

> In some parts of the world, aquaculture production contributes significantly to human protein consumption. The greatest growth of aquaculture has occurred in countries with high levels of technology and risk capital, rather than in poor and protein-short nations. In Japan, production increased from 110,000 metric tons (mt) in 1971 to 500,000 mt in 1975 /and has doubled again in the last three years/; Israel obtains just under half of her finfish from culture, an amount that totalled 10,330 mt in 1974. These foreign achievements, and a series of laboratory-level and field successes in U.S. government and academic institutions, have increased enthusiasm for commercial aquaculture. Ocean ranching has become an important industry in Japan and in the U.S.S.R., having grown at an average annual rate of 7.3 percent in the last 20 years. These two countries combined released approximately 2 billion juvenile Pacific salmon from hatcheries in 1976. This represents a fourfold increase in the number of juvenile salmon released over the last 20 years and a potential harvest of about 40 million adult salmon by 1980.

Having recognized the potential for aquaculture development, these other countries are making heavy investments in it. Japan, for example, has established a seven-year coastal fisheries development program, and has allocated $333 million to develop aquaculture. Canada has committed $300 million to an ambitious aquaculture program for restoring British Columbia salmon stocks, and recently Mexico launched a $1 billion fisheries program, of which over $200 million will be for aquaculture.

U.S. Efforts in Aquaculture. Although the United States has great potential for developing aquaculture, it is presently lagging. In contrast to the efforts of other countries, U.S. aquaculture efforts and investments have been small and insignificant for many years. While aquaculture efforts world-wide account for 10% of the world's total fisheries production, aquaculture in the United States provides only 3% of all the fish and shellfish consumed in the U.S. Of the total world aquaculture production

of 6 million mt in 1975, the United States produced only 65,000 mt. The world's aquaculture production may reach 50 million mt by the year 2000; the United States' share of it could reach 250,000 mt by 1985 and, with proper support, one million mt by 2000. In the meantime, however, the U.S. continues to import over $2 billion worth of seafood products each year, a good portion of which could be produced domestically, given a better developed aquaculture industry.

U.S. Recognition of Aquaculture's Potential. Despite the slow development of aquaculture in the U.S. so far, many prestigious people and organizations within the United States have recognized the significant potential for an American aquaculture industry: numerous Congressmen, the National Academy of Sciences, the National Oceanic and Atmospheric Administration, the Agency for International Development, the Food and Agriculture Organization of the United Nations, and the State of Hawaii, for example. That aquaculture will be an important new industry for the United States has also been recognized by the U.S. Department of Agriculture; the Food and Agriculture Act of 1977 (PC 95-113) includes aquaculture in the activities of that department.

During the period 1976 to 1978, numerous pieces of legislation have been proposed in the U.S. House and Senate that support expansion of aquaculture in the United States. The legislation provided for demonstration programs, loans, insurance, and support for other activities related to aquaculture production. The various initiatives were consolidated in a Senate bill (S 3408), which was approved by the House and Senate in October 1978. Although vetoed by the President this past year (1978), the bill is expected to pass in 1979. Most existing programs and the new legislation focus on production.

PRESENT DEVELOPMENT OF AQUACULTURE IN THE U.S.

Although U.S. government support of aquaculture has been small, some very good research has been done, basic know-how is available, and the feasibility of culturing some species has already been proven.

Present Production. On an annual basis, the U.S. aquaculture industry produces 48 million pounds of catfish, 2.6 million pounds of clam meats, 10 million pounds of crawfish, 17,000 pounds of freshwater prawns, 20 million pounds of oyster meats,

one million pounds of pen-cultured salmon, 60 million pounds of hatchery-released salmon, 800,000 pounds of shrimp, and 30 million pounds of trout. The above figures may seem impressive, until they are compared with the aquaculture production of other countries such as Japan, which cultures 11-1/2 times as much seafood as the U.S. Clearly, the United States has a long way to go to catch up with the world's leaders in aquaculture.

Inadequate Financial Support. Probably the most important factor which has retarded the growth of U.S. aquaculture has been the inadequate financial support of research. The present total support for aquaculture research in the United States is less than $10 million, which supports dozens of programs in many states; $50,000 is considered a large program. In contrast, through the years the U.S. has contributed one-third of the world's total investment for publicly supported agriculture research, and consequently has a very highly developed and productive agriculture industry. In agriculture, the solution of a difficult scientific problem requires a great deal of infrastructure support: land, animals, maintenance, personnel, plus sophisticated equipment and laboratory facilities. Since aquaculture as an industry is relatively new, and needs similar extensive infrastructure support but has lacked similar funding, to date most work has been at a very simplistic level.

Lack of Scientific Rigor in Aquaculture. A direct result of the meager financing of aquaculture research has been a lack of scientific rigor in that research. Most existing aquaculture programs focus on production, and the problems which are encountered are solved basically by trial-and-error and for specific cases rather than from an understanding of the cause-effect relationships that are essential to management. Much research money has been spent on achieving such limited solutions, money which could be better spent on obtaining the basic knowledge necessary to develop more generally applicable solutions. Research initiatives have been limited and in most cases lacked the focus of solving problems most crucial to a new industry.

This lack of focus is not surprising. To date there has been virtually no incentive for highly trained, capable investigators to become involved in aquaculture or to address any priority problems in the field. Generally, scientists investigating the most current problems in their field need substantial support for their programs. This support is usually available from the National Science Foundation, the National

Institute for Health, or private sources; and the investigators usually select problems of interest with little concern for species or potential relationships to food production. In other cases, the researchers have chosen to study species that they thought would be appropriate for aquaculture, neglecting those species whose appropriateness--in terms of production and marketing--has already been proven.

In the past, the clear imperative of national defense involved the best scientists in the United States in the field of nuclear energy. A similar imperative for aquaculture (especially as it relates to energy conversion and efficiency) would probably spur some small portion of interest for aquaculture-related research. Such a mandate from the U.S. government should consist of special legislation creating monies to be used for an experimental program of basic science in aquaculture. Clearly demonstrated success with one test species would have the effect of creating incentives for public and private support for other programs with other species.

The National Research Council report, World Food and Nutrition Study: The Potential Contributions of Research, stressed the importance of basic research in developing food resources. It warned that "the United States has not given adequate attention to the long lead time required in bringing basic research to application." The report refers to food production in general, as the following passage will indicate; however, its recommendations can be most aptly applied to aquaculture production and research in particular, since aquaculture is a relative newcomer requiring a great deal more basic research before it can begin to catch up with the other means of food production (agriculture, husbandry, etc.)

> *The Role of Research*
>
> The role of research is to broaden the range of choices available to all who influence world food supply and nutrition: farmers, consumers, agribusiness managers, health service personnel, government officials, and politicians. Sustaining a flow of improved choices to these decision makers is crucial if world hunger and malnutrition are to be reduced by the end of the century. In stressing this, we do not wish to promote the notion that research and development will solve world food problems, only that it is an essential part of the solution. Many other factors must be considered in guiding research into productive paths and in applying the improved options that research makes possible. These options must, of course, fit well into particular development contexts. Moreover, even when they do fit well, difficult and time-consuming adjustment processes may be required for existing systems to accommodate new ways of doing things. Many of these complicating factors are themselves in need of research that can identify

better ways of coping with them. Research is needed to improve the results that are attainable with limited resources, recognizing the important role that adequate resources and policy play in development.

THE RESEARCH SPECTRUM

The improvement of food systems, from production through consumption, requires a continuum starting with adapting existing technologies and resources to local needs, moving to improving technologies within the limits of available scientific knowledge, and ending with a search for new scientific discoveries that extend the biological, physical, and social limits of knowledge. Fundamental work with large potential to improve technology should be pursued now because results typically will not affect food supplies for 10 or 20 years.

Research is particularly important to improve development policies and organizations in order to assure that technologies affecting food production and consumption are appropriate to the social and economic goals and environments of each country. The kinds of technologies used in the developing countries influence the relative shares of national income received by the poor and hence the degrees of poverty and malnutrition. This consideration underlies our selection of research and development priorities. We stress biological innovations, farming systems, and risk-reducing technologies that will most benefit the lowest-income farmers and farm laborers. We also emphasize research that concentrates on those who are malnourished; that illuminates the socioeconomic effects of organizational, policy, and technology choices; and that helps to reconcile food needs with requirements for conserving and enhancing the earth's natural resources.

THE IMPORTANCE OF MORE BASIC RESEARCH

Large-scale improvements in technology are needed to achieve long-term goals such as: a sustained 3 to 4 percent annual growth rate of developing country food production; a reduced dependence worldwide on chemical and other energy-intensive production inputs; and a major improvement in the nutritional status of the world population. Applied research to provide technologies and policies needed to advance toward such goals is severely constrained by a lack of scientific knowledge about biological and behavioral factors.

It is essential to pursue basic research that can be useful in removing impediments to *worldwide* technological gains, and to accelerate gains in fundamental knowledge that bear upon specific applied research problems. For example, basic genetic research may provide plants and microorganisms with the capacity to fix nitrogen. Applied research would then make it possible to introduce this yield-determining characteristic into crops grown around the world.

/This point will be given more emphasis in a later discussion./

GAINS FROM RESEARCH

Analyses of investments in agricultural research generally indicate that returns have been several times those usually realized by other types of industrial or developmental investment. Evenson's study (1975) of average benefits from wheat and rice research in some two dozen

> countries estimates that, for the period 1948 to 1971, each dollar of basic agricultural research generated, after 8 to 10 years, an annual benefit of about $80 in developing countries and $31 in high-income countries. The equivalent estimates for applied or developmental agricultural research were about $60 and $7. These estimates must be interpreted with caution, but they are evidence that the annual returns from investment in research on food production may be as much as 40 to 60 percent in the developing countries.
>
> Studies indicate that a major factor in the higher rate of return from research investment in the developing countries is the large potential for using and adapting knowledge from research performed elsewhere. Studies also indicate that a developing country needs a significant research capacity of its own to profit from outside research. The strength of exchanges between national research and outside research, and between farmers and researchers, is a key determinant of the return from national research.

/As an example, the report states:/

> Basic bacteriological studies led to using urea and other nonprotein nitrogens as feed supplements for ruminants, thereby substantially reducing the cost of beef. These supplements currently substitute for some of the protein in ruminant rations, and thus free natural proteins, such as soybean meal, for human consumption. Basic research on antibiotics has been applied to animals in the United States, with a reported annual savings of approximately $1 billion. Such examples are numerous.

The options for improving our foods systems using aquaculture are spectacular compared with more traditional approaches.

Recommendations for Development in Aquaculture. Assuming that the basic research approach is correct for aquaculture, one must next decide which of the disciplines relevant to aquaculture should be pursued. In its report, Aquaculture in the United States: Constraints and Opportunities, the National Academy of Sciences has taken a positive point of view on this situation, and made a number of recommendations concerning aquaculture's need for additional:

- Research to determine the nutritional requirements of culturable species throughout their life cycles (Chapter 2).
- Research to improve understanding of mass culture in order to increase control over behavior and reproductive processes so that the necessary stocks of seed or juvenile organisms can be developed (Chapters 1 and 2).
- Research on the genetic characteristics of culturable species in order to develop strains possessing desired characteristics and to preserve natural and domesticated brood stocks (Chapter 2).

- Research to improve knowledge of disease organisms and to develop appropriate disease control techniques (Chapters 1 and 2).
- Research to determine the effects of water quality and the physical environment on cultured species so that techniques may be developed to maintain an optimal environment (Chapters 1 and 2).
- Establishment of appropriate procedures for registration of all exotic transfers for aquaculture and for effective quarantine to prevent introduction of disease (Chapter 2).

THE PROPOSED PROGRAM

Method of Approach. The objective of the proposed program is to create an incentive for excellent scientists to apply their skills and technical capabilities to solving basic problems that effect the development of aquaculture. Selection of a single target species, marine shrimp, will allow the participants to follow a unified program of problem-solving. Each investigator will use the most appropriate techniques available in their field of expertise to solve the varied but interrelated problems which hamper the optimal culturing of marine shrimp. Such a scientific research process overlaying the existing production system will improve the reliability and thus the economics of production. It is likely that solving production problems for this one species of crustacean will have applicability to other species such as crabs and lobsters, as well as general applicability in terms of methodology to other aquatic species.

The Oceanic Institute will serve as the coordinating institution for this program. It will be the scientific and administrative focal point that brings together scientists from the United States and other locations in the world to participate in solving these problems.

In some cases the desired results will be obtained by establishing tight lines of communication with existing laboratories which are working on related problems; participating scientists will be brought together periodically to discuss their methods of approach and results. In other instances, the nature of the problem to be solved will demand development of on-site and additional laboratory capabilities at specified locations. Laboratory experiments will be carried out at the Oceanic Institute, Tufts

University, and other locations where expertise and laboratory facilities most relevant to the proposed objectives are available. Field work and demonstrations will be carried out in Hawaii, both at the Oceanic Institute and at the University of Hawaii aquaculture experiment station.

Why Marine Shrimp? There are many reasons for favoring marine shrimp as the first aquaculture species to be studied in a comprehensive program of this kind. A very significant reason is that routine farming of shrimp would be economically advantageous for the United States. In 1977 (according to the U.S. Fishery Statistics no. 7500), marine shrimp was the second most important species in quantity landed in the U.S., and the first in value. That year, there was a record U.S. supply of 558.8 million pounds (heads-off), 228.4 million pounds or 48.4% of which was imported at a cost of $491,529,000. Marine shrimp is the most expensive seafood item imported by the United States, with all the repercussions on balance of payments and dollar value that that entails. The U.S. per capita consumption is 1.59 pounds per year and rising, and a well-developed domestic aquaculture effort in marine shrimp would be helpful in meeting that demand without increasing--or possibly while reducing--the imports.

There has already been some success in spawning marine shrimp in captivity, and while the hatchery and grow-out techniques are still being developed, they already consistently produce marketable shrimp. Closing the life cycle is thus technically possible; however, it is essential to improve the techniques for better reliability, survival, efficiency, and ultimately profit through more intensive basic and applied research in the specified disciplines.

Major opportunities for marine shrimp farming exist in the more tropical parts of the United States, in areas where land and manpower are seeking new opportunities. Solving the problems of this species will impact on economic opportunities for locations such as Florida, Puerto Rico, Texas, and Hawaii.

Institutional Location. The management of such a comprehensive program as the one proposed must be sited in an institution where there is a complete commitment to achieving the objective. Often one or a few very enthusiastic and committed individuals develop programs which are multidisciplinary in nature and which, because of their complexity, require the support and action of their institution's management

and administration. If that institutional support is not present, the individuals may not succeed, no matter how committed they may be.

Aquaculture research and development programs call for commitments of equipment, laboratories, lands, and most importantly a great deal of staff time. The amalgamation of all these resources and people wholly for the purpose of carrying out one program can create conflicts in a large institution with a diversity of objectives. University environments with a primary focus on education are usually subject to a complicated management system involving chancellors, deans, department chairmen, and regents. Organization of a specifically-directed multidisciplinary program is in many instances difficult because of conflicts with the needs and objectives of the above management units. Placing a basic program in a corporate framework is generally just as difficult. In situations of this kind, institutes are often established to fulfill specifically-directed programs.

The Oceanic Institute (located in Hawaii) is a private, non-profit research institution completely committed to the development of aquaculture. It has been involved in the field for many years, dealing principally with mullet, milkfish, and marine shrimp. A recent administrative reorganization has defined research and development in aquaculture as the objective of the Institute. This singular objective has been approved by the Institute's president and board of trustees, and has resulted in major expenditures to add facilities and equipment for aquaculture research.

The Oceanic Institute has a senior staff of six professionals which is supported by a staff of 34 technical and non-technical persons. Expansion of the physical facilities during the last year has seen the addition of $707,000 worth of construction to provide new laboratories and facilities for the proposed program. This expenditure complements the existing physical plant committed to aquaculture, which is valued at more than $3 million.

Tufts University (Massachusetts). In 1978, having recognized the emerging role of aquaculture in world food production and the importance of basic research to its development, Tufts University approached the Oceanic Institute to establish joint programs in aquaculture. After many discussions about the objectives of the two institutions, it was clear that involvement by Tufts could impact heavily on and complement the objectives of the Oceanic Institute, in both ongoing programs and new ones.

Tufts' planned School of Veterinary Medicine is being designed to address international needs, so one natural "mission" of the school is to be aquaculture. An informal survey of U.S. veterinary schools has shown that veterinarians receive virtually no education regarding marine species. They can, however, contribute significantly to the study of fish diseases, nutrition, and reproduction. The new school at Tufts, with a strong post-graduate program, hopes to influence some of its veterinarians to pursue careers in aquaculture.

With the recent founding of its Nutrition Institute, Tufts has identified its commitment to the food and nutrition program. The U.S. Department of Agriculture is financing a nutrition laboratory to augment the Nutrition Institute, which will employ about 50 scientists and their support staff. This major resource in conjunction with the Veterinary School will certainly lend tremendous diversity and expertise to the entire field of aquaculture. Scientific work on the determination of the nutritional requirements of aquatic species will be carried out at Tufts, or by Tufts scientists working in Hawaii, as the needs of the work require.

Affiliation with the Oceanic Institute provides a means of carrying out specific programs in aquatic nutrition, disease, and reproduction. Researchers at Tufts will provide professional guidance to more junior personnel at the Oceanic Institute, as well as carry out more sophisticated kinds of analysis that are beyond the scope of the Oceanic Institute.

The University of Hawaii College of Tropical Agriculture has recently identified aquaculture as a new initiative, in response to rapidly developing State interest in aquaculture. In order to establish a foundation for a production-oriented program, the State of Hawaii has appropriated $1.7 million for construction of an aquaculture experiment station. The University's primary focus will be research on production problems of freshwater species, but the facility will also include ponds for saltwater species. The University is looking to the Oceanic Institute to provide for development and management of research and training programs on marine shrimp and other saltwater species. The production ponds and aquaculture field station capability will make it possible to carry out work on pond selection, disease, and other activities on a realistic scale.

The University is currently discussing providing academic appointments for the professional staff of the Oceanic Institute as a means of formalizing the complementary relationship.

Other Affiliations. Being a small institution with a single focus, the Oceanic Institute could not hope to expand rapidly enough to provide all the professional inputs necessary to achieve its ambitious objectives. As a result, it has established affiliations and links with other organizations in the world which are researching similar problems.

More specifically, the Institute has a formal agreement with the Southeast Asian Fisheries Development Center (SEAFDEC) in the Philippines, who are working on similar problems in tropical aquaculture. The Institute also has a formal working relationship with an interdisciplinary team of French researchers working in Tahiti at the Centre National pour l'Exploitation des Océans (CNEXO). This group has also placed a major emphasis on marine shrimp research, but is looking to the Oceanic Institute to conduct the more basic research on the problems to be described.

Texas A & M University has an outstanding group of researchers working on shrimp. Work carried out by Lawrence and Middleditch will complement the studies proposed here. The Institute has established informal relationships with Dr. Addison Lawrence and Dr. Jack Parker (of Texas A & M) to share information and perspectives, and to jointly plan experiments.

THE PROPOSED RESEARCH PROBLEM AREAS

The proposed areas of research must be specifically defined to provide focus for the program. The envisioned core programs are as follows:

Nutrition. The nutritional status of brood stock and production species has dramatic effects on all aspects of production. Lack of an adequate diet leads to reproductive failure, and stress that may result in disease or loss of production. On the other hand, an understanding of the nutritional requirements of a species (in all its growth stages) permits least-cost formulation of feeds, but will also result in the ability to better use the natural productivity of the aquatic environment to supplement the nutritional components provided by formulated foods.

The aquaculture report by the National Academy of Sciences (cited above) suggests:

> Clinical semi-microchemical techniques, used in other fields of animal husbandry for deduction of nutritional status, have not been developed for fish. Such techniques would be invaluable in determining qualitative and quantitative nutrient requirements for species that are being considered for aquaculture.

Using modern isotope techniques and other methods to determine the essential dietary components for marine shrimp, it should be possible to evaluate the potential of using locally available feedstuffs in formulating feed.

The Nutrition Institute at Tufts University is well equipped to carry out these kinds of determinations. The facilities of the Oceanic Institute provide support for the more extensive applied work that will follow, as well as stocks and animals for specific experimental studies.

Larval Feeds. An important subset of the nutrition problem is the area of larval feeds. The NAS study approaches this problem by suggesting the use of food technology methods. We subscribe to this approach, and also feel that alternative approaches such as selecting, analyzing, and developing reliable methods for the culturing of live foods may be equally promising.

To date, meeting the nutritional and food needs of shrimp larvae has been accomplished using a variety of live organisms (algae, rotifers, Artemia). Further research to determine the biochemical composition of these live foods, correlated with research on the nutritional requiments for the larval stages, will give insight into selection of food organisms appropriate for the life stages of the shrimp larvae. These determinations will have value in work on the formulation of artificial feeds.

Reproductive Physiology. The control of growth and reproduction in shrimp and other aquatic crustaceans is essential to all other aspects of the envisioned program. But the basic factors that stimulate the synthesis of hormones controlling these functions are poorly understood. To date, the development of shrimp farming has been accomplished by obtaining gravid females from the wild, or by maintaining captive populations where the control problems are overridden by techniques such as pinching off one eye (ablation) or presenting the shrimp with an array of factors (food, temperature, photoperiod) that sometimes result in gonad maturation, mating, and reproduction. However, routinely achieving reproduction and high survival rates of larvae has not been accomplished.

Studies of the biochemical and physiological control of reproduction will make possible the control of environment and diet so that the performance requirements for routinely induced reproduction can be achieved.

Genetics and Breeding. Most everyone is aware of the role of genetics in agriculture; yet there is much uncertainty about the potential role of genetics in aquaculture. Many researchers have attempted to use biochemical systems to measure genetic variability of aquatic species. At present, however, there is little or no evidence that biochemical variation can be used as a predictor of variability that will lead to the selection of economically important traits such as growth rate, feed conversion, environmental tolerance, etc. Modern biochemical techniques can, however, be used to keep track of progeny in studies that measure the heritability of these traits. We envision that geneticists participating in the program will develop genetic markers and carry out heritability studies. Combination of modern techniques of allozyme biochemistry with classical methods of studying heritability are expected to produce useful results, with considerable savings of time.

The proper location for breeding studies is in the environments where the animals will be grown. The detailed biochemical work will be carried out in conjunction with existing laboratories set up for this kind of analysis. The pond studies and biochemical monitoring work will be carried out at the Oceanic Institute.

Cryopreservation. Initial work on cryopreservation of gametes and zygotes (done at the University of Huston and other locations) suggests that such preservation of fertilized eggs and other early life stages of shrimp is possible. The fullest development of this technique will vastly extend the potential of genetic programs, and also result in a technology that will make it practical to extend shrimp farming to many regions of the world. We propose to integrate the work being carried out in Huston as part of the proposed program.

Disease. Research on aquatic diseases is one of the major needs in aquaculture. The causes of aquatic diseases are uncertain, but often disease appears to be a consequence of environmental stress or malnutrition. Studies of the etiology of disease and its relationship to other factors will require the attention of the best scientists in the field. A full microbiology laboratory with capabilities for culture of marine microorganisms and tissue culture of crustacean viruses will be essential, as will laboratory

capability for diagnostic pathology. (The laboratory has been completed; the proposed program would provide staff for this area of research.) Research on treatment of disease situations at all levels of production, and development of treatment methods that not detrimental to the various life stages and do not adversely effect the future marketability of the product, are also critically important.

Water Quality. Work in aquaculture throughout the world has shown that maintenance of water quality is the cornerstone to good production. The ability to achieve and manage the proper aquatic environment at the right cost is essential to the development of aquaculture as an industry.

At present, techniques for monitoring the various constituents of a production pond, especially in a seawater environment, are not worked out. Much work is required to adapt known freshwater techniques to marine systems. And the effects of micronutrients, dissolved organics, and trace elements on growth and survival must be assessed to establish the operating limits of aquatic ecosystems. Bioassay studies should be carried out to establish the chronic and toxic levels of various elements encountered in a culture system. With the establishment of this kind of information, management systems can be worked out to take advantage of natural pond productivity coupled with supplemental feeding.

Aquatic Ecosystem Management. To date most of the data on growth rate, feeds, and nutrition have been gathered in the laboratory. However, practical production experience has revealed that animals placed in ponds or other natural systems do not display the same performance established in the laboratory. Often performance in the aquatic milieu of a pond is vastly superior to performance seen in a laboratory setting. From the standpoint of management and economics, there are obvious advantages in managing the aquatic environment, to make use of the characteristics of aquatic organisms to improve water quality and provide supplementary food. Research in controlling aquatic ecosystems will integrate the activities of algologists, water chemists, and other aquatic biologists. In addition, the flexibility and capability to involve waste water specialists and engineers will be essential in carrying out this work.

Summary. The above survey of the research needs of one aquaculture species--marine shrimp--demonstrates an interrelationship of research fields. Without disciplined and continuous communication between the people working in these fields, there

is little hope of achieving satisfactory solutions to the problems identified. Thus a comprehensive program that focuses on many problems and involves the appropriate expertise is required.

THE AQUACULTURE SCIENCE PROGRAM BUDGET

INTRODUCTION

It is the general program plan that the Oceanic Institute serve as focal point in a network of activities to solve key problems in shrimp aquaculture. Solution of these problems will result in marine shrimp production which is routine, reliable, and reproducible.

The major difficulty in dealing with any aquatic species is arranging the necessary facilities, water systems, and laboratories in one place to provide stocks of experimental animals and carry out investigations in a manner relevant to the problems to be solved. Most facilities only provide small numbers of stocks which are usually held in artificial situations. The experimental systems of the Oceanic Institute, coupled with the large production facilities of the University of Hawaii, provide a unique opportunity to focus a variety of scientific endeavors dealing with all aspects of shrimp production.

The Problem. No institution has all the facilities, equipment, and personnel necessary to achieve a complete solution to the problems encountered in shrimp aquaculture. There are a number of investigators in the world interested in these key problems; however, most do not have the facilities, support budgets, or infrastructural support to carry out the work.

The Solution. In general, there are two classes of problems encountered in aquaculture science: (1) those which can be investigated in the laboratory without the need for seawater systems and outdoor tropical holding systems, e.g., nutrition studies,

pathological diagnoses, and economic evaluations; and (2) those which require extensive outdoor facilities and seawater systems, e.g., genetic studies, feed evaluations, management strategies, and engineering.

As a private nonprofit research institution with a major interest in developing tropical aquaculture, the Oceanic Institute has the capability of providing facilities and coordinating a program which encompasses both problem-types. The Institute, with its affiliation with the University of Hawaii College of Tropical Agriculture, and Tufts University's new School of Veterinary Medicine, with its emphasis on the disease and nutrition problems of aquatic species, can maintain stocks and carry out lengthy and logistically complicated experiments for all aspects of the program. Experiments and studies, designed by program participants from various locations in the world, can be conducted in Hawaii. The members of the interdisciplinary team would visit Hawaii as appropriate and possibly supervise senior graduate students or postdoctoral researchers who would reside in Hawaii.

International Aspects. The kinds of studies envisioned will impact not only on the United States, but are considered to be of great importance to many other countries in tropical regions of the world. This is evidenced by the affiliation between the Oceanic Institute and the Southeast Asian Fisheries Development Center (SEAFDEC) and the French program, Centre National pour l'Exploitation des Oceans (CNEXO), which is located in Tahiti. The governments of Indonesia, Malaysia, New Guinea, Thailand, and Taiwan have expressed a desire for the Oceanic Institute to carry out training programs

for their scientists so results can be transferred to their countries.

PROGRAM BUDGET

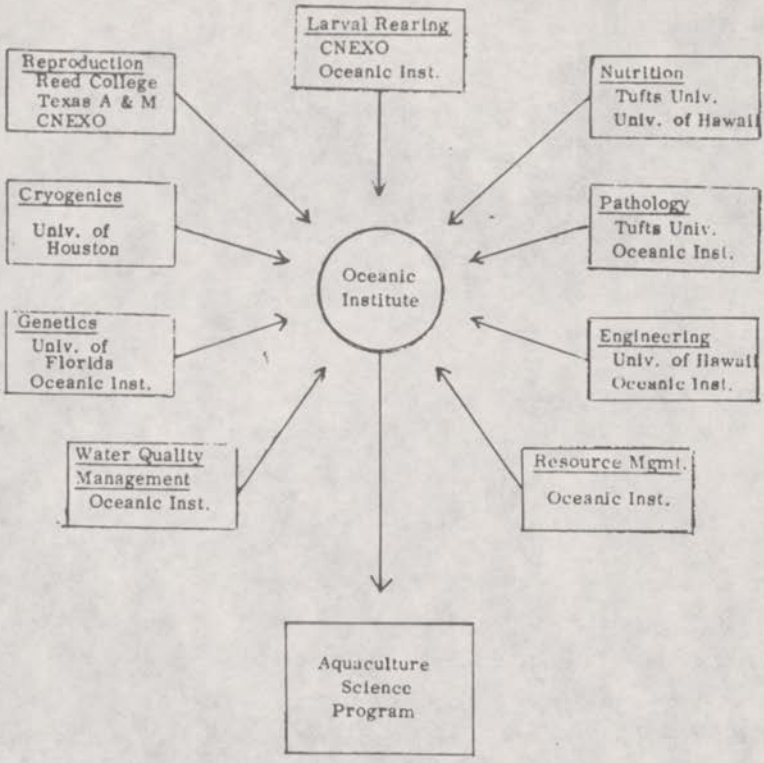
The program scope would extend over a period of four years. The budgets for Years 1 and 2 are outlined below.

YEAR 1 BUDGET

Travel Costs. During the first six months, several organizational meetings would be held in Hawaii, with participants from a number of institutions, to establish specific program needs and specific details of work to be carried out.

Program/Institu'n	Number of Participants	Est. transp. cost (round trip) per person	subtotal
1. Reproduction			
Reed College (Ore.)	1	$ 350	$ 350
Texas A&M	2	500	1,000
CNEXO (Tahiti)	2	1,200	2,400

ORGANIZATIONAL STRUCTURE



Program/Institution	Number of Participants	Est. tramsp. cost (round trip) per person	subtotal
2. Larval culture			
CNEXO (Tahiti)	(2)		
Oceanic Institute	2		
3. Nutrition			
Tufts University (Mass.)	2	600	1,200
University of Hawaii	2		
4. Pathology			
Tufts University (Mass.)	2	600	1,200
Oceanic Institute	(1)		
5. Engineering			
University of Hawaii	2		
Oceanic Institute	2		
6. Resource management (economics)			
Oceanic Institute	2		
7. Water Quality Management			
Oceanic Institute	2		
8. Genetics			
University of Florida	1	700	1,400
Oceanic Institute	(1)		
9. Cryogenics			
University of Houston (TX)	2	500	1,000
Per diem, est. 24 persons x 7 days = 168 man-days, at $35/day			5,880
		Subtotal	$14,430

Staff Salaries. To complete the program, it is best to provide for postdoctorals to be in charge of the different aspects of the program. Each such person would be committed full-time to working on the identified problems under the supervision of a senior investigator, who would provide the program's guidance and management. Also included are technician support for the scientific programs and personnel necessary for the organization and administrative upkeep of the overall program.

Position	Salary
1 program coordinator, 1/2-time at $32,000/year, + 12% fringe, + 85% overhead	$33,152
1 administrative assistant, full-time @ $16,000 per year, + 12% fringe, + 85% overhead	33,152
1 secretary, 1/2-time at $12,000/year, + 12% fringe, + 85% overhead	12,432
9 senior investigators, 1/4-time at $30,000/year, + est. 50% overhead	101,250
9 postdoctoral fellows, 1/4-time at $18,000/year, + est. 50% overhead	60,750
9 technicians, 1/4-time at $12,000/year, +est. 50% overhead	40,500
5 general staff, 1/4-time at $8,000/year, + 12% fringe, + 85% overhead	20,720
1 project director (pathology) 4/5-time, $36,800	36,800
1 administrative assistant	13,000
1 secretary	12,000
Subtotal:	$363,756

Support Facilities. The first organizational year would involve developing supplemental facilities for future program implementation. Considerable time has already been spent planning for anticipated program needs, and certain activities have been identified for the first year.

Activity	Unit Cost	Subtotal
1. Increase housing at Oceanic Institute for program participants and trainees: 3 two-bedroom cottages	$55,000	$165,000
2. Increase holding ponds for broodstock and small-scale experiments: 12 sixteenth-acre ponds	4,000	48,000
3. Complete outfitting of feeds laboratory: 2 cold rooms	5,300	10,600
1 pelletizing machine	18,000	18,000
4. Construct and equip Marine Pathology and Nutrition Laboratory at Tufts New England Veterinary School		600,000
	Subtotal:	$841,600

Operating Costs. Since most of the participants in the program would already have much of the necessary laboratory supplies and equipment, it is envisioned that only a small amount of equipment need be purchased. Also included are general support costs to maintain the experimental systems and broodstocks. Costs of supplies may be generally estimated at this time for the three months of actual work which is planned for Year 1.

1. Operating costs at $1,000/month/program, x 3 months, x 9 programs	$27,000
2. Moving costs for staff at $3,000/person, x 9 persons	27,000
Subtotal:	$54,000

YEAR 1 BUDGET SUMMARY

Travel Costs		
Transportation		$ 8,550
Per Diem		5,880
	Subtotal:	14,430
Staff Salaries		
1 program coordinator, 1/2-time		33,152
1 administrative assistant, fulltime		33,152
1 secretary, 1/2-time		12,432
9 senior investigators, 1/4 time		101,250
9 postdoctoral fellows, 1/4-time		60,750
9 technicians, 1/4-time		40,500
5 general staff, 1/4-time		20,720
1 project director (pathology) 4/5-time		36,800
1 administrative assistant		13,000
1 secretary		12,000
	Subtotal:	$363,756
Support Facilities at Oceanic Institute		
3 cottages		165,000
12 ponds		48,000
2 cold rooms		10,600
1 pelletizing machine		18,000
1 marine pathology and veterinary laboratory		600,000
	Subtotal:	841,600
Operating Costs		
Program costs, 3 months		27,000
Moving costs		27,000
	Subtotal:	$ 54,000
	TOTAL, YEAR 1	$1,259,356

YEAR 2 BUDGET SUMMARY

Travel Costs

Transportation to Hawaii and per diem, 2 trips	$ 28,860
International travel for U.S. investigators	10,000
Subtotal:	$ 38,860

Staff Salaries

1 program coordinator, 1/2-time at $32,000/year, + 12% fringe, + 85% overhead	33,152
1 administrative assistant at $16,000/year, + 12% fringe, + 85% overhead	33,152
1 secretary, fulltime at $12,000/year, + 12% fringe, + 85% overhead	24,864
9 senior investigators, 1/4-time at $30,000/year, + est. 50% overhead	101,250
18 postdoctoral fellows, full-time at $18,000/year, + est. 50% overhead	486,000
18 technicians, full-time at $12,000/year, + est. 50% overhead	324,000
20 graduate students, 1/2-time at $12,000/year	120,000
5 general staff, fulltime at $8,000/year, + 12% fringe, + 85% overhead	82,880
Subtotal:	$1,205,298

Pathology

1 project director, 4/5 time at $46,000/year, + 75% overhead	64,400
1 marine biologist, 4/5 time at $45,000/year, + 75% overhead	63,000
1 microbiologist, 4/5 time at $30,000/year, + 75% overhead	42,000
1 marine biologist/nutritionist, 4/5 time at $25,000/year, + 75% overhead	35,000

(cont'd)

4 technicians, full-time, $12,000/year each + 75% overhead	84,000
1 administrative assistant, fulltime, $13,000/year, + 75% overhead	22,750
4 postdoctoral fellows, fulltime, $15,000 each/year + 75% overhead	105,000
2 predoctoral students, fulltime, $6,000/year each, + 75% overhead	21,000
1 secretary, fulltime, $12,000/year, + 75% overhead	21,000
Subtotal:	$458,150

New Equipment

Construction of additional experimental ponds and tanks	250,000
Equipping Marine Pathology Veterinary Laboratory	350,000
Subtotal:	$600,000

Operating Costs

$1,000/month/program x 12 months x 9 programs	108,000
TOTAL, YEAR 2:	$2,371,448

FOUR-YEAR PROGRAM BUDGET SUMMARY

Year 1 costs	$1,259,356
Year 2 costs	2,371,448
Year 3 costs, at 8% increase	1,912,623
Year 4 costs, at 8% increase	2,065,632
Subtotal:	$7,609,059
10% contingency:	760,905.90
TOTAL, FOUR YEARS:	$8,369,964.90

Mr. BOLAND. I have a feeling that we have covered this before with the Scripps Oceanographic Institute and the Woodshole Oceanographic Institute and perhaps the Oceanic Institute of Hawaii.

Why aren't they doing work in this area now? Aren't they better fitted to do the job than you are at Tufts?

Dr. JONAS. This particular proposal is a consortium between a number of institutions. We are a small part of a fairly large consortium. The primary emphasis has come from the Oceanic Institute. One of the problems that I think we can deal with at Tufts is the disease component, and veterinary pathology. Veterinary medicine, I believe, can play a very unique role in this area. We are a new school able to recruit young staff that we think can play a very major role in this particular area, so I think it is an appropriate area for a new school to become involved in. I think that in conjunction with the Nutrition Center, which will be bringing in approximately 50 scientists, we will be able to put together a very significant team to take a look at this area.

We have said many times that, at least in the development of the Tufts Veterinary School, marine biology in aquaculture would be one of our focal points, and I think this fits in appropriately with that. This in no way detracts from efforts that would be carried out by Scripps or any other institute.

Mr. BOLAND. I would think that the oceanographic institutes that are now in business would have considerable expertise in this area.

Dr. JONAS. Not in veterinary pathology.

Mr. BOLAND. They could certainly develop it.

Dr. JONAS. They need to get the critical mass to develop the kinds of expertise in virology, general microbiology, parasitology and medicine, epidemiology, all of this is relating to the medical aspects of disease control. Most of the work that has been done has been done in fundamental research, conducted by theologists, non-medically oriented people, which is fine.

What we are trying to say is that, like with agriculture, and the role that veterinarians have played there, which we think is very critical, and it is fairly obvious that disease control is a very fundamental aspect of this, we think that the veterinary school can play a major role. The National Academy of Sciences, in its review of aquaculture, specifically stated that disease control is a major concern in the development of——

Mr. BOLAND. Who would provide the funding for proposals such as this? Would it be the Department of Agriculture or would we have a new Department of Aquaculture?

Dr. DILL. May I speak to that?

Mr. BOLAND. Or would it be the National Science Foundation? What is the position of the National Science Foundation?

I understand that the NSF has already looked at this program of aquaculture.

What was the position of the NSF when the legislation was passed? I think it was passed last year, and the President vetoed the bill.

Why did the President veto the bill?

Dr. DILL. I can't answer that specifically. It would be in terms of scientific research. Most of the research that has been done has

been in the applied areas, agencies such as NOAA, such as sea grant program under NOAA, and National Marine Fisheries have done research and have funded research basically oriented toward the applied problems of production.

NSF, it is our understanding, and in the preparation of this proposal we worked along their guidelines, and their specific goal is concerned with basic science. The basic scientific blocks that are stopping the development commercially of the species in this case, an important economic species, marine shrimp.

Mr. BOLAND. Is it your contention that you can't initiate these programs unless you have basic legislation which authorizes the program?

Mr. SCHLOSSBERG. Yes, sir. Let me introduce myself. I am Ken Schlossberg. I represent the same university in Washington.

Mr. BOLAND. What is your position with reference to whether or not we need authorization for the program?

I take it all you need is money, but we can't appropriate money unless it is authorized. That legislation provided for demonstration programs, loans, insurance, support for other activities related to aquaculture production, and many other initiatives. As I read through your proposal, I see the legislation was consolidated in Senate bill S. 3408 which was approved by the House and Senate in October 1978, and vetoed by the President in this past year. The bill is expected to pass in 1979.

If it is expected to pass in 1979, what is the expectation at the White House?

Dr. DILL. Our conviction is that basic blocks to the development of large-scaled commercial aquiculture in the U.S. revolve around basic scientific questions, such as questions relating to breeding, genetics, et cetera, that allows the intensive culturing of these species. We feel that in development of this concept of multidisciplinary institutional, multi-institutional program——

Mr. BOLAND. You have presented a budget which runs to about $8 million, over a 4-year period.

Dr. DILL. Yes.

Mr. BOLAND. That is no small sum of money, with approximately $1,500,000 for salaries and expenses. The 4-year total comes to over $8.7 million. Is this proposal before the NSF?

Dr. DILL. This was developed along the guidelines that they indicated to us in terms of their research purview.

Mr. BOLAND. I don't think we can go ahead and fund this proposal per se. I would hope that the Congress would not be doing this sort of thing. I think this is an area for the National Science Foundation. You say it is a research program; is that what you are saying?

Dr. DILL. That is right.

Mr. BOLAND. Have you spoken to the staff at the National Science Foundation?

I know you would like us to give you a little support; a little more money.

Dr. SCHLOSSBERG. There is no more money needed. There is money within the agency now.

Mr. BOLAND. How do they look at the proposal? I would hate to substitute my judgment for the peer review that the NSF gives to such proposals, and you wouldn't want us to do that, either.

Dr. SCHLOSSBERG. No. I think what we hoped to achieve by testifying was simply to put before you the gap that currently exists at the Federal level in aquiculture research.

Mr. BOLAND. I appreciate that, and I am sure that Marty Sabo appreciates that, too. We are grateful for your presence here.

I would have some difficulty, I would say, Dr. Jonas, in connecting aquiculture with a school of veterinary medicine. You have explained it fairly well, and perhaps I could overcome that obstacle. But, as I say, I am a little at a loss as to why we would get the proposal in this Committee, because we could not give it the time or expertise. If NSF said it is fine, we need more money, that would be a different story.

Dr. JONAS. I agree totally with what you are saying. From my standpoint, it is strictly a matter of trying to bring before this Committe information relative to the significance of aquiculture, and the importance of it. Anything this Committee can do to help fund programs that are relevant in this particular area will be appreciated.

It is very difficult; when we are talking about instituting programs of this magnitude, I think it requires a great deal of education from many sources. The question just raised about the role of veterinary medicine in aquiculture, I think, is an important example. I think it is extremely important that we all understand that, and any support that this Committee could give through NSF in support of programs like this, or this particular one, would be appreciated. We think it is a major national concern.

Mr. BOLAND. Thank you very much.

How is the veterinary school getting along?

Dr. JONAS. Fine. We are accepting our first class in the fall. We will be accepting approximately 35 students.

Mr. BOLAND. What did you take over at Grafton?

Dr. JONAS. A 634-acre campus, which was donated by the Commonwealth.

Mr. BOLAND. What was there?

Dr. JONAS. The State mental hospital. There are about 14 excellent buildings and a number of others we won't use, and we are putting in about $8 million into the Grafton site and another $8 million or $9 million into Boston for the basic science component. This particular program would be based at the Grafton site because we need the new facilities, and we would be tying in with the other diagnostic labs. You have to have a critical mass of people.

One of the problems with the areas you mentioned is to have a medical base that really is going to address these particular problems. It is a different approach.

Mr. BOLAND. We thank you very much. Give my regards to the president. He is a very distinguished citizen and one of the world's greatest nutritionists. Thank you.

WITNESS

JOE G. MOORE, JR., PROGRAM HEAD, ENVIRONMENTAL SCIENCES PROGRAM, UNIVERSITY OF TEXAS AT DALLAS

Mr. BOLAND. Now we have Joe G. Moore, Jr., Program Head, Environmental Sciences Program, University of Texas at Dallas.

You appear with respect to the EPA budget, as I understand it?

Mr. MOORE. That is correct. I am Joe G. Moore, Jr., Head of the Graduate Program of Environmental Sciences at the University of Texas. I appear here as a private citizen primarily because of positions I have formerly held in the field of water pollution control and water planning.

I would like to make it clear that the views I express do not represent those of the University of Texas at Dallas or the Board of Regents of the University of Texas system or the State of Texas. I appear because of prior association as Program Director of the National Commission on Water Quality, the Chairman of the Texas Water Quality Board from 1965 to 1968, and Commissioner of the Federal Water Pollution Control Administration, 1968 to 1969.

I was also Executive Director of the Texas Water Development Board in Texas, and prior to that I was on the staff of then Democratic Governor John Connally, handling water matters before the State Legislature.

There are five points with regard to the recommendations of the investigative staff recommendations for zero budgeting for construction grants under 208 planning.

First of all, with regard to the problem of lag in obligation of construction grant funds in the State allocations, I think it is well understood that how the money gets allocated among the States proposed problems for Congress for some years. In the original version of Public Law 92-500 in 1972, the allocations were to be based on needs. When the President withheld a major part of the funds that were to be allocated, some States suffered a drastic reduction in the funds that were allocated to those States and Texas was one of them. The allocation dropped from $95 million to $54 million under a much larger Federal authorization.

As a result of that, you now have written into the Statute in the Clean Water Act Amendments of 1977 a specific percentage for the States that allocate the construction grant money.

It is true that there have been time lags with regard to the way the money has been distributed by the Environmental Protection Agency, and that those time lags have produced problems in terms of the handling of the construction grant funds, but in the original report on the legislative history on Public Law 92-500 there was an indication these lags were to be expected in the way the money was allocated under that Statute, and those lags as reported in the legislative history to some degree are borne out in the subsequent statistics.

There were a series of tables prepared for the staff report of the National Commission on Water Quality delivered to the Congress

in April, 1976 and a series of sections of that staff report deal specifically with construction grant programs.

The material that was developed by the investigative staff is very similar to material that was presented in the staff draft report, particularly with regard to the time it takes from concept to completion of a waste water treatment plant. There was also an analysis of the month-by-month distribution of the funds through the construction grant program that reflected peaks just prior to the expiration of the Federal fiscal year.

However, I would like to emphasize that the peaks are not always the result of EPA activities. States can control the rate at which construction grant applications arrive at the EPA regional offices and therefore the rate at which they are proposed at the headquarters level. At the same time, that is prior to the 1977 Amendments, the EPA could exercise some jurisdiction over the State priority system, but under the Amendments of 1977 it appears EPA will have even less control over the way the State priority systems are established, and it is the States that primarily fix the priority of projects.

Now, as a practical matter of history, it is also true that in most instances the question of readiness to proceed determines whether or not a project moves forward, and when a State sees that it is approaching the end of a Federal fiscal year with unallocated funds, it has a tendency to slide forward those projects that are ready to proceed ahead of those that might be delayed in such a way not to lose funds that might be allocated to some other State. I don't know how you avoid that problem, but in most instances States have a priority list that run further than the available funds.

In the State of Texas 15 years ago, we were developing much longer priority lists than those for a 12-month period.

I can appreciate the fact that the Appropriations Committee is concerned about the accumulation of unobligated funds, but I think you will confront some difficulty in overcoming the percentage allocation formula that is contained in the Public Works Committee formula that was attached to the Clean Water Act of 1977. The only comment I have to make is that there were intended to be lags; it was known there would be lags.

What concerns me about the possibility of a zero appropriation is that you penalize everybody. States that are able to proceed, that have projects that are soundly planned, that are adequately financed from the local level will be penalized as well as the States that may not be able to use their total allocation.

One thing that is contrary to the interest of the State of Texas, as a practical matter, and on a logical basis, needs should be the basis of the allocation of Federal money. However, I am honest to say I am not sure Congress can achieve that allocation because the question is a political one and in the political process it is unrealistic, I think, to expect that needs can necessarily be the basis for allocation of money to every State in the nation and to all the cities or publicly-owned treatment works within those States.

But Texas would fall low on the list if you related it to needs, and I would like to come back to that question a little later.

The second point I would like to make is treatment greater than secondary is a matter of definition and has historically been a matter of definition. Texas required a level of treatment stricter than that defined by the Environmental Protection Agency under Public Law 92-500 before P.L. 92-500 was ever enacted. As Chairman of the Texas Water Quality Board in 1965, 1966, and 1967, we were granting permits for publicly-owned treatment works with a limit of 20-20 for BOD and total suspended solids for all municipal waste water treatment plants in Texas. We had no water quality standards adopted at that time. This was a matter of State policy that predated the Water Quality Act of 1955 or the Clean Water Restoration Act of 1966. When EPA adopted a definition of 30-30 for total suspended solids from BOD, all Texas projects were immediately classified as projects requiring greater than secondary treatment just as a matter of definition. And so today every Texas project which costs in excess of $1 million must be approved by the Environmental Protection Agency.

So the net effect of the Appropriations Committee requirement is that a State that had a requirement for a stricter level of treatment than required at the Federal level and funded those projects at the old percentages or very low percentages in the early days for construction grants is now penalized for having moved aggressively ahead to control pollution in that State.

I should emphasize, however, that that was not a matter of water quality except as it relates to quantity, and Texas is moving toward shortages, as are a large number of States in the West. Therefore, the levels of treatment are a matter of absolute necessity for multiple water reuse. In the Texas water planning effort in 1965, 1966, and 1967, we were attempting to achieve five uses of water between the head waters of the longer river basins and the coast, with the last use being fresh water inflows to the basins and estuaries and still maintain adequate conditions to satisfy the needs of the commercial fisheries. With that many uses of water from the headwaters to the coast, you cannot go with EPA definition of secondary treatment for publicly-owned treatment works and achieve that number of uses.

The third point I would like to make is with regard to advanced waste treatment or treatment greater than secondary and the law that Congress enacted. Advanced waste treatment or treatment greater than secondary is not an option for EPA or the States. It is a mandated requirement of the law. The water quality standards are mandated by the law in Section 303, and there is a definition in that Section that says what usage must be accommodated for the water quality standards to be prescribed by the States. If the States do not adopt water quality standards that meet those uses, then the administrator is directed to substitute Federally-promulgated water quality standards that will meet those uses, and then those uses must be met by the application of Section 301(B)(1)(c), and the Amendments of 1977 that added Section 301(I)(1) and (2).

There is no way that a State can avoid adopting water quality standards, and there is no way that once standards are adopted that a State can avoid imposing whatever level of treatment is required to achieve those standards, and if the postponement of advanced waste treatment or treatment greater than secondary

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results in delay for advanced waste treatment facilities, you are, in effect, saying that Public Law 92-500, as amended, does not have to be enforced.

I want to digress just a moment because of the projects selected by the investigative staff to be covered in their report.

A large number of those projects are not projects that originated under Public Law 92-500. In fact, some probably bear my signature as the final Federal official to approve the construction grant, and I left with the change of administrations in 1969. Lake Tahoe, for example, is not a construction grant project; that is a research and development project funded under a different section of the Statute, and that project was completed before my departure from the Federal Government at the end of that period.

It is, I think, inappropriate to judge projects that were initiated 10 or 15 years ago under today's concepts. At the time the water quality standards effort was being mounted at the Federal level, it was Federal policy enforced by Secretary Udall and the Federal Water Pollution Control Administration, that the most rigid water quality standards possible should be adopted by every State. States were applauded for adopting the strictest possible water quality standards. And the States that adopted standards stricter than the minimum required under the then-existing Federal Statute were publicized nationally as being on the right course. That was the policy that was specified in the Statute and carried out by the Executive branch of the government, and we come 10 or 15 years later and say those States that chose to follow the policy that was that of the Federal Government should be penalized in the process.

Somehow or other, that seems inappropriate to me. There were mistakes made. I don't think there is any doubt about that. Advanced waste treatment has been overworked in some places, but it is not overworked where you are confronted with shortage. Where you face a shortage of water the quality of the water becomes absolutely critical.

The fourth point I would like to make is if advanced waste treatment projects required as a result of the interaction of Sections 301(b)(1)(c) and 303(I)(1) and (2), if those advanced waste treatment projects are delayed, then industries discharging into publicly owned treatment works will be given an advantage over industries that discharge directly to receiving waters.

What this means is that in the West and the South, where industries are encouraged to discharge through publicly-owned treatment works, their expenditures for adequate treatment will be postponed, whereas industries in the North and East that discharge directly to the receiving waters will be required to make whatever expenditure is required for that direct discharge.

You see, if an advanced waste treatment project is delayed, then the industries discharging into the publicly-owned treatment works are forgiven the deadlines in the law until such time as Federal financial assistance is available for the construction of those projects, which means that industries that were supposed to meet requirements by July 1, 1977, can go as long as the delay prescribed in the Statute for publicly-owned treatment works, which is 1983, and conceivably could extend further than that if Federal financial assistance is inadequate to meet the requirements where those projects are required under the Federal Statute.

It seems to me inappropriate to give an equitable advantage to industries that are discharging through publicly-owned treatment works in some part of the country and, at the same time, penalize industries discharging directly in other parts of the country.

The final point I would like to make is with regard to the 208 planning activity. First of all, this is not the first Section of the Federal Statute that required regional planning, or regional systems for the collection, treatment and disposal of waste water. The old Statute under Section 3(c), the Water Quality Act of 1965, and the Clean Water Restoration Act of 1966, had a provision calling for area-wide waste treatment planning. In the last year of the Johnson Administration there was one million dollars available nationwide for that planning activity. Three grants were made out of that million dollars. To give you some idea of the perspective of that money, I had just come from the chairmanship of the Texas Water Quality Board, and we had $2 million appropriated by the State Legislature in Texas for regional waste treatment planning in Texas in two years. As it turned out, that money has been supplemented over the years with additional State funds for planning.

The point is that planning is an expensive process. There is also something that is absolutely essential for water quality planning, and that is that it be continuous. If it is interrupted, planning of this type, in effect, you waste what has already been spent.

The other point is that this planning undoubtedly proceeded, as the investigative staff accurately states in some of its material, with an inadequate data base, but there was a policy decision made early that none of the refunds that were made available to the regional planning agencies could be spent for the collection of data. It was to be spent on the planning exercise, because of the deadlines that were in the Statute placed there by Congress and because of the time that had elapsed in initiating, and that, again, was a policy decision, initiating a 2-way planning process.

I am not a strong advocate and have never been of the 208 planning process. I have never been as optimistic as a lot of the Federal supporters of 208 planning have been. But to judge whether or not it is successful when the process is barely producing the first set of plans on a nationwide basis, is, I think, very premature. The long-run test of the planning exercise will not be whether or not the plans are adequate, but whether or not the plans are implemented.

There was, I think, an overly optimistic hope that the 208 planning process would result in major changes in local inter-institutional relationships at the regional level, but those are a matter of history almost in every State. Also, there are local, regional, and State political problems with regard to trying to restructure local government. I am not sure that Public Law 92–500 is a vehicle that can achieve that on a nationwide basis.

But I will say that the real test of the planning effort will be whether or not the plans get implemented. In some places there have been some attempts to develop implementation arrange-

ments that I think have a chance of being successful. It appears to me that $40 million, which I understand is the figure that EPA thinks they could adequately use, is a minimal commitment to assure the continuity of the planning process.

Those are the five points I wanted to make. I have a statement that is almost completed. I would like to go ahead and complete it and furnish it to the Committee. It gives more of the citations to the material that I have used as a basis for what I have to say.

It particularly concerns me that the Congress at this juncture would decide, as a result of hindsight, to prejudge or post-judge activities conducted by people who were attempting to comply with the Federal policy and somehow say, "Because you did that, we are going to penalize you."

One of the greatest needs in the national water pollution program has been stability. One of the things absolutely essential to achieving the construction grants program, which initially was to be a five or 10-year program, and we struggled with it for 15 years; one of the things vitally needed is stability. Everytime that the States and local communities think they finally have gotten something that looks like it may have a chance to stabilize, they are suddenly confronted with another possibility of instability. It is conceivable that these types of activities could gradually create a program that would stretch into the next century to do catch-up for construction of publicly-owned treatment works.

Mr. BOLAND. Thank you. Our Committee will be considering your testimony and many others along with our investigative staff's report. We have heard a great deal about this problem. Your testimony, frankly, brings back old memories. In the mid-sixties I sat for hours in the State Legislature and listened to proposals regarding sewers. Finally, it was our frustration in never being able to get agreement on a sewer bill that led to the creation of the council in the Minneapolis-St. Paul area, which resulted in a good law in handling the sewer question.

Mr. MOORE. You know something of the problems of trying to resolve regional and very sensitive local political problems. The Dallas-Fort Worth metropolitan area is the same type.

Mr. BOLAND. I have spent many hours on it. Thank you. I appreciate your testimony.

[Additional information provided by Mr. Moore follows:]

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The Legislative History of PL 92-500

will not prejudice or cut off any other legal remedies available to a discriminatee.

COSTS OF THE LEGISLATION

In accordance with rule XIII(7) of the Rules of the House of Representatives, the estimated costs to the United States which would be incurred in carrying out H.R. 11896 in fiscal year 1972 and in each of the following 5 fiscal years are as follows:

Fiscal year:	
1972	$356,000,000
1973	9,872,000,000
1974	7,045,000,000
1975	7,350,000,000
1976	----------
1977	----------
Total	24,623,000,000

Thus the total costs of H.R. 11896 to the United States would be $24,623,000,000.

The estimated costs are based on authorizations rather than on anticipated obligations or expenditures of funds. Where an authorization is stated without a fiscal year, it has been assigned to fiscal year 1973.

Of the above, $18,350,000,000 is authorized for construction of waste treatment works (section 207 and section 3(b)). The appropriations required for payment of the obligations authorized by this legislation for the construction of waste treatments are estimated as follows:

Fiscal year:	
1972	$350,000,000
1973	20,000,000
1974	250,000,000
1975	2,450,000,000
1976	5,000,000,000
1977	5,955,000,000
1978	3,250,000,000
1979	1,050,000,000
1980	50,000,000
Total	18,350,000,000

The estimate of cost of H.R. 11896, as reported, has been prepared by the Committee. No estimate of cost of the bill has been submitted by any government agency to the Committee.

AGENCY COMMENTS

The comments of the Office of Management and Budget and the Environmental Protection Agency on H.R. 11895 and H.R. 11896, as introduced as submitted to the Chairman of the Committee on Public Works are as follows:

ENVIRONMENTAL PROTECTION AGENCY,
Washington, D.C., December 13, 1971.

Hon. JOHN A. BLATNIK,
Chairman, Committee on Public Works, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We are pleased to respond to your request for views and comments on H.R. 11895 and H.R. 11896, identical bills to amend the Federal Water Pollution Control Act.

TABLE V-11, p. V-34

Public Law 92-500 -- Construction Grant Program
(Federal share in billions)

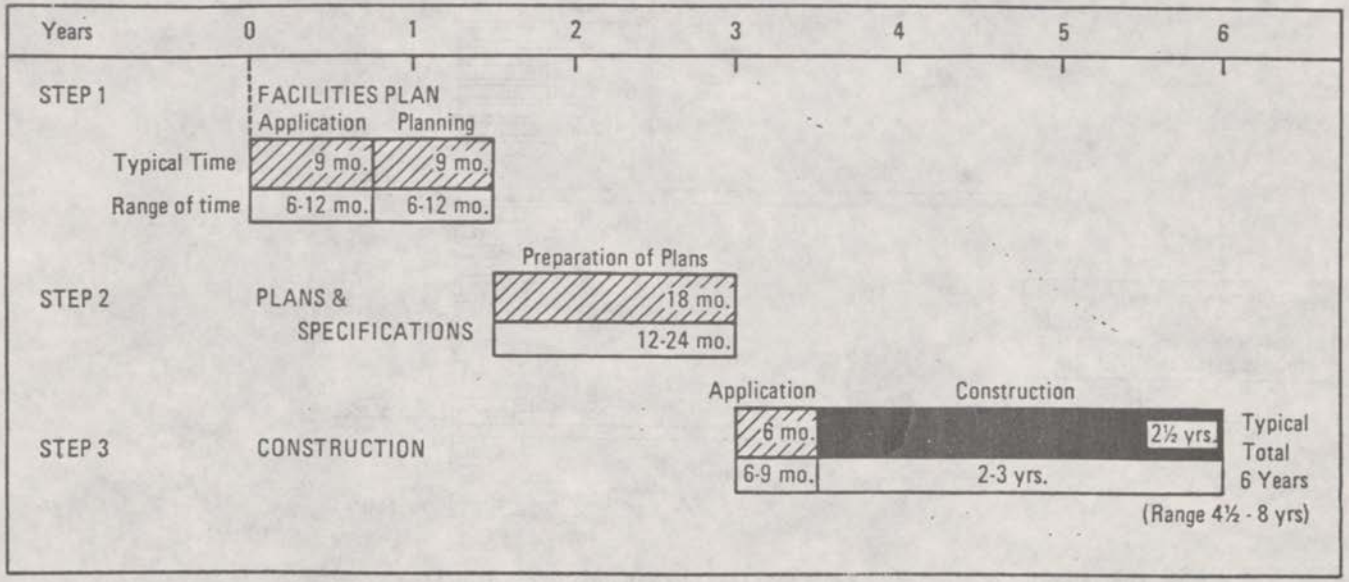
Fiscal Year	1971 EPA Needs Survey	P.L. 92-500 Authorization	P.L. 92-500 Allotments	P.L. 92-500 Obligations	P.L. 92-500 Outlays
1972	$ 5.3	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
1973	6.2	5.0	2.0	1.6	- 0 -
1974	3.2	6.0	3.0	1.4	0.1
1975	(3.5)	7.0	4.0	3.6	0.9
1976		- 0 -	9.0[1]	6.4[2]	1.5[2]
1977	- 0 -	- 0 -	- 0 -	5.0[3]	n/a[4]
TOTAL	$18.2	$18.0	$18.0	$18.0	$ 2.5

1 Reflects amount originally withheld from allotment to states.
2 EPA Estimates, fiscal year includes three extra months.
3 No EPA Estimate available. Amount represents maximum available for 1977 obligation if 1976 estimate is achieved.
4 No EPA Estimate available.

Source: June, 1975 draft copy of EPA's Clean Water Report To Congress 1975, Table VI-1 adjusted with detailed information provided to the Commission staff by the EPA Office of Grants Management circa July 23, 1975.

FIGURE V-4

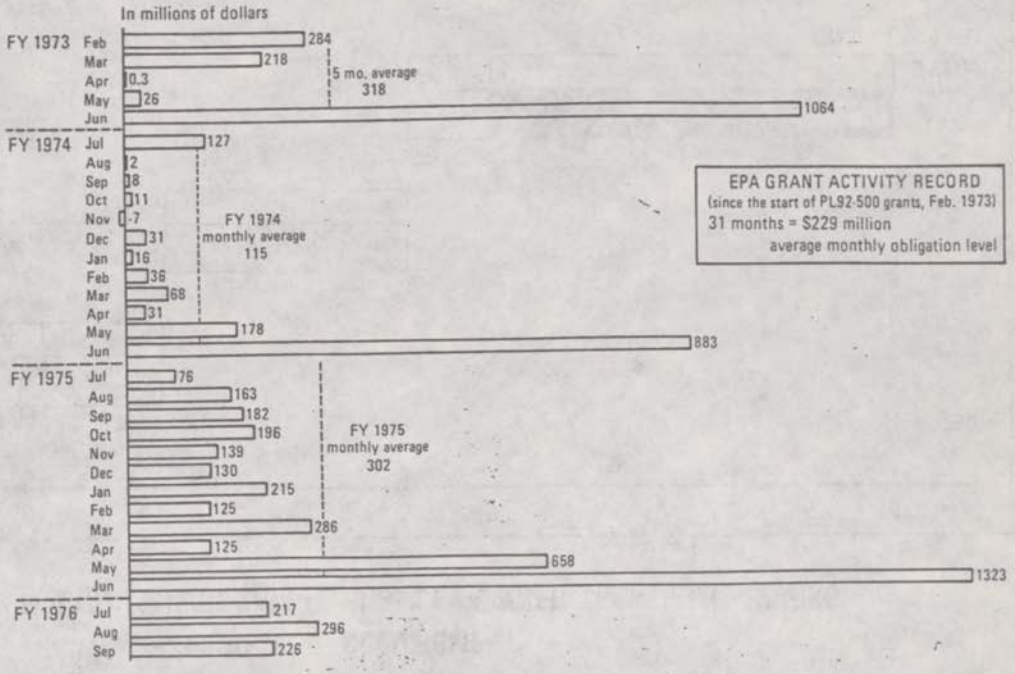
TYPICAL TIME REQUIREMENTS
CONSTRUCTION GRANTS PROGRAM — PUBLICLY-OWNED TREATMENT WORKS



Source: Natl. Commission on Water Quality from "Fulfilling a Promise. An Analysis of the 1972 Clean Water Act's Construction Grants Program", Energy & Environmental Analysis, for the Natl. Utility Contractors Assn., 1975, Table 9, p. 67.
November 1975

FIGURE V-6

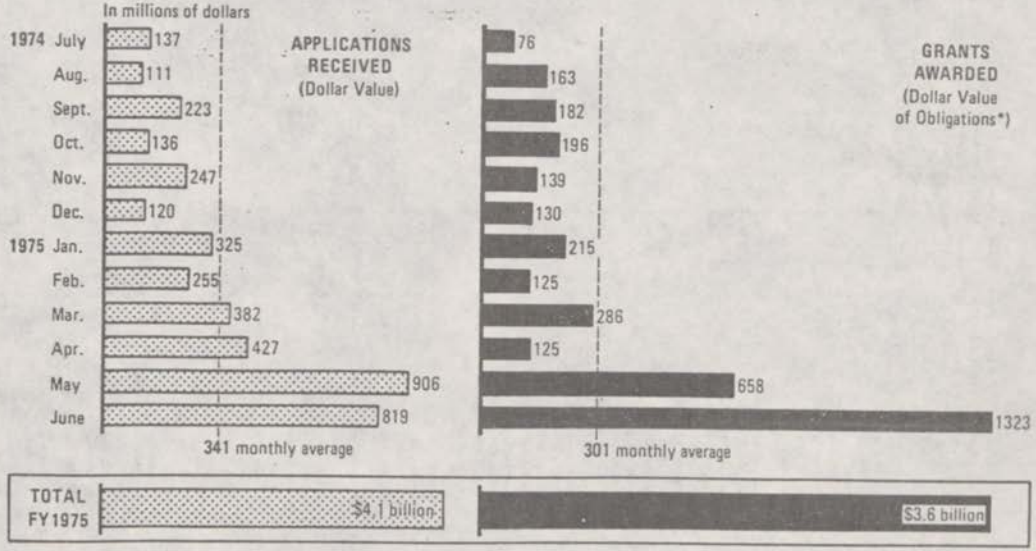
MONTHLY FEDERAL CONSTRUCTION GRANT ACTIVITY, 32 MONTHS, FY 73-76
CONTRACT AUTHORITY OBLIGATIONS FOR PUBLICLY-OWNED TREATMENT WORKS



Obligations = Funds committed for future spending under PL92-500. Excludes reimbursements to states for prior Act programs.
Source: Natl. Commission on Water Quality from EPA "Activities of Construction Grants Programs", Feb. 1973 - September 1975.
March 1976

FIGURE V-7

MONTHLY FEDERAL CONSTRUCTION GRANT ACTIVITY FOR PUBLICLY OWNED TREATMENT WORKS
APPLICATIONS RECEIVED & GRANTS AWARDED, FY 1975



* Obligations = Funds committed for future spending under PL92-500. Excludes reimbursements to states for prior act programs.

Source: Natl. Commission on Water Quality from EPA "Activities of the Grants Programs", June 1975 with figures from "Construction Grants Facts Sheets, Sept. 6, 1975.

March 1976

TABLE V-12

Publicly Owned Treatment Works
Status of Construction Grant Funds
Under P.L. 92-500, as of June 30, 1975
(Millions of $, Fiscal Years 1973-75)

		Allotment	Obligated*	Unobligated	Percent Obligated	Percent Expended
Region I	Connecticut	$ 308.7	$ 105.4	$ 203.3	34	9
	Maine	153.1	67.1	86.0	44	17.9
	Massachusetts	573.9	226.1	347.8	39	10.6
	New Hampshire	153.8	64.5	89.3	42	11.3
	Rhode Island	90.9	32.1	58.8	35	7.9
	Vermont	45.4	13.9	31.5	31	8.7
Region II	New Jersey	1,300.7	499.9	800.8	38	8.4
	New York	2,089.6	682.0	1,407.6	33	4.9
	Puerto Rico	170.0	49.5	120.5	29	--
	Virgin Islands	15.4	4.9	10.5	32	--
Region III	Delaware	111.0	46.2	64.8	41	3.6
	Maryland	564.7	244.4	320.3	43	6.3
	Virginia	496.2	219.0	277.2	44	12.7
	West Virginia	122.2	32.9	89.3	27	4.0
	Pennsylvania	992.8	327.5	665.3	33	4.9
	Dist. of Columbia	146.3	112.5	33.8	77	--
Region IV	Alabama	95.8	36.3	59.5	38	4.1
	Florida	691.7	316.0	375.7	46	2.6
	Georgia	242.6	58.2	184.4	24	3.7
	Kentucky	188.6	59.7	128.9	32	6.0
	Mississippi	80.8	28.0	52.8	35	4.3
	North Carolina	227.0	57.1	169.9	25	4.5
	South Carolina	170.5	35.0	135.5	21	4.5
	Tennessee	213.7	74.7	139.0	35	6.5
Region V	Illinois	1,136.4	412.5	723.9	36	6.6
	Indiana	483.6	170.5	313.1	35	4.4
	Michigan	1,213.7	486.9	726.8	40	4.8
	Minnesota	337.9	159.9	178.0	47	9.5
	Ohio	979.3	313.8	665.5	32	6.5
	Wisconsin	284.8	99.9	184.9	35	3.9
Region VI	Arkansas	81.4	23.5	57.9	29	9.2
	Louisiana	154.4	49.5	104.9	32	6.0
	New Mexico	36.3	11.3	25.0	31	6.0
	Texas	420.3	186.1	234.2	44	10.9
	Oklahoma	134.3	30.5	103.8	23	4.4
Region VII	Iowa	197.2	70.5	126.7	36	12.6
	Kansas	112.7	26.4	86.3	23	5.1
	Missouri	314.8	110.8	204.0	35	8.5
	Nebraska	78.0	33.0	45.0	42	9.4
Region VIII	Colorado	89.9	36.9	53.0	41	11.1
	Montana	28.2	14.5	13.7	52	20.1
	North Dakota	12.0	7.6	4.4	63	13.3
	South Dakota	17.7	6.7	11.0	38	17.1
	Utah	45.0	24.5	20.5	56	8.6
	Wyoming	8.3	4.2	4.1	50	7.1
Region IX	Arizona	43.3	31.9	11.4	74	5.6
	California	1,894.1	591.9	1,302.2	31	6.3
	Hawaii	109.6	58.1	51.5	53	1.3
	Nevada	64.9	15.7	49.2	24	10.8
	American Samoa	1.5	.2	1.3	15	--
	Guam	12.9	8.7	4.2	68	--
	Trust Territories	5.1	3.0	2.1	58	--
Region X	Alaska	51.6	26.9	24.7	52	19.7
	Idaho	30.0	18.3	19.7	40	25.6
	Oregon	154.2	66.1	88.1	43	27.4
	Washington	213.2	98.4	114.8	46	20.2
Total		$18,000.0	$6,591.6*	$11,408.4	37	6.3

* Includes FY 1976 Allowance (initially unallotted FY 1973, 1974 and 1975 funds).

SOURCE: Allotments, Obligations and Unobligated amounts from "Activities of the Grants Assistance Programs," EPA, June 1975, p. 17; Percent Obligated calculated; Percent Expended from "The Path to Clean Water," "Fulfilling a Promise," National Utility Contractors Association, Inc., p. 10.

TABLE V-30

Publicly Owned Treatment Works
FUNDING HISTORY OF CONSTRUCTION GRANTS PROGRAM

Fiscal Year	Authorized	Appropriated	Allotted Under P.L. 92-500
1957	$ 50,000,000	$ 50,000,000	$ --
1958	50,000,000	46,657,000	--
1959	50,000,000	46,816,000	--
1960	50,000,000	46,101,000	--
1961	50,000,000	45,645,000	--
1962	80,000,000	80,000,000	--
1963	90,000,000	90,000,000	--
1964	100,000,000	90,000,000	--
1965	100,000,000	90,000,000	--
1966	130,000,000	121,000,000	--
1967	150,000,000	150,000,000	--
1968	450,000,000	203,000,000	--
1969	700,000,000	214,000,000	--
1970	1,000,000,000	800,000,000	--
1971	1,250,000,000	1,000,000,000	--
1972	2,000,000,000	2,000,000,000	--
1973	7,750,000,000**	1,900,000,000**	2,000,000,000*
1974	6,600,000,000**	--	3,000,000,000*
1975	7,000,000,000	--	4,000,000,000*
1976	--	--	9,000,000,000*
1977	--	--	Remainder*

* Contract Authority; funds need not be appropriated prior to obligation.
** Includes $2.75 billion in 1973 and $600 million in 1974 authorized as part of P.L. 92-500 for treatment works constructed from fiscal 1957 to 1972; of these amounts, $1.9 billion was appropriated in 1973.

Source: 1974 GAO Report on Construction Grants for Municipal Waste Treatment Plants, printed in Institutional Assessment of the Construction Grants Program Under Public Law 92-500, Touche Ross & Co., contractor report for NCWQ, July 31, 1975, page III-H-2.

TABLE V-18

Publicly Owned Treatment Works
Construction Grant Contract Awards
By Population of Recipients
(As of August 31, 1975)

Community Size	Grant Awards				U.S. Population*	
	Number	% of Total	$ Millions	% of Total	Thousands	% of Total
Under 2,500	1,850	41	$ 420	6	11,235	7.7
2,500-5,000	613	14	228	3	8,038	5.6
5,001-10,000	510	11	370	6	12,924	8.9
10,001-25,000	570	13	829	12	21,415	14.8
Sub-Total Up to 25,000	3,543	79	$ 1,847	27	53,612	37.0
25,001-50,000	293	7	754	11	17,848	12.3
50,001-250,000	400	8	2,158	32	31,010	21.5
Sub-Total 25,001-250,000	693	15	$ 2,912	43	48,858	33.8
250,001-500,000	80	2	682	10	10,442	7.2
500,001 and over	168	4	1,401	20	31,736	22.0
Sub-Total 250,001 and over	248	6	$ 2,083	30	42,178	29.2
TOTAL	4,484	100%	$ 6,842	100%	144,648**	100%

* Per U.S. Census Bureau.
** Not including: (1) that portion of the population classified as "Other Rural" (farmers, ranchers and others not living in communities) (This = 43,379,000 people.) and (2) "Unincorporated Parts of Urbanized Areas." (This = 15,186,000 people.)

Source: EPA unpublished data, adjusted to format, and Statistical Abstract of the United States, 1974; U.S. Department of Commerce, Bureau of the Census, page 18.

WITNESS

LARRY SILVERMAN, REPRESENTING AMERICAN CLEAN WATER ASSOCIATION AND CLEAN WATER ACTION PROJECT

Mr. SABO. Mr. Larry Silverman is our next witness.

Mr. SILVERMAN. Mr. Chairman, my name is Larry Silverman. I am representing two organizations, the American Clean Water Association which is an association of professional trades people who have the skills and the products to clean the water. We have a wide variety of people in our membership. One of our latest members is Robert Sugarman of the International Joint Commission. These people are in and out of government and private organizations.

I am also representing the Clean Water Action Project which is a national citizens lobby with special concerns in the area of community water systems. This program that you have heard so much about, the construction grants program, as you know, Mr. Chairman, is one of the largest and I think soon will be the largest public works program in the history of the world.

I would like to compare it to the interstate highway system. It hasn't spent quite that much money yet but I think it will. They were born in the same year.

Mr. Chairman, I would like to give three commendations in my testimony, three recommendations, and one word of caution.

First of all——

Mr. SABO. Only one word of caution?

Mr. SILVERMAN. It is a long one and a serious one.

I want to commend this Committee and the investigative staff for its excellent report, which revealed some of the deficiencies with this construction grants program. I think you have just begun. I think it is appropriate that you study older projects because you have got to see them. I think some of the problems that you point out are still existing, and I hope that you will continue this work. This program needs a sharp pencil. There are many people around the country, in our association, who sees the waste in the program and see some of its misdirection.

What we sense generally in this area and in many other areas and I am sure you must see it too, sir, is a certain cynicism, that no matter how much you see about waste or whatever you see about poorly operated government programs you can't do anything about it. And I think when this Committee takes up the cry for economy, for efficiency I think that heartens a lot of citizens, and I hope that you will encourage organizations across the country to work with you to reveal some of the problems. So I think you are doing a good job. Keep it up.

I know it is hard, because there is a lot of money in here and a lot of people who get it, so it takes a lot of courage. Keep it up. Keep it up.

Secondly, I would like to commend the Congress and the Environmental Protection Agency and the White House for 2 years ago, with the 1977 law, recognizing many of the deficiencies which your staff pointed out. I think that there has been, over the last 2 years, on paper, a major reform of this program. That is a very, very

substantial accomplishment, and that reform includes insistence on public participation and education which are very key elements. People know what they are going to pay for these systems if they are informed in advance what its impact is going to be. They are going to make sure that they are good systems.

There have been new and improved definitions of cost effectiveness. There has been an insistence on the evaluation and use of alternative innovative technology.

Let me say, Mr. Chairman, that the source of that, the many provisions in the Clean Water Act dealing with alternative and innovative technologies, different and less costly ways of doing things, the source of that was the testimony of many people in Minnesota. The Senate committee held two hearings in Minnesota, and there are a lot of friends of clean water out there, in labor, industry and in citizen organizations who came and talked about trying things a little bit differently, not sewering every rural community but looking for some better solutions.

Water conservation has now become an essential tool not just of resource management but of cost management. You can cut your water consumption by 20 percent, you can cut the size of your facility by 20 percent. That saves money.

There has been talk about industrial users of these systems. Well, the relationship between municipalities and industries in this country is seriously awry. Recently there was a study done by Coopers and Lybrandt, an accounting firm, pursuant to Federal law, for the Congress on the subject of industrial cost recovery.

What that study revealed was that on many accounts the relationship is very poor and that there is poor planning, and that economies of scale that are proposed in the beginning do not turn out to be economies of scale in the end.

For example, in advance waste treatment where you have industries going to advance waste treatment systems you find your so-called economies of scale are often negative.

They say the greater the volume, the higher the cost per gallon. There are many problems, and I think that EPA and even the industries who are customers and have to pay for this are beginning to address those problems.

There is greater emphasis on protection of wetlands and other sensitive areas and encouragement of multipurpose projects. This has been, in my judgment, a major accomplishment in the law and in the regulations.

The next problem is putting it in the land, getting this to work. Here I would like to point out some good projects, and I have attached an appendix to my testimony which details this.

Let me just talk about one, because I know our time is limited. That is in El Reno, Oklahoma. Here is a project which is going to achieve very high levels of water treatment, equivalent to the best AWT could do. The cost is 20 cents to 30 cents per thousand gallons. That is about a fifth or sixth or seventh of what the Occoquan treatment plant that your staff discussed is charging. That is about $2 or $3 per family per month for sewage treatment. That is a project that uses sewage not as a waste product but as a resource, that puts it on the land and grows crops with it, and that

solves some of the water shortage problems in that part of the country, and cleans the water as well.

I don't know if you were here, but there was a gentleman from Appalachia, from Kentucky, saying that Kentucky sewered most of its urban areas and is now looking at problems in the rural area. There is one project in Kentucky called Fountain Run, where engineers, planners, and community people used simple onsite technology, which gives you very high, very good environmental gain for a very low price. These are the kinds of things, these kinds of ideas that are happening.

Now if this money that is going forward from this Committee goes for projects like that, then we are all in good shape. But if it goes for sewering the mountains of Appalachia, then I think we are in big trouble.

I have mentioned a few others, Port Charlotte, Port Lucie. In Woodstock, they stopped a very expensive project. In Clayton County, Georgia, they are using wastewater to fuel the forestry industry, and clean the water at the same time, a very innovative concept, so I hope that this Committee will look at some of these positive sides too. I don't think negative criticism is adequate.

I have three recommendations.

One is I support, along with the other witnesses, the $3.8 billion appropriation recommended by the Administration. I am heartened by the backlog. What that means to me is that somebody is slowing down this program a little bit and trying to turn it around. I think that is a good sign, and I think in the last 2 years there has been more progress than ever before at solving the problems you raise, and I don't think it should be penalized yet. I think you should give them the money.

Another thing that concerns me very much is that the law, the Clean Water Act, contains a lot of set-asides. The set-asides are relevant to 1980 money, so they will say 2 percent of the money must be set-aside for innovative and alternative bonuses, bonuses for innovative and alternative technologies, out of 1980 money.

Four percent has got to be set-aside for alternative technologies in small communities. These are all environmentally and economically sound ideas. It is the law and a good law. If you cut the appropriation to zero for 1980, they are gone. If you can arrange it so set-asides apply to past funds, it is a different story, but I am not sure you can. That is another very serious matter.

My second recommendation is that you continue your work investigating this program. There is nothing more useful that you can do. I hope again that you will focus on the good things as well as the bad ones, because that is what the country needs to see. We need guidance, and a lot of the communities around the country need some guidance as to what works and what doesn't. We will be happy to work with you to point out both some of the bad ones and some of the good ones.

One other thing is that this Committee I think has a unique opportunity to do, that is to recognize that wastewater treatment at the local level is dealt with by many Federal agencies, including the Farmers Home Administration, Housing and Urban Development which has millions of dollars in that, and the Department of Energy's urban waste program. I think that is a $300 million

program, which is very relevant to this subject. The Interior Department urges conservation in recreation programs, another very important element. Also, we have the National Science Foundation.

Let me say with regard to NSF, that they had planned a $3 million program on community water management research. The idea of this program was to find the most cost effective ways for planning wastewater facilities and water facilities generally. It is extremely useful research done by a group that would command the respect of many parties in a very controversial area. Unfortunately that was cut to zero. I think that was a great mistake.

I have a report here which I would like to submit to you, sir, and possibly put in the record, on the NSF program. I hope that in your deliberations on NSF and EPA you will think a little bit about restoring that program.

Mr. SABO. We will just put it in the files. We will put your total statement in the record.

Mr. SILVERMAN. Fine. I hope the staff will have an opportunity to look at that because I think NSF has got a big role to play.

Finally, the last recommendation has to do with the $40 million on 208. Here again acknowledging that there have been a lot of weaknesses in the 208 program, it is the only source we have got when it comes to nonpoint source pollution. It is probably the best operation we have for exploiting the recreational potential of wastewater treatment projects, which is a very substantial one. There has got to be encouragement of integrated wastewater planning in connection with other kinds of things. 208 is the vehicle, and whatever its weaknesses, there are some strengths. There is also substantial reform on the part of EPA. I think they are ready to go ahead and approve this program and I think they ought to be getting the money.

Another element of that is the great agricultural problem. If there is no 208, there is no clean water program to help farmers solve some of their pollution problems. I think that program has been delayed for some time now, I think that is a very critical element.

Finally, a word of caution. The reforms that have been carried out by the Congress and by Mr. Jorling in EPA and so forth are fragile. They are still paper reforms. This is a massive industry. There is a very substantial number of industries which for years have been making their living doing things in a certain way, and I think they are significant obstacles to real reform and to real progress.

I think that as you take your action and as you address both EPA and the grant recipients that you should be very firm, and even if you do give them the appropriation, which I hope you will do, that you make it clear to them that you are expecting to see a comparable level of reform, cost-conscious reform, and environmentally-based reform on the State and local levels as well as in the Federal Government.

Thank you very much.

[The information follows:]

AMERICAN CLEAN WATER ASSOCIATION

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Larry Silverman

TESTIMONY OF LARRY SILVERMAN ON BEHALF OF
THE AMERICAN CLEAN WATER ASSOCIATION AND CLEAN WATER
ACTION PROJECT BEFORE THE U.S. HOUSE OF REPRESENTATIVES
APPROPRIATIONS SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES,
APRIL 26, 1979

Mr. Chairman:

My name is Larry Silverman and I am testifying on behalf of the American Clean Water Association and Clean Water Action Project. The American Clean Water Association is a new trade and professional association composed of those people with the skills, products and services needed to clean the water. Clean Water Action Project is a national citizens lobby for clean water. Both organizations are keenly concerned with community water and wastewater systems.

Mr. Chairman, my testimony concerns the sewage treatment construction grants program, a program whose cost and impact may surpass the cost and impact of the Interstate Highway System. This statement consists of three commendations, three recommendations, and one word of caution.

Commendation No. 1: We commend the committee's investigative staff for its excellent report of March 12, which details and documents with case histories many of the deficiencies of the construction grants program. Clean Water Action Project and many other public interest organizations have been making essentially the same criticisms for the last six or seven years. Periodic audits and investigation of questionable projects and policies are an essential tool for combatting mismanagement and waste in the grants program. This committee should redouble its efforts in this area. In doing so, you should identify groups and individuals across the nation who can help you in the task of defending the taxpayers' interests. The American Clean Water Association, whose members include some of America's most distinguished environmental professionals, stands ready to help. There are now hundreds and may soon be thousands of community associations, public interest groups, local governments and agencies involved in responsible scrutiny of sewage treatment programs. This committee should identify and encourage such groups to speak out. The nation has a

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wealth of informed, thoughtful people who know about mismanaged public projects of all sorts, and have some good ideas about setting them straight. The problem today is that so many of them have so little faith in government's ability to correct its errors. They worry about waste but despair of eliminating it. This committee's attentiveness to the problems of waste and mismanagement, problems which are very much on the minds of the citizenry, will improve the grants program. It will also, in the long run, help combat the national mood of cynicism and pessimism about government, by demonstrating that government can respond constructively to criticism.

Commendation No. 2: We commend the Congress, the United State Environmental Protection Agency and President Carter for instituting a major program of reform of American municipal wastewater management over the last two years. This reform includes the Clean Water Act of 1977, EPA's construction grants regulations of September 27, 1978, and the President's Rural Initiatives of December 1978. The agenda for reform includes:

an insistence on public participation and education, key elements for any real improvement of the construction grants program;

new, improved definitions of cost effectiveness;

an insistence on the evaluation and use of alternative and innovative technologies which achieve high environmental standards at a reasonable cost;

a special program to encourage alternative technologies in rural communities, especially economical, on-site technologies;

a new emphasis on water and energy conservation as essential tools of resource management and cost control;

the beginning of a campaign to improve the unhealthy relationship between municipal waste treatment agencies and their industrial customers, through pretreatment programs, user charges, industrial cost recovery, and better planning;

greater protection of wetlands, and agricultural flood plains, and other environmentally sensitive areas, thereby helping communities to realize the many economic and environmental benefits of such "natural" areas;

encouragement of multipurpose projects, which produce revenues, and other measurable benefits such as recreation, energy, fertilizer and irrigation.

Special credit is due to Senator Edmund Muskie, Congressman Don Clausen, EPA Assistant Administrator Tom Jorling, and this committee for creating in law, policy and regulation a public works program grounded in sensible resource economics and ecology.

The challenge now is to transfer this program from papers and documents to the land. Which brings us to:

Commendation No. 3: Special recognition is due those communities and individuals who today are demonstrating that municipal water pollution can be eliminated in a cost effective manner. Recognition of good projects -- and the number is growing daily -- is just as important as investigation of bad ones. Purely negative criticism will not lead the nation's community water systems out of the wilderness. America needs some shiny examples of good wastewater management. I would like to mention a few here and to urge this committee to help put the spotlight on them and other similar projects.

El Reno, Oklahoma, will soon inaugurate a wastewater land treatment and agricultural irrigation system which will essentially meet a zero discharge standard for a consumer cost of $.20 to $.30 per thousand gallons. This is about a fifth of the costs of some of the projects described in the committee staff's March 12 report. Attached as Appendix A to this testimony is a letter from the Oklahoma Congressional delegation to President Carter, commenting on the El Reno project, and a short description of the project prepared by its designer.

Fountain Run, Kentucky, is proving that the sewage problems of rural Appalachia can be solved on site at an affordable cost. Reliance on decentralized facilities eliminates the huge cost of sewering sparsely settled areas. Yesterday, a gentleman from Kentucy stated that most of Kentucky's urban areas are now served by large, centralized sewage systems, but that rural needs are unmet. If the state meets rural sewage needs by use of Fountain Run type systems, then it will merit your continued support. If, on the other hand, the state bows to pressure from engineering and construction firms and land developers to sewer its rural areas, funds should be cut off. See Appendix B for a description of Fountain Run.

Port Charlotte and Port St. Lucie, Florida, are private developments which handle sewage by use of a Septic Tank Effluent Pumping (STEP) system. Wastewater is discharged from the home to a septic tank on the land. Periodically, the effluent in the tank, which receives a sort of primary treatment while there, is pumped out through small diameter pipe (pressure or vacuum sewers) to a more centralized treatment facility, employing land or marsh treatment. The STEP system is a viable, cost effective system for many American communities. It produces clean water at an affordable cost. Appendix C contains a short description of the Port St. Lucie system.

Wausau, Wisconsin, has demonstrated that improvement in operation and maintenance of treatment plants can turn a community liability into a real capital asset. See Appendix D.

Woodstock, New York, voted down an expensive centralized treatment system, sought and obtained from EPA an extension of its Step One grant for consideration of other less expensive alternatives, and hired a new engineering firm with better qualifications in the area of alternative technologies. Anyone who doubts that public participation saves money should visit Woodstock.

The Clayton County, Georgia, system applies the treated wastewater from an urbanizing county for irrigating and fertilizing a large forest. Although the per 1000 gallon cost exceeds that of some of the other projects mentioned here, the potential for timber income, recreational opportunities, water supply augmentation, and green space should more than off-set the costs.

I would be pleased to work with your staff to explore other "good" projects.

II -- Recommendations

Recommendation No. 1: Because of the substantial reforms of the last two years, we recommend a fiscal year 1980 appropriation of $3.8 billion. We recognize that there are substantial backlogs of funds from previous years. We regard this as a good sign, however, as evidence that communities and EPA are rethinking proposed projects. Congress should respond to the backlogs by stretching out the time for spending federal money, by extending reallotment dates. Avoiding waste takes

extra time in planning and design. Turning around a vast national program requires a period of slow down. We have been in such a period for the last two years.

Congress should not respond to this slow down by cutting funds. This will only convince the states and local governments to spend at a reckless pace, lest they lose out.

The Clean Water Act contains a number of important set asides, which are tied into 1980 appropriations. These include a 2% set aside for alternative and innovative technology bonuses and a 4% set aside for alternative technologies in small communities. A severe cut in 1980 appropriations will, in effect, eliminate the set asides and seriously impede the progress of reform.

Recommendation No. 2: We urge this committee to continue its investigation and review of the grants program. You have already had a constructive influence. As suggested earlier, you should broaden your scope to include examples of good projects as well as bad. A series of hearings on exemplary projects would, by focusing public attention on the right approaches, save tax payers millions, perhaps billions, of dollars.

We endorse the recommendation of the League of Women Voters that this Committee periodically evaluate in detail how well the reform programs are being implemented, particularly innovative and alternative technology, public participation, pretreatment, water and energy conservation, and cost effectiveness.

This Committee has a unique opportunity to examine the relationship between EPA's program and other government programs which deal with wastewater management. Other involved agencies include Housing and Urban Development, the Soil Conservation Service, the Economic Development Administration, Farmers' Home Administration, the Indian Health Service, the Department of Interior Heritage Conservation and Recreation Program, and the Department of Energy's Urban Waste Program. The White House has been trying to coordinate and streamline some of these overlapping programs. This Committee should join in this important effort. You should also encourage the National Science Foundation to reassume its critical role in community water management research.

Recommendation No. 3: We recommend a $40 million appropriation for Section 208 regional water planning and management. This money should be used for implementation of non-point source controls, identification of low cost, ecologically sound alternatives for sewage treatment, development of recreational opportunities in connection with water and wastewater management, and integration of wastewater programs with other community utility systems.

In making this recommendation, we are aware of the many failures of 208 planning. There have, however, been isolated successes; moreover, EPA has at long last established some intelligent rules for 208. These positive developments should be nurtured and encouraged.

III -- A Word of Caution

There is a very real danger that certain state and local governments, consulting engineers, real estate developers, construction companies, labor unions, and utility contractors will undermine or sabotage the reforms described above, which I refer to as the Jorling reforms. Indeed, in a number of states today, cost effective engineering is all but illegal. A reform of local and state building and health codes and management practices, and an increase in public education and participation on water problems are very much in order. This Committee can help encourage such activity by making it very clear to grant recipients and beneficiaries that your continuing support of the grants program is contingent upon them embracing and internalizing the Jorling reforms.

The Congress has done its job well, as has EPA national headquarters.

The biggest responsibility now rests with the grant recipients and beneficiaries. A tough, no nonsense stance by this Committee will help insure that they fulfill this responsibility, will help America achieve clean water and its benefits at an affordable price.

APPENDICES TO THE TESTIMONY OF LARRY SILVERMAN ON BEHALF OF THE AMERICAN CLEAN WATER ASSOCIATION AND CLEAN WATER ACTION PROJECT, BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON HUD AND INDEPENDANT AGENCIES, APRIL 26, 1979.

APPENDIX A : EL RENO, OKLAHOMA

Letter from Oklahoma Congressional Delegation to President Carter
Waste Treatment and Utilization: El Reno: project Fact Sheet

APPENDIX B : FOUNTAIN RUN, KENTUCKY

Fountain Run, Ken. (Case Study), Jack Abney, from "Less Costly Wastewater Treatment Systems For Small Communities" , U.S. EPA, April 12, 13, and 14, 1977.

APPENDIX C : PORT ST. LUCIE

Port St. Lucie Division Suburbanaer System, General Development Utilities, Inc.

APPENDIX D : WAUSAU, WISCONSIN

O & M Success Story at Wausau, WI (news reports, Feb. 1978 - Jan. 1979)

Congress of the United States

House of Representatives

Washington, D.C. 20515

March 19, 1979

RECEIVED MAR 3 1979

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On February 21, 1979, the Honorable Karl Dittmer, Mayor of the City of El Reno, Oklahoma, requested the honor of your presence at dedication ceremonies for a new water treatment facility located at El Reno.

We would like to take this opportunity to add our endorsement to Mayor Dittmer's invitation. The energy-efficient technologies represented in the El Reno facility could benefit thousands of communities nationwide by reducing treatment costs and water consumption, and by providing nutrient-rich irrigation water to agricultural producers.

It is also our understanding that the El Reno plant more nearly meets the nation's long-range clean water goals than do the more costly, and more complex processes now in use in the rural areas.

For these reasons, we share the belief expressed by Mayor Dittmer that your participation would help publicize positive aspects of your administration's energy and water conservation programs, and we sincerely hope that you will be able to take part in this event.

Respectfully,

Henry Bellmon, USS

David Boren, USS

Tom Steed, M.C.

James R. Jones, M.C.

Glenn English, M.C.

Wes Watkins, M.C.

Mike Synar, M.C.

ENGINEERING Enterprises, Inc.

CONSULTANTS SPECIALIZING IN
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1225 West Main, Suite 215 Norman, Oklahoma 73069 Phone (405) 329-8300

WASTE TREATMENT AND UTILIZATION

EL RENO, OKLAHOMA

Project Fact Sheet

THE PROBLEM

The City's existing waste treatment plant cannot provide an adequate level of water pollution control. Part of the existing plant is over 35 years old. The plant was renovated in 1941, 1948, and 1961.

The existing plant is a conventional secondary type treatment plant which cannot prevent certain pollution from occurring when the treated wastes are discharged to the Canadian River. In the existing plant, settleable and floating solids are removed, then the wastes are stabilized to be relatively non-putricible, and finally the liquid is discharged to the river. The wastewater although treated still pollutes the stream. The pollution mainly stems from nitrogen, phosphorus and other nutrients which fertilize the growth of algae and other aquatic plants that turn the stream green.

A higher level of pollution control is needed, and is required by State and Federal agencies. Local officials are concerned about pollution of the North Canadian River. The river and downstream reservoirs provide not only significant recreation uses but also municipal water for Oklahoma City. The shallow alluvium provides ground-water supplies for El Reno and downstream cities of Yukon, Bethany, and others. The strong competitive demand on the water for municipal use and irrigation of many farms in the alluvial valley has created an urgent need for high levels of pollution control and better management of the total water resources available in the basin to best serve the most uses.

The Oklahoma State Department of Health concerns are exemplified in that Department's recent policy statement as follows: *"It is the policy of the Oklahoma State Department of Health that nutrients, in particular nitrogen and phosphorus concentrations, should be reduced in wastewater discharges wherever feasible by land application or other wastewater treatment methods."*

In October, 1972, the Federal government enacted strong water pollution control legislation which sets out the following as two of the major goals: *(1) "It is the National goal that the discharge of pollutants into the navigable waters be eliminated by 1985."; (2) "It is the National goal that wherever attainable an interim goal of water quality which provides for the protection and propagation of fish, shellfish and wildlife, and provides for recreation in and on the water be achieved by July 1, 1983."*

In summary, the local physical environment, the needs for increased levels of total water resource management to provide for the numerous competing water uses, the water quality demanded by those uses, the State policy, the goals of the Public Law 92-500 and the implementation of the National Pollution Discharge Elimination System (NPDES), precipitates that the city must upgrade its water pollution control practices.

THE SOLUTION

Under a 75 percent Federal grant, El Reno has studied several alternative wastewater management systems. The best alternative was found to be a program which considers the total water resource situation in the Canadian River Valley.

The pollution control system which will be constructed consists of a simplified waste treatment process coupled with reuse of the treated wastewater for controlled irrigation of selected agricultural crops. Controlled cropping programs will beneficially and safely utilize the nitrogen, phosphorus and other elements that would otherwise fertilize (pollute) the stream.

The treatment plant once constructed will consist of a series of lagoons (ponds of certain depth) similar to what are used in about 200 other towns in Oklahoma. The wastes will be stabilized in the lagoons and retained a sufficient length of time to be naturally disinfected prior to reuse for irrigation. The crop irrigation will be through the use of fairly conventional center-pivot irrigation systems as are so common on the irrigated farms in the Canadian alluvial valley.

The following factors provide the key to the economy and environmental desirability:

1. The simplified treatment is less expensive than other methods. Further, the lagoons double as storage reservoirs so the wastewater can be used when it is beneficial to use it.

2. Use of the treated wastewater for irrigation will help relieve the growing competition between the city and irrigation farmers for the water resources available from the Canadian River alluvial aquifer (ground-water reservoir).

   Instead of the water being used once, it will be used twice; first by the city and again for irrigation. The irrigation use of the enriched water will mean that less ground water will be required to supply the ultimate local irrigation needs, and therefore more local ground water will be available for municipal use.

   Further, some of the water applied will, after the crops have stripped out the nutrients, be filtered through the soil to help refill the ground-water reservoir in a more controlled manner than is the case when wastewater discharged to the riverbed "soaks in."

3. By using the fertilizer elements in the wastewater the demand for commercial fertilizer will be reduced. Since the manufacture of commercial fertilizer consumes large quantities of energy, this program provides energy conservation benefits. It has been stated that it takes an equivalent of 2 1/4 billion gallons of oil each year to replace the nitrogen that is discharged to streams from waste treatment plants in the United States.[1]

4. The recycling of the water and contained nutrients through irrigation can return value to the city and/or the local economy through enriched harvest and sale of crops produced with water and plant nutrients that would otherwise be wasted.

The concept of the lagoon treatment and subsequent irrigation is shown by the picture attached. The location of the lagoon facility is in the immediate vicinity of the old treatment plant to be abandoned. The land to be irrigated is located about two miles from the lagoon site.

During the initial project planning, three methods were identified to secure an area to receive irrigation. The first method would be to negotiate a long-term, mutually beneficial contract with a landowner to irrigate his farm. The second method would be to lease the necessary land, and the third would be to purchase the required land. Each method has separate advantages, costs and return potentials.

Early in the planning process discussions were held with area farmers to evaluate their interest and investigate ideas on how to best secure the land to be irrigated. As the project progressed into the design phase, negotiations with the more serious farmers lead to their submission of specific proposals to the City. The best proposal submitted was adjusted in further negotiations and a contract with benefits for both the City and the farmer was derived. The meetings with farmer groups promoted an atmosphere of competition which forced the contract approach to be the best method for securing the land areas.

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[1]Sheaffer, Dr. John R., Bauer, Sheaffer & Lear, Chicago, Illinois

Under the contract the farmer agrees to irrigate his land for 20 years with wastewater from the city. The farmer will operate the irrigation systems and must use all the wastewater available up to the project design volume. The farmer will make annual payments to the city in return for the nutrients in the wastewater and other benefits. In addition, the city will receive ground-water rights equal to the acreage irrigated. The present worth of these benefits to the city is between $200,000 and $300,000.

The city will furnish center pivot irrigation systems for 465 acres, all water lines, pumping equipment and power required for transporting the wastewater to the land. The farmer has the option to expand the irrigation coverage to additional land at his own expense. For any new land irrigated the city will receive an equivalent quantity of ground-water rights.

The city must insure that the water is acceptable for irrigation and will monitor the wastewater soils and ground-water quality at the irrigation site.

Significant factors in acquiring such good cooperation from the farmers in the area were:

1. The many meetings that were held during planning and design of the project, and

2. Providing a farmer with 40 years wastewater irrigation experience to talk with the farmers who were prospects to use the wastewater from the City of El Reno.

Health Aspects - A common question often raised by the layment about irrigation with wastewater is "What about the health considerations of such practices?" To put the health consideration in proper perspective, ask yourself which would be more hygenically safe -

1. To treat sewage so that it is relatively non-putricible (biologically stabilized) and sanitized and then discharge the wastewater into a stream that is used for uncontrolled swimming, fishing, irrigation and water supply for downstream cities, or

2. To treat sewage as in 1. above and then apply the treated wastewater directly to a bermudagrass hayfield or similar crops.

The fact is that there is little risk in Method 1. when good secondary treatment is maintained but Method 2. is even more safe. The logic is that any disease organism that might survive the treatment process would die off more rapidly on land when drying occurs than in water. Further, the potential for public contact or direct ingestion is reduced.

Additional confidence can be found in the following excerpts from a recent policy statement of the Oklahoma State Health Department: *Potential for public health hazard and water pollution problems would be lessened with monitored and controlled application* (of wastewater) *upon selected land areas* (wastewater irrigation). *Land application would confine pathogenic organisms to the controlled area and prevent human contact, whereas EPA standards for bacterial content of wastewater effluents reduce but do not eliminate pathogens which may be contacted by the public in the waterways from the discharge source to the Gulf of Mexico.*

State of the Art - There are numerous locations in the U.S. where treated wastewater has been used for agricultural irrigation for a long time. Several national scale surveys of the "state of the art" have been completed recently. One of the more comprehensive surveys was conducted by a technical team from the Public Works Association, under the sponsorship of the United States Environmental Protection Agency (EPA). A part of this survey consisted of on-sight detailed analyses of 67 significant waste irrigation utilization systems across the United States.

For emphasis, some of the conclusions from the survey report are shown below.

1. *Land applications of wastewaters from community and industrial processing sources is practiced successfully and extensively in the United States and in many countries throughout the world.*

2. *Successful operation of a land application system requires the inputs from a variety of disciplines. For many systems the services of a geologist and an environmental engineer are required. For systems designed to augment the indigenous crop water requirements by supplemental irrigation, the advice and guidance of an agronomist and soils specialist will be needed. For larger systems, social and behavioral scientists as well as medical-health personnel may be required to assist in evaluating and securing acceptance of this alternative means of disposal.*

3. *Environmental analysis of the effects of land application facilities reflects a general improvement of the environment rather than impairment of the indigenous ecology.*

4. *Observations in the field and surveys of land application systems did not reveal the existence of specific health hazards and disclosed very little concern over threats to the health of on-site workers, residents of neighboring areas, domestic animals or wildlife, or of those who consume or come in contact with land-applied wastewaters.*

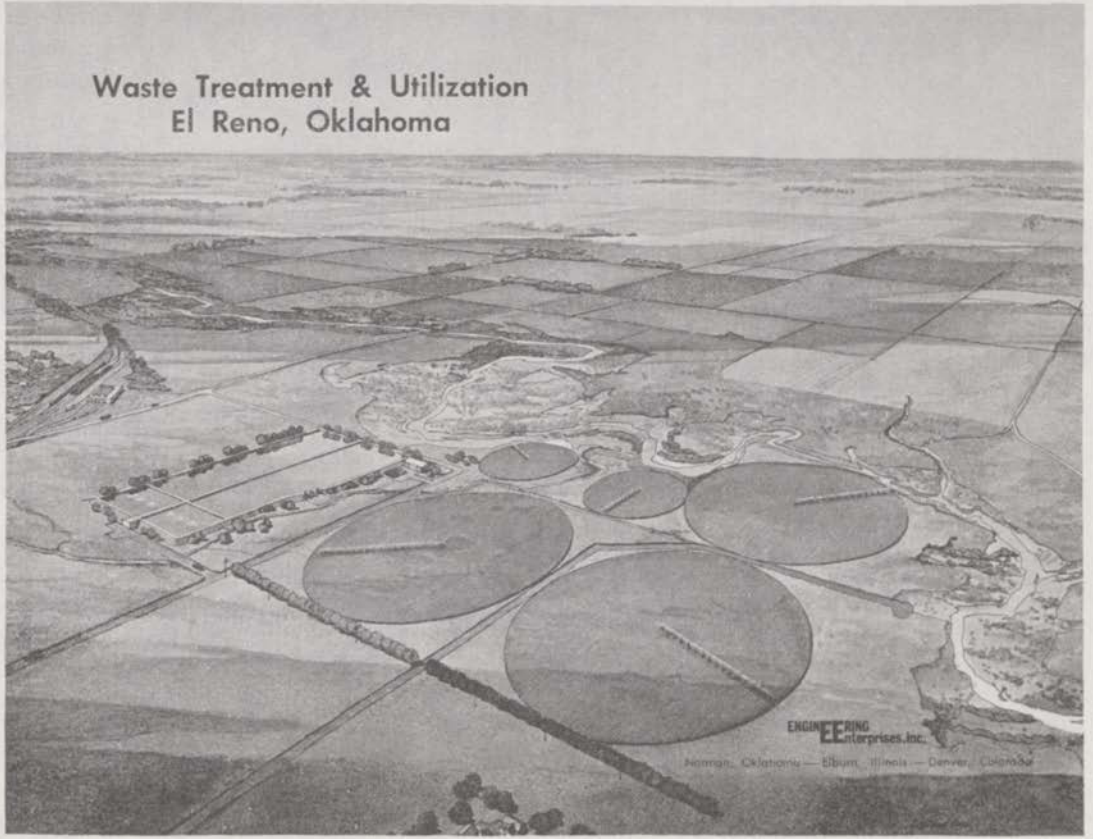
Significant wastewater irrigation exists in Arizona, California, Texas, Michigan, and other states. In 1972, it was reported that in excess of 80% of the waste effluent in Arizona was applied to the land. A 1972 survey of the Bureau of Sanitary Engineering, California State Department of Public Health found 132 wastewater reclamation sites in that state using an annual volume of 140,000 acre-feet of wastewaterper year. At most of these sites, the wastewater was used for irrigation of pastures, crops, and landscape irrigation (including golf courses). A very large and successful wastewater utilization project is in operation at Muskegon County, Michigan. This system is designed to handle 44 million gallons of wastewater per day. Although much of the flow is industrial waste, the voluem corresponds to an equivalent of nearly 1/2 million people. The storage lagoons alone cover 1,700 acres.

Costs - The design capacity of the system is 2.25 mgd for a projected population of 25,000. Construction of the project has begun. The cost of the lagoon pretreatment and the irrigation improvements is about $1.3 million.

Seventy-five percent of the costs will be paid from an EPA construction grant. Including construction, operation, and maintenance, the new land application system will cost 20 cents per thousand gallons of wastewater treated and utilized. The cost is less than two thirds the cost for a conventional secondary trickling filter system. The cost savings is even more significant since land application provides tertiary level treatment, which if provided by an advanced waste treatment and discharge system would cost over 90¢/1000 gallons.

Complete details of project planning and design are contained in documents on file at the El Reno Municipal Building. These documents include the "Facilities Plans and Studies-Wastewater Management Alternatives - El Reno, Oklahoma," "Environmental Assessment of Proposed Wastewater Management Improvements - El Reno, Oklahoma," construction specifications and construction plans. These reports are available for review by the public.

Planning and design of the project was performed by Engineering Enterprises, Inc., consultants in civil and sanitary engineering, groundwater geology and irrigated agriculture. Technical questions may be directed to John H. Marsh, P.E., President, Engineering Enterprises, Inc., 1225 West Main, Suite 215, Norman, Oklahoma 73069, (405) 329-8300.


Waste Treatment & Utilization
El Reno, Oklahoma
ENGINEERING enterprises, inc.

FOUNTAIN RUN, KENTUCKY (CASE STUDY)

*Jack L. Abney**

SUMMARY

Public Law 92-500 contains provisions which, as some interpreted them, may allow for Federal funding of publicly-owned onsite wastewater treatment/disposal systems. Such systems would be required to meet the requirements of the Federal facilities planning process.

One small community in Kentucky seemed especially well suited for such consideration. Currently without a sewer system, preliminary cost estimates for conventional sewers and central treatment showed excessively high sewer bills would be required, even with 75 percent Federal assistance.

The experience of the consultant led to a system design of individual septic-tanks, effluent sewers and clustered subsurface disposal sites. The final preliminary plan includes 22 community subsurface disposal sites and a similar number of single-user disposal sites.

Monthly sewer bills required to support the two systems have a significant difference. The conventional system would require about $17 per month while the selected system would require about $7 per month.

OBJECTIVES

Fountain Run, Kentucky, is a small city which decided that reliance on individual sewage disposal was hindering development of the town. In 1976, a wastewater facilities plan was prepared under a grant from the U.S. Environmental Protection Agency as provided in Section 201 of Public Law 92-500. The objectives of this plan were as follows:

1. Provide adequate public wastewater management to serve the needs of the community through 1995.
2. Comply with stream quality standards and other environmental regulations.
3. Minimize total 20-year costs for achieving the previous two objectives.
4. Develop a plan of implementation.
5. Assess environmental effects of various alternative systems which could meet the first three objectives.

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Lexington, Ky.

CHARACTERISTICS OF THE PLANNING AREA

The planning area includes one incorporated city, Fountain Run, and about 3 square miles of unincorporated land, all in Monroe County, Kentucky. Most of the area is served by the Fountain Run Water District. No major water-using industries are located within the area.

The plan was prepared under the authority of the Water District, with the city cooperating.

The total population was 436 in 1975, with 318 living in the city. Lot sizes are fairly large, with the average city lot covering about one acre. About 130 residential and commercial occupied structures existed within the city limits in 1975.

Households and businesses all utilized on-site disposal of wastewaters in 1976. Most had septic tanks but a few pit privys also were used. About 80 percent of existing wastewater sources were located on soils having good characteristics for subsurface disposal of wastewater. Major soil series include the Crider, Frederick and Trimble, which have USDA textural classifications ranging from silt loam to heavy silty clay loam.

The topography is rolling with some karst development. Underlying rocks are limestone and dolomite, with some interbedded shale.

WASTEWATER EFFLUENT STANDARDS

Any effluent discharging to a surface stream was required to meet fairly strict standards. Concentrations of key pollutants were not to exceed the following levels:

Five-day Biochemical Oxygen Demand: 10 mg/l;
Suspended Solids: 15 mg/l;
Ammonia Nitrogen: 1 mg/l;
Dissolved Oxygen: 8 mg/l.

ALTERNATIVE WASTEWATER MANAGEMENT SYSTEMS

In attempting to develop alternative systems, most of us are bound by our experiences, training and prejudices. One cannot usually consider an alternative that is not known or readily understood. Neither is a person likely to

consider an alternative with which only negative experiences have been gained, unless forced to do so by regulatory or managerial edict.

Perhaps these are common reasons for not considering on-site disposal in engineering plans. But when a person has succeeded in breaking through the regulatory restraints against designing on-site disposal and has successfully designed systems on difficult sites, he is likely to consider this approach in future applications.

In 1965 the author was fortunate enough to be able to apply flexible design criteria for on-site disposal in a local Health Department in Indiana. Working from Federal Housing Administration studies of septic-tank systems and with the aid of soil scientists and a geologist, he was able to develop a set of design criteria for on-site disposal that worked in that county very well. A further opportunity was gained in 1969, when he became associated with an Environmental Demonstration Project in Southeastern Kentucky. In that project several demonstrations of improved on-site disposal systems were installed on sites which could not be approved under the State Plumbing Code.

The Appalachian Project also had prepared several preliminary engineering plans for community sewerage systems. These plans included fairly detailed costs for sewer line construction which showed clearly the exorbitant cost of conventional sewers. Table I shows an analysis of these costs, updated by means of the U.S. EPA sewer construction cost index.

In some of the proposed service areas, sewer construction alone would cost more than the median annual family income of the persons served. When compared to the costs for the on-site disposal systems we had devised, sewers could not be economically justified in most of the areas studied in Appalachian Kentucky. However, no regulatory, financial or managerial system existed which would permit the effective utilization of "engineered" on-site disposal systems.

Therefore, the Project could merely make recommendations for improvements in design of on-site disposal systems. These recommendations are contained in a report,[2] published shortly before the Demonstration was terminated.

In developing the Fountain Run plan, accepted Federal policy was followed and, initially, only conventional sewers and central treatment were considered. Various treatment alternatives were examined, with simplicity of operation a primary goal. The final treatment process selected was a 3-cell oxidation pond with land application of effluent. It was only after calculation of the average monthly bill that it was realized that the community probably could not afford such a system. Subsequent meetings with the local people confirmed that this conclusion was shared by community leaders.

Table 1. Appalachian Sewer Construction (Costs Updated to March, 1976)

Type of Area	Users	Ave. Cost Per User	Max. Cost Per User
1. Rural	596	$7,960	11,350
2. Rural	136	6,190	19,180
3. Urban	2,025	5,970	26,280
4. Urban	73	5,730	12,420
5. Suburb	330	3,980	N/A
6. Urban	44	3,750	N/A
7. Suburb	335	3,470	5,240
All Above		$5,860	

With an assumed Federal grant of 75 percent and a low-interest loan for most of the remaining 25 percent, the average monthly sewer bill would be over $17. With no grant, the average bill would be over $30. At the time, grants were only available for treatment and so the higher figure would have been closer to reality.

Therefore, the consultants began to consider true alternatives to the familiar conventional sewers. The experimental sewer system installed at the Grady W. Taylor subdivision near Mt. Andrew, Alabama, served as initial inspiration for determining the cost of a similar system for Fountain Run. Further encouragement was given by recommendations developed by Paul Pate of Birmingham, Alabama, Department of Health. Both capital and operating costs were projected to be lower for this "effluent sewer" system, as it was called. But the average bill would still be high: about $13 per month.

It was then decided to divide the service area into smaller subareas and eliminate the central treatment facilities, while utilizing effluent sewers and subsurface disposal. This approach required a careful evaluation of the location of soils most suited to subsurface disposal and the identification of soil factors which might restrict their use for sewage disposal. Unit costs were developed for septic tanks, dosing devices, effluent sewers and disposal systems. Several trial-and-error combinations of users were tried before settling on a reasonably efficient arrangement. The final system consisted of 22 "community" systems having 2 or more users on shared disposal fields, plus 22 on-site disposal systems.

The cost for this "community subsurface disposal system" was significantly lower than the two previous systems. The average bill was estimated to be $7.30 per month, with 144 customers contributing. A further plus was the fact that an additional 24 customers were included.

As a final consideration, the cost for total on-site disposal with public management was analyzed. The same

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144 customers were assumed to require replacement of their disposal system with new, "engineered", systems. Standard absorption systems were estimated to cost $12,000, while special designs required to overcome soil limitations were estimated to average $1800 each.

The costs for the total on-site plan would be lower than costs for the community system. Average monthly billings would be about $5.70 with 75 percent Federal assistance on construction costs.

ALTERNATIVES ANALYSIS

Table II summarizes the main features of these four alternate wastewater systems. Total construction costs, including engineering, for these alternatives are shown on Figure I. Alternate "A" would require $524,400, "B" would require $367,500, "C" would require $340,200 and "D" would require $247,000. Conventional sewerage system "A" would cost more than twice as much as on-site disposal "D", and 1.54 times as much as the community subsurface system "C". This resulted even though a much greater cost for engineering and contingencies was included in "C" and "D" than in "A". A rate of 20 percent was allowed in "A", while 30 percent was allowed in "C" and "D" for engineering.

Table II. Alternative Systems

A. Central System:

Conventional Sewers
Oxidation Pond
Infiltration-Percolation

B. Central System:

Effluent Sewers
Oxidation Pond
Infiltration-Percolation

C. Decentralized System:

Effluent Sewers
Subsurface Disposal

D. On-Site Systems:

Septic Tank
Subsurface Disposal

Annual funds required for operation, maintenance, billing and debt service are shown in Figure II. Even though 20 percent fewer users are included in Alternate "A", it would require 2.3 times as many annual dollars as "D" and 1.8 times as many as "C".

Figure III illustrates the relationship in present worth for the four alternates. This comparison is the one mandated in the "201" planning guidelines. Present worth is a composite of initial capital, a lump sum to provide operation and maintenance for 20 years, and an allowance made for any salvage value at the end of the 20 year period. Relationships are similar to those in the preceding graphs, but not identical.

The economic comparison which matters most to the local citizen is the monthly bill for services. Due to the effect of Federal funding, and the varying service population the relative difference in the four alternatives is greater than in any other comparison.

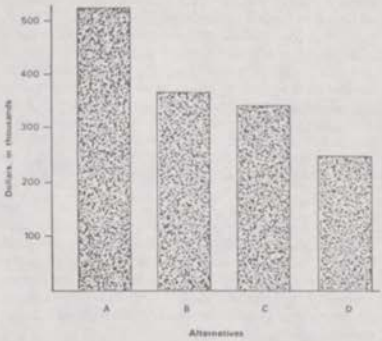


Figure I. Total Initial Cost

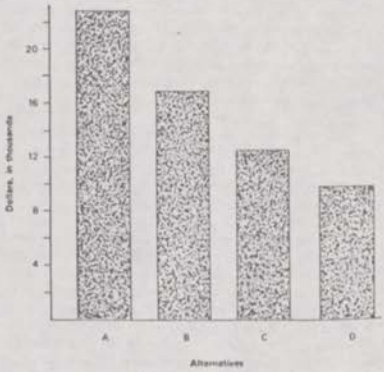


Figure II. Total Annual Funds Required

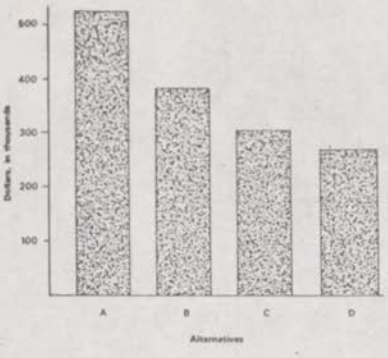


Figure III. Present Worth

In all four alternatives, it was assumed that a Federal grant for 75 percent of the initial cost would be obtained. In reality, this would be unlikely in any case.

But it could not be predicted with relative certainty how much of each alternative would be funded through a grant, and therefore equal outside funding was assumed. It was further assumed that a small "tap-in" fee would be charged each customer and the remainder of the local share would be borrowed over a 40 year period at 5 percent interest, the current FmHA loan terms. If no grant was available, the 75 percent portion would be financed locally through a greater loan and possibly a bond issuance.

The computed dollar amounts for these mean monthly bills were:

	With 75% Grant	With No Grant
Alternate A	$17.30	$37.80
Alternate B	12.80	27.60
Alternate C	7.30	17.30
Alternate D	5.70	12.90

These values are compared in Figure IV.

This analysis indicates that Alternate "A" would cost the homeowner 3 times as much as "D" and 2.4 times as much as "C", with a grant. It is recognized that the long-term financing of 95 percent of a project, as is assumed in the "No Grant" column, is rather unrealistic.

It would seem very likely that most of the "on-site" users would be unwilling to pay the monthly cost in Alternate "C" without a grant.

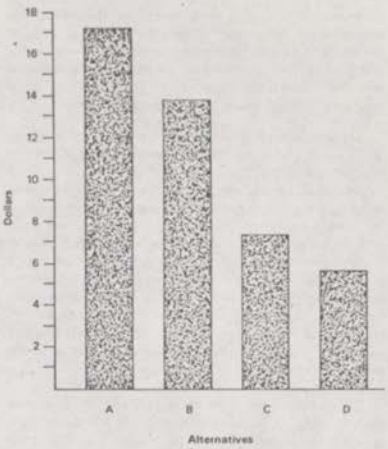


Figure IV. Average Monthly Bill

SELECTION OF THE PREFERRED ALTERNATE

These data were presented to the officers of the Water District and a public meeting was held to explain the alternates to the affected citizens. It was decided by the District Board of Commissioners that Alternative "C", the effluent sewer system with community subsurface disposal, would be the preferred alternate. Alternate "D" was not chosen, because of a general feeling on the part of the citizens that no real advantage would be gained to justify the expenditure of $5.70 per month. Alternates "A" and "B" were rejected because of the high cost to the user.

DETAILS OF THE SELECTED ALTERNATE

The design of the selected systems is fairly simple. A septic-tank and dosing tank would be placed at each user location. The effluent from the dosing tank will discharge into a plastic sewer of 4-inch inside diameter. Where the dosing tank must be located lower in elevation than the sewer, a sump pump will be used as described by Hindricks and Rees.[3] Otherwise a dosing siphon will be used to ensure scouring velocities near the lateral connection.

In a report by Otis and Stewart,[4] effluent drains are described which have been used in South Australia since 1962, apparently with no need for such elaborate devices to provide a scouring velocity. But it would seem logical

to expect a reduction in maintenance flushing of the sewers where intermittent dosing was provided. Effluent would be carried to the subsurface disposal fields via the plastic sewers. No manholes are proposed for these sewers, but cleanouts would be provided at intervals to allow flushing of lines should any sediment accumulate.

The preliminary design of the disposal fields is largely based on the work by Winneberger at Berkeley.[5,6] Field applications of the "narrow-trench" concept have proven successful in the author's experience in Jackson County, Indiana, and in Appalachian Kentucky. A comparison of the trench geometry required by Kentucky State Code with that recommended in the plan is shown in Figure V. It may be readily seen that if the invert of the distribution pipe is considered the maximum design depth, then the narrow configuration provides an area per unit volume ratio of 2.33 times that of the standard configuration. Other calculations show that the total cost per useful square foot provided would be about one-half as much, using the narrower trench.

Other design criteria are rather conservative, as may be seen in Table VI. In addition to the low application rate, two sets of trenches would be provided for use on a biennial cycle. Some persons have suggested that utilization of a biennial cycle should allow a reduction of up to 30 percent in the absorption surface area provided. Bouma, *et al.*,[7] recommended an average loading rate of 1 gallon per square foot per day in moderately permeable fine silty soils, when using intermittent application of effluent. In each disposal field, alternate trenches would be connected to a common header. This would allow a more diffuse application of effluent over the entire field. A design flow of 200 gpd per user may not seem very high, but the existing water consumption in Fountain Run is only 23 gallons per capita per day (gpcd) or about 70 gpd per customer. This preliminary design rate therefore provides for nearly 3 times as much flow as is presently occurring. Intermittent dosing of the disposal fields would be provided by either pumps or automatic siphons, depending on the size and topography of the field. This would help to provide uniform loading and avoid saturated flow through soil.

In determining the optimum locations for disposal fields, available soil maps, topographic maps, aerial photographs and personal observations were utilized. Certain areas were eliminated due to the existence of soils with low permeability. Homes were grouped above available open land to try to achieve gravity flow to all disposal sites. Costs for effluent sewers were weighed against cost of disposal sites, convenience of maintenance and community acceptability. By a process of elimination, the total number of multi-user sites was reduced to 22, and 22 on-site systems in the built-up area were retained in the recommended plan. These latter users would receive a level of service equal to that provided the multi-user sites and would be charged at the same rate for services, if they chose to participate.

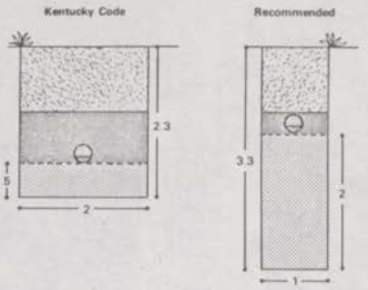


Figure V. Disposal Trenches

The pattern of septic tanks, effluent sewers and disposal fields obtained in the preliminary design is shown on Figure VI, which covers the central part of the incorporated city. Smaller sub-systems as well as on-site systems would exist in adjacent areas but were not shown in this illustration.

Due to the uncertainties presented by several very small lots on the west side of the business district, a short length of conventional sewer leading to a central septic tank was proposed. If final design investigations show that septic tanks could be placed to serve these businesses, then an effluent sewer may be recommended at that time.

Land on which the multi-user sites would be located would be owned by the Water District. Land prices are low, due primarily to the low average income level and the lack of growth pressures. Accessibility to the on-site systems would be obtained by a utility easement, which it is assumed the homeowner would give in exchange for installing a new system that would be publicly owned and maintained.

Details of construction costs are shown in Table III. Unit prices were obtained from quotes by local contractors and recent bid tabulations for jobs. No significant allowances were made for possible quantity discounts. A summary of total materials and quantities provided in this alternate is presented in Table IV.

Operating and maintenance requirements for the recommended system were more costly than might be expected. The system would contain 17 pumps of 1/3 to 2 horsepower size. Replacement units should be stocked in each size for rapid repair of malfunctioning pumps. Multi-user field dosing tanks would contain dual pumps for increased reliability.

The method used in computing total annual funds required is shown on Table V.

Table III. Detailed Construction Costs For Preliminary Design
Community Subsurface Disposal System
Fountain Run, Kentucky

	Quantity	Unit	Unit Price	Total
Subsystem 1				
On-Site Septic Tanks	34	Ea.	$ 200.00	$ 6,800
Pumps, 1/3 hp. w/tanks	1	Ea.	300.00	300
Small Dosing Siphons	33	Ea.	200.00	6,600
Effluent Sewer, 4" dia.	4,250	Ft.	4.00	17,000
Effluent Sewer, 3" dia.	790	Ft.	3.00	2,380
Main Dosing Tanks w/pumps	2	Ea.	1,200.00	2,400
Absorption Trenches	10,200	L.F.	2.10	21,420
Land	2.5	Ac.	2,000.00	5,000
Subtotal				$61,900
Subsystem 2				
On-Site Septic Tanks	2	Ea.	200.00	400
Pumps, 1/3 hp. w/tank	2	Ea.	300.00	600
Effluent Sewer, 4" dia.	450	Ft.	4.00	1,800
Gravity Sewer, 8" dia., in place	950	Ft.	10.00	9,500
8" Sewer Fittings		L.S.		1,200
Manholes	5	Ea.	500.00	2,500
Main Septic Tank, 3000 gal.	1	Ea.	750.00	750
Main Dosing Tank, w/pumps	1	Ea.	1,200.00	1,200
Absorption Trenches	5,100	L.F.	2.10	10,710
Land	1.2	Ac.	2,000.00	2,400
Subtotal				$28,660
Subsystem 3				
On-Site Septic Tanks	12	Ea.	200.00	2,400
Small Dosing Siphons	12	Ea.	200.00	2,400
Effluent Sewer, 4" dia.	760	Ft.	4.00	3,040
Effluent Sewer, 3" dia.	240	Ft.	3.00	720
Main Dosing Tank, w/pumps	1	L.S.		1,200
Absorption Trenches	3,600	L.F.	2.10	7,560
Land	0.8	Ac.	2,500.00	$ 2,000
Subtotal				$19,320
Subsystem 4				
On-Site Septic Tanks	6	Ea.	200.00	$ 1,200
Multi-User Septic Tanks	2	Ea.	300.00	600
Pump, 1/3 hp.	4	Ea.	300.00	1,200
Small Dosing Siphons	4	Ea.	200.00	800
Effluent Sewer, 4" dia.	1,270	Ft.	4.00	5,080
Effluent Sewer, 3" dia.	200	Ft.	3.00	600
Main Dosing Tank, w/siphon		L.S.		550
Absorption Trenches	3,300	L.F.	2.10	6,930
Land	0.8	Ac.	2,500.00	2,000
Subtotal				$18,960

Table III. Detailed Construction Costs for Preliminary Design
Community Subsurface Disposal System
Fountain Run, Kentucky (Continued)

	Quantity	Unit	Unit Price	Total
Subsystem 5				
On-Site Septic Tanks	7	Ea.	$ 200.00	$ 1,400
Small Dosing Siphons	7	Ea.	200.00	1,400
Effluent Sewer, 4" Dia.	1,080	Ft.	4.00	4,320
Effluent Sewer, 3" Dia.	140	Ft.	3.00	420
Main Dosing Tank, w/siphon		L.S.		550
Absorption Trenches	2,100	L.F.	2.25	4,725
Land	0.5	Ac.	3,000.00	1,500
Subtotal				$14,315
Subsystem 6				
On-Site Septic Tanks	3	Ea.	200.00	600
Multi-User Septic Tank	1	Ea.	300.00	300
Small Dosing Siphons	4	Ea.	200.00	800
Effluent Sewer, 4" dia.	720	Ft.	4.00	2,880
Effluent Sewer, 3" dia.	100	Ft.	3.00	300
Main Dosing Tank, w/siphon		L.S.		550
Absorption Trenches	1,800	L.F.	2.25	4,050
Land	0.75	Ac.	2,500.00	1,875
Subtotal				$11,355
Subsystem 7				
Multi-User Septic Tanks	2	Ea.	300.00	600
Small Dosing Siphons	2	Ea.	200.00	400
Effluent Sewer, 4" dia.	230	Ft.	4.00	920
Absorption Trenches	1,200	Ft.	2.25	2,700
Land	0.5	Ac.	3,000.00	1,500
Subtotal				$ 6,120
Subsystem 8				
On-Site Septic Tanks	3	Ea.	200.00	$ 600
Small Dosing Siphons	2	Ea.	200.00	400
1/3 hp. Pump w/tank	1	Ea.	300.00	300
1/2 hp. Pump w/tank	1	Ea.	450.00	450
Effluent Sewer, 4" dia.	500	Ft.	4.00	2,000
Effluent Sewer, 2" dia.	100	Ft.	3.00	300
Absorption Trenches	900	L.F.	2.25	2,025
Land	0.6	Ac.	2,500.00	1,500
Subtotal				$ 7,575
Subsystem 9				
On-Site Septic Tanks	3	Ea.	200.00	600
Effluent Sewers, 4" dia.	300	Ft.	4.00	1,200
Main Dosing Tank w/siphon		L.S.		400
Absorption Trenches	900	L.F.	2.25	2,025
Land	0.33	Ac.	3,000.00	1,000
Subtotal				$ 5,325

Table III. Detailed Construction Costs for Preliminary Design
Community Subsurface Disposal System
Fountain Run, Kentucky (Continued)

	Quantity	Unit	Unit Price	Total
Subsystem 10				
On-Site Septic Tanks	3	Ea.	$ 200.00	$ 600
Small Dosing Siphons	2	Ea.	200.00	400
Effluent Sewer, 4" dia.	350	Ft.	4.00	1,400
Effluent Sewer, 3" dia.	100	Ft.	3.00	300
Main Dosing Tank, w/siphon		L.S.		400
Absorption Trenches	900	L.F.	2.25	2,025
Land	0.5	Ac.	2,500.00	1,250
Subtotal				$ 6,375
Subsystem 11				
On-Site Septic Tanks	3	Ea.	200.00	600
Small Dosing Siphons	2	Ea.	200.00	400
Effluent Sewer, 4" dia.	400	Ft.	4.00	1,600
Effluent Sewer, 3" dia.	50	Ft.	3.50	175
Main Dosing Tank, w/siphon		L.S.		400
Absorption Trenches	900	L.F.	2.25	2,025
Land	0.33	Ac.	3,000.00	1,000
Subtotal				$ 6,200
2-Unit Disposal Systems (Sites 12 through 22)				
On-Site Septic Tanks	14	Ea.	200.00	$ 2,800
Multi-User Septic Tanks	4	Ea.	300.00	900
Small Dosing Siphons	14	Ea.	200.00	2,800
1/3 hp Pump & Tank	1	Ea.	300.00	300
Effluent Sewer, 4" dia.	1,220	Ft.	4.00	4,880
Absorption Trenches	6,600	L.F.	2.25	14,850
Land Cost	1.8	Ac.	3,000.00	5,400
Subtotal				$31,930
Individual Disposal Systems				
On-Site Septic Tanks	22	Ea.	200.00	4,400
Small Dosing Siphons	22	Ea.	200.00	4,400
Absorption Trenches	6,600	L.F.	2.25	14,850
Subtotal				$23,650
Total Treatment & Disposal Costs				$241,685
Sludge Pump, Soil Injector and Truck				20,000
Grand Total				$261,685

Table IV. Summary of System Components

122 Septic tanks;
13,250 Linear feet of effluent sewer;
960 Linear feet of 8" sanitary sewer;
104 Small dosing siphons;
9 Small effluent pumps;
4 Main dosing tanks with pumps;
6 Main dosing tanks with siphons;
44,100 Linear feet of absorption trenches at 44 sites;
10.6 Acres of Land;
1 Set sludge pump and soil injection equipment.

Table V. Alternative C Annual Fund Requirements

Operation and Maintenance		$ 6,100	
Office and Billing Expense		1,000	
Subtotal			$ 7,100
Debt Service			
Construction Cost		$261,685	
Engineering, Legal & Contingencies @ 30%		78,506	
Total Initial Cost		$340,191	
Less Grant (75%)	(–)	255,143	
Local Share		85,048	
Less Tap-On Fees @ $50 ea. (130)	(–)	6,500	
Net Debt Amount		$ 78,548	
(Assume 40 yr. loan @ 5% Use Capital Recovery Factor of 0.05828)			
Average Annual Principal & Interest		$ 4,578	
Surplus for Reserves at 20%	+	915	
Total Debt Service Funds			5,493
Total Annual Funds Required			$12,593

Table VI. Design Features For Subsurface Disposal

1. Application Rate: 0.33 gpd/sq. ft.
2. Biennial Use of Alternate Disposal Trenches.
3. Width-Depth Ratio of Disposal Trenches: 1.3.
4. Design Flow of 200 gpd per Customer.
5. Intermittent Application of Effluent.

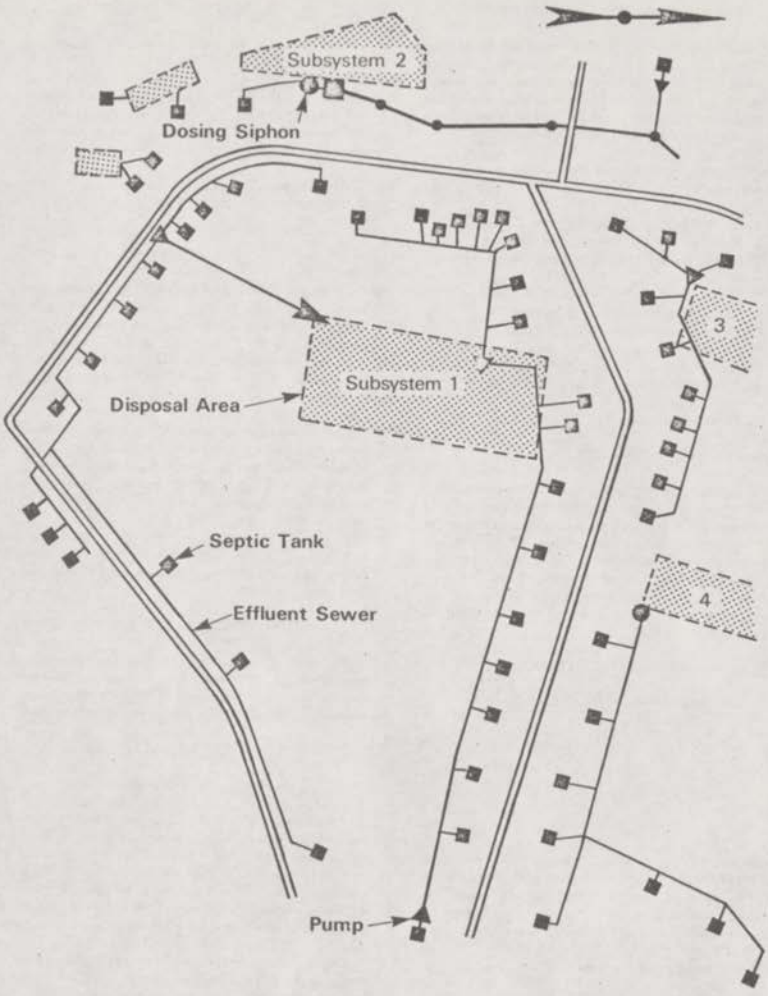


Figure VI. Community Subsurface Disposal Plan

ENVIRONMENTAL EVALUATION

All of the four basic alternatives would appear to meet the effluent criteria and other environmental criteria of responsible regulatory agencies. As in most wastewater projects, the primary impacts are more readily determined than secondary impacts. The following discussion only describes the more significant environmental effects.

The following factors were considered in analyzing construction effects:

1. Erosion from sewer construction.
2. Erosion from treatment and disposal sites.
3. Stream-bank damage from sewer lines and treatment facilities.
4. Aesthetic effects of excavation, etc.
5. Noise from construction equipment.
6. Air quality effects from fugitive dust.
7. The presence of sensitive ecosystems, unique plants, endangered species and archaeo-historic sites.
8. Dislocation of individuals, businesses and governmental services.
9. Employment.

EROSION

Erosion was estimated for each alternative by assuming a uniform soil erodibility (K factor) for the soil (the dominant soil type) and uniform erosion control practices (mulching) and estimating the steepness of the affected area by use of a topographic map. The Universal Soil-Loss Equation was applied to these assumptions and the total annual soil loss was adjusted to the estimated time of construction exposure. The results of these calculations follow.

SOIL LOSS FROM CONSTRUCTION

Alternate	Soil Loss, Tons
A	30
B	25
C	6
D	2

From this table it may be predicted that the conventional gravity sewer system and lagoon with disposal in an infiltration basin (Alternative "A") would create the greatest soil loss. The least soil loss would be created by Alternative "D", using on-site disposal and Alternative "C" would create slightly higher losses than "D" due to the effluent sewers being provided.

Since all such losses would be distributed over a fairly large area in a "non-sensitive" environment, no significant adverse impact would be anticipated.

STREAM-BANK DAMAGE

Damage to stream banks in the form of earth cuts and fills would be experienced in Alternatives "A" and "B" due to the construction of a 2-acre lagoon in the bed of a stream. This construction would require the diversion of the intermittent stream around one side of the lagoon. Additional damage could occur from construction of sewer lines crossing streams in Alternatives "A" and "B".

Alternatives "C" and "D" would not cause such damage since no major construction is proposed in any stream.

NOISE

Since larger construction equipment generally produces greater noise levels, Alternatives "A" and "B" would tend to produce greater significant noise impact than Alternatives "C" and "D". However, the most noise would be produced by bulldozers constructing the lagoon, and the lagoon site is located more than 500 feet from the nearest residence.

Sewer line construction in an existing community often produces noise levels which exceed the U.S. EPA criteria for noise. Since the construction of effluent sewers, as in Alternatives "B" and "C", would be done with smaller equipment, fewer excessive noise incidents would be expected.

The total lack of pavement crossings in Alternative "D" would indicate that this alternative would have the least adverse noise impact.

OTHER IMPACTS FROM CONSTRUCTION

All other potential impacts from construction were considered to be insigificant. No rare or endangered species, sensitive ecosystems or historic sites would be adversely affected by any alternative considered feasible.

GROUNDWATER EFFECTS

All of the final alternatives utilized some form of disposal to the soil. Consideration of soil conditions and the hydrogeology of the area have shown that the possibility of groundwater contamination by the proposed facilities is remote. All soils considered for disposal are fine textured and moderately well drained. They are considered to have a large capacity for absorption of ammonia nitrogen, nitrate and phosphorous. No higher groundwater conditions were evident in any disposal area.

Concern is often expressed in engineering reports about nitrate contamination of groundwater below septic-tank effluent disposal fields. An attempt was made by Rajagopal, *et al.*,[6] to relate groundwater quality to septic tank densities in an area with sandy soils and fairly high

water table. In 123 samples, only nitrates were found to approach or exceed USPHS limits for drinking water. Only 6 samples had concentrations in excess of the standard, and these were apparently caused by fertilization of cherry orchards, not by septic tanks. Where no orchards were nearby, nitrate apparently did not exceed 2 ppm (as NO_3-N) average concentration.

More detailed consideration of the location of any existing wells will be made in the Step 2 (design) process. Nearly all persons in the area of concern are customers of the Water District, but a few private wells may still exist, and if so, adequate separation distances from disposal sites must be provided or the wells should be abandoned and sealed.

The potential for overflow of partially treated wastewater in the effluent sewer system is probably much less than the potential for overflow of raw wastewater in the conventional system. This is due in part to the provision of on-site storage of several hours capacity in the dosing tanks and septic tanks. A typical 1,000 gallon septic tank would have a reserve storage capacity of about 100 gallons with a rise of 6 inches in liquid level. This would equal about 12 hours of average flow, which should be sufficient time to complete most repairs or replace failed pumps.

In addition, hydraulic overloads from infiltration and inflow appear to be much more likely with conventional sewers than with effluent sewers, due to the relative integrity of joints and the presence of manholes in the conventional system. Investigations of infiltration and inflow in existing sewer systems have demonstrated that untreated discharges were common in all systems.

Further protection against accidental overflow in effluent sewers could be provided by small emergency sand filters located adjacent to disposal field pumps, or by emergency subsurface disposal trenches.

SUMMARY OF CONSTRUCTION & OPERATING EFFECTS

Each of the effects described above has been given a numerical rating and the ratings added to give a total for ranking purposes. The total rankings, in ascending order of possible negative impact, were:

1. Alternative "D" = 29
2. Alternative "C" = 30
3. Alternative "B" = 37
4. Alternative "A" = 40

SECONDARY IMPACTS

Conventional gravity sewers often are considered to stimulate growth and encourage new industry to move to an area, where excess capacity exists in a sewerage system. Of course, this is dependent on many other factors as well, such as availability of general and skilled labor, transportation facilities and distance to markets. Nevertheless, it would appear likely that conventional gravity sewers as considered in Alternative "A" would tend to cause more development and, therefore, create a potential for greater secondary impact than Alternatives "B", "C" and "D".

EVALUATION OF IMPLEMENTATION

Based on the consultant's understanding of the powers of Water Districts, any of the alternatives could legally be implemented by the District. Alternatives "C" and "D" are apparently unique proposals in Kentucky and for that reason, may entail more original thought and careful evaluation for successful implementation.

On the other hand, the conventional sewer with central treatment would require such a large expenditure of local funds, even with Federal assistance, that opposition from potential customers may be even greater than anticipated. Alternatives "A" and "B" may also require a trained operator, or at least require considerably more manpower than the other alternatives, which would be a disadvantage.

Alternative "D" would seem particularly difficult to implement from the standpoint of the 20% of homes located on soils of low permeability. As pointed out previously, that alternative could involve much higher costs for design and construction of the systems located in poor soils than was used to determine relative present worth. From this standpoint, Alternative D was not recommended.

In perspective, none of the alternatives had any overwhelming advantage for implementation. Further consideration of implementation is contained in the Facilities Plan.

PUBLIC PARTICIPATION

A notice of public hearing for discussion of the environmental inventory and alternatives developed in the Plan was published in a local newspaper. About 15 community leaders attended the hearing.

Discussion during the meeting centered around Alternative "C", the community subsurface disposal system. Alternative "A", conventional sewers and central treatment, was considered too expensive by all participants. Even Alternative "B", the effluent sewer system with central treatment, was considered too expensive for local income levels. Several participants mentioned the fact that a significant portion (local estimates were 30 percent) of the population was living on retirement income and Social Security.

It was pointed out that the element of risk of "failure" may be higher in Alternative "C" than with conventional sewers, due to the complexity of soils and relative sensitivity to errors, but that any failure would probably only affect a few persons and would be correctable. The importance of the central management concept to correcting problems was explained.

To those attending who had no immediate problem with their individual disposal systems, even the expenditure of $7.00 per month seemed to be little justified when the discussion was commenced. An objection to Alternative "C" was that it might not attract new industry in the manner hoped for by some citizens. Some questioned whether as many persons would "sign up" for services as had been projected, and this led to a discussion of the possible mandating of subscriptions by health authorities or city ordinance. An opinion of the State Attorney General advised that Water District Commissioners would have legal authority to require use of a sewer system.

The participants largely agreed that the community disposal system would be a more desirable improvement and that Alternative "C" would probably not cost any more than maintaining and replacing existing septic tank systems. Several persons mentioned neighbors and business places where septic tank failures were known but have not been corrected.

Since the majority favored Alternative "C", subsurface disposal, due to the lower cost and simplicity of operation, the Chairman instructed the consultants to proceed with Alternative "C" as the preferred alternate.

CONCLUSIONS

The community subsurface disposal concept favored in this Plan is not a new concept. But it has had little, if any, application. To the best knowledge of the author, no demonstration has included the mix of septic-tanks, effluent sewers, community subsurface disposal and on-site disposal recommended in the Plan. Since the overall concept is somewhat new and unfamiliar to the Federal funding agencies, the possibility of substantial Federal assistance is unknown. On the Kentucky State Priority Ranking, the project is listed as 240th out of 241. This low rank is due primarily to the lack of recognized wastewater discharges in the local area. Malfunctioning septic tank systems are not included in the weighting system for determination of need.

The low ranking given not only delays funding of the project, but it also delays approval of a project. Personnel at the U.S. EPA Regional Office have stated that the Fountain Run Plan would not be reviewed for approval until higher ranking projects had been reviewed, and no timetable for such review was available. The most recent advice from the State Office is that funding of this Project is at least 10 years in the future, assuming funding levels do not increase. Therefore, other sources of funding are being investigated.

In discussing the proposed system with persons in various positions, from citizen to regulator, it seemed that most persons are initially prejudiced against all these key elements of the concept. Retaining septic tanks at the individual wastewater sources seems to violate what most sanitary engineers and citizens feel is right — that all wastes should be carried away from the point of generation as quickly as possible. Similarly, it violates common practice to specify a sewer as small as 4-inches diameter, when in some local jurisdictions 8-inch sewers are laid right up to the house foundation. And the history of subsurface disposal of wastewater has been so filled with negative experiences that regulatory officials sometimes are unable to give this alternative serious consideration.

But in the final analysis, the facts about the monetary and environmental advantages of community subsurface disposal in Fountain Run are still true. If this concept is ever to be applied at the required scale, decision-makers at both the State and Federal levels will need to take positive action based on the facts. When this is done, it will then seem more feasible to apply these concepts as alternatives in other communities. But without such positive action, most plans will continue to be written as though there were no alternatives to conventional sewers.

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General Development Utilities, Inc.

PORT ST. LUCIE DIVISION

SUBURBANAER SYSTEM

FACTS ABOUT YOUR SUBURBANAER SYSTEM

1. What briefly is the Suburbanaer System?

The Suburbanaer System is a new low-head pressure waste collection and treatment system developed by General Development Utilities to replace in some cases the septic tank-drainfield system or the gravity sewer collection system. It has undergone over seven years of extensive testing and is presently used in two General Development developed communities. These communities are Port Charlotte and Port St. Lucie.

The System has received national attention and has been visited by the U.S. E.P.A., representatives from the World Bank and many other state agencies within and outside of Florida interested in solving the extremely expensive cost of providing sewer service to the cities of the United States.

New materials and methods are constantly being evaluated and studied to improve the System performance. For example, new plastics and electronic equipment is becoming available to make the reliability of the System even more maintenance free.

The System basically consists of an interceptor tank and a sump chamber unit which houses a small 1/3 HP pump. Substantial organic waste treatment is provided, free of energy, in the interceptor tank. The water from the tank is pumped automatically through a small pressure line to a main pressure line and into the sewer plant for final treatment.

An attractive patio stone (removable) is placed over the fiberglass lid of the sump to allow for easy maintenance inspection and repair.

2. Will I hear the pump run? How expensive is it to operate?

The pump is a high quality submersible pump. Every time you use approximately 20 gallons of water, the pump will automatically turn on and run about 25 seconds. You probably won't hear it running. Based on normal water usage - for a family of two - the pump will run for about an hour per month and cost only a few cents per week for electricity. This is equivalent to approximately the energy used by a color TV in 1-1/2 hours.

3. Who maintains the Suburbanaer System?

The System from the interceptor tank to the sewer plant is maintained by General Development Utilities including all parts and labor costs. House plumbing problems as in gravity installations are, of course, not the responsibility of G.D.U. For your protection, a routine preventive maintenance program has been established. This service is paid for by your monthly sewer utility charges.

General Development Utilities, Inc.

4. What happens if there is a power failure?

If the power is off, the pump of course will not operate. However, there is a reserve capacity in the sump chamber and the interceptor tank which allows you to two days normal water usage before you will experience any difficulty. Should you experience a power failure, please record the date, time and duration, if known, and report this information to the Field Inspector at the next maintenance check-up of your system.

5. Is there anything I shouldn't put down the drains?

To protect the System which is a biological process and to help prevent your house lines from clogging, DO NOT throw down the drains:

a. plastic of any kind
b. sanitary napkins and other feminine hygiene materials
c. cigarette butts (the filters will not decompose)
d. contraceptives
e. excessive grease
f. coffee grounds and other inorganic materials which cannot be treated biologically.

6. Are the small sewer lines adequate?

This System has been carefully engineered and is being constantly tested and improved. Computer runs indicate the main lines to be considerably more than adequate even when every lot becomes occupied.

7. If I have a problem, what do I do?

There is a warning light on each installation generally located in the Utility Room. On most installations the warning light will come on as soon as the water level in the sump chamber rises above the normal level.

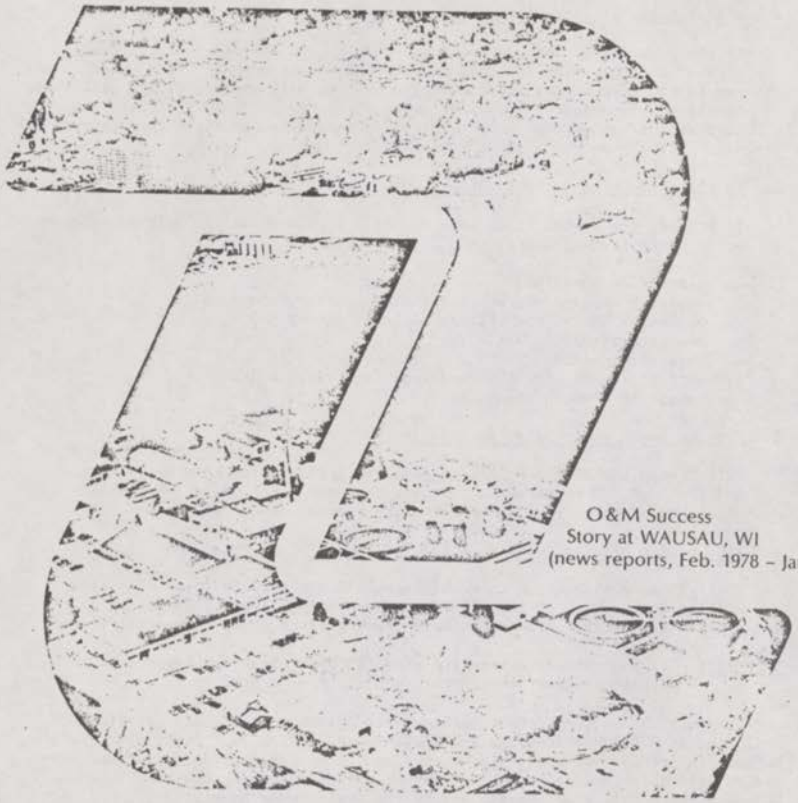
IMPORTANT - If you notice toilets are sluggish when flushed and water is draining slower than usual, you may have a problem.

For any problems or questions regarding your System, call General Development Utilities at 878-2000; evenings and weekends call 878-2233. Every effort will be made to provide you prompt, courteous and effective service. Our representative will be periodically making inspections and checking out the System. We would appreciate your suggestions on the System when he visits you.

If you are away for over two (2) months, please notify us upon your return so we may service your pump installation.

GENERAL DEVELOPMENT UTILITIES, INC.
Port St. Lucie Division
Suburbanaer Program

Zimpro



O&M Success
Story at WAUSAU, WI
(news reports, Feb. 1978 – Jan. 1979)

46-106 2183 RESCREEN & SQUARE HALFTONES

WAUSAU DAILY HERALD
FEB. 20, 1978

For polluting

Wausau could face big fine

The City of Wausau could be hit with a hefty fine as a result of its alleged failure to meet water pollution standards.

According to Linda Bochert, Wausau has consistently failed to meet standards since November of 1976 and could be fined as much as $10,000 a day, although such a fine is unlikely.

Bochert is the assistant to the administrator of the enforcement division for the Department of Natural Resources. The DNR has referred the case to the state Justice Department.

Wausau, Peshtigo and Milwaukee are the only three of the state's approximately 600 municipal sewage plant operators currently being prosecuted for violations of the so-called "30-30" standards.

Those standards require effluent to contain no more than 30 milligrams per liter of BOD (biochemical oxygen demand) and no more than 30 milligrams per liter of suspended solids. BOD is a measure of the oxygen removed from the water by the decomposition of waste.

According to Bochert, the 30-30 standards are the least restrictive the state can impose, although more restrictive standards can be set in some cases.

In Wausau, the major problem apparently is for suspended solids, Bochert said, although some BOD violations have been noted. She termed some cases, "serious violations."

In May, the average for suspended solids was 142 milligrams per liter and the BOD was 125 milligrams per liter from the Wausau plant. Elmer Olep, utilities manager for Wausau, attributed the problem to a frozen clarifier last winter, other equipment failures and unknown causes.

The DNR will ask the city to do three things — commit itself to a compliance schedule, take stopgap measures to minimize violations and make a forfeiture.

Based on the $10,000 per incidence maximum forfeiture, the fine paid by the city could be high. And normally, the DNR asks for the maximum forfeiture when it pleads its cases.

But forefeitures are normally settled out of court by agreement between the violator and the DNR at less than maximum, said Bochert, so it is unknown how much Wausau might pay.

Also referred to the Justice Department for prosecution were Mosinee Paper Co., Mosinee; Nekoosa Papers Inc., Port Edwards and Nekoosa; Flambeau Paper Co., Park Falls; the Appleton plant of Wisconsin Rapids - based Consolidated Papers, Inc., and five other paper mills.

Also referred for prosecution was Wisconsin Public Service Corp., Green Bay, for its Pulliam plant.

Because of the number of cases referred to the department, Bochert said she didn't know how long prosecution might take.

The municipalities, utility and paper companies are being prosecuted for failure to comply with the July 1 deadline for meeting best practicable treatment (BPT) of waste discharges.

By July 1, 1983, even more stringent standards, those requiring best available treatment (BAT) will take effect in an attempt to meet a national goal of fishable and swimmable water where possible.

According to Bochert, the BPT level was to be met by Wausau last November. The DNR can set earlier compliance dates than the July 1 deadline, and did for Wausau because the city was subject to a compliance schedule which should have resulted in earlier compliance, she said.

The Justice Department referrals were announced Friday by DNR Secretary Anthony Earl.

"If we are to be fair to the industries which have acted responsibly, we must be firm and forceful with those which have not," Earl said.

WAUSAU DAILY HERALD
MARCH 15, 1978

Commission recommends Zimpro contract

By TOM BERGER
Herald staff

A contract between the city of Wausau and Zimpro Inc. for the management of the city's wastewater treatment plant was recommended Tuesday by the Water and Sewerage Utility Commission.

The utility's recommendation came after a closed session following presentations by Zimpro, Rothschild, and Envirotech Corp., Menlo Park, Calif.

Wausau City Council has yet to act on the proposal.

Another part of the city's effort to placate the Department of Natural Resources, which has charged the city with violating effluent standards, is an industrial sewage use ordinance.

An explanation of the proposed ordinance and joint meeting of the commission and council's judiciary and regulatory committee will be held at 7 p.m. next Tuesday at City Hall.

The estimated city cost with the Zimpro contract is about $48,000 more than with the Envirotech proposal.

Zimpro was picked because cost comparisons were difficult to make and because the city retains more control of the plant, according to Wausau Mayor John Kannenberg.

He said the legal recommendations of City Attorney James Simmonds also favored Zimpro.

An operation and maintenance cost comparison by City Finance Director Donald Schultz showed the cost to the city with the Zimpro contract to be $705,758, including a $140,000 payment to Zimpro for management of the plant.

The cost to the city with the Envirotech proposal was estimated by Schultz to be $658,000, including a $627,000 payment to Envirotech.

Cost differences between the city's payments directly to Zimpro and Envirotech are attributable to the inclusion of all labor, energy and chemical costs in the California firm's contract.

The Zimpro contract calls for $140,000 for management and technical support.

Both contracts would include training, a preventative maintenance program, liability insurance and a bond for Environmental Protection Agency, DNR and third party suits.

Under both contracts, the plant would be run with 16 full-time employees. There are now 10.

Zimpro proposes that the city add three municipal employees, with Zimpro supplying three management persons.

With the Zimpro contract, the city employees would remain on the city's payroll. Envirotech proposed hiring all plant employees, while recognizing the American Federation of State, County and Municipal Employees as the bargaining agent.

Costs estimated by Schultz with the Zimpro contract include:

- Management and technical support, $140,000.
- Labor and overtime, $225,133.
- Energy, $173,800.
- Chemicals, $25,000.
- Maintenance, $99,000.
- Laboratory supplies, $1,500.
- Lift stations, $7,000.
- Administration overhead, $8,000.
- Sludge and grit removal, $9,600.
- Spare parts inventory, $1,125.
- General operations, $15,600.

Envirotech Tuesday reduced the energy portion of its contract proposal by $45,000 to reflect differing cost estimates.

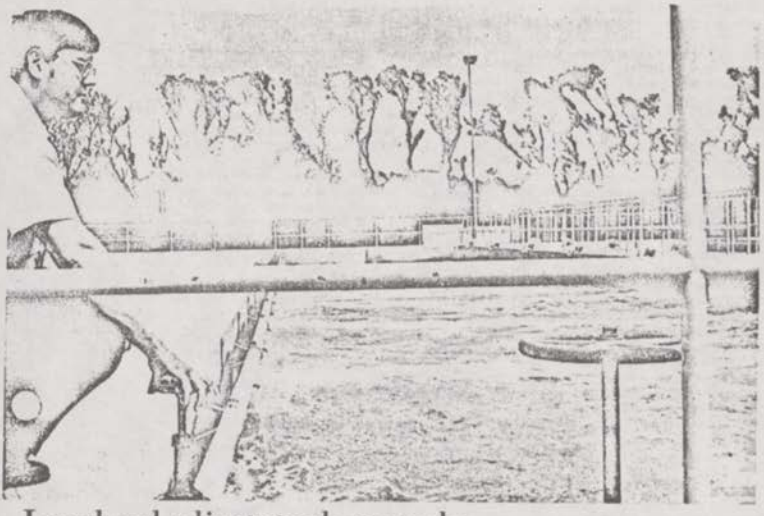
With Schultz's original cost comparisons, the Zimpro contract would cost the city a total of $705,785; while the Envirotech contract would cost a total of $703,000.

Zimpro's contract would run one year and then be renewable. Envirotech's contact would run five years, with an option by the city to cancel after 90 days.

The cost of the city's contract with the California firm would increase each year, based on consumer price and wholesale price indices.

WAUSAU DAILY HERALD
JUNE 30, 1978

Wausau sewage plant still doesn't meet standards



Leonhard adjusts tank controls

John Leonhard, Wausau sewage plant manager, adjusts controls on the aeration tanks at the plant. In the tanks, bacteria consume solids in the sewage. The tanks need the constant addition of oxygen or they die. Such dieoffs have been caused by chemicals dumped into the sewers and by equipment failures at the plant.

—Herald photo by Ray Weinkauf

JUNE 30, CONT.

By TOM BERGER
Herald staff

Despite a pending lawsuit, Wausau's wastewater treatment plant doesn't consistently meet effluent limits now and possibly won't for months.

Wausau faces a potential $10,000-a-day penalty for its violations.

The Department of Natural Resources has brought the suit and a spokesman said the agency will press for a penalty, although not the maximum.

Wausau's problem is basically threefold.

Sewers have become industrial dumps, parts of the treatment plant have failed and the city's wastewater sewer system isn't entirely separated from its storm sewers.

The DNR started its suit in July of 1977. That action jogged the Wausau Water and Sewerage Commission into a program to improve the city's effluent.

It hired Zimpro Inc. of Rothschild to run the plant and to provide other services for a fee of $140,000 for the first year, starting April 1.

Zimpro agreed to pay any penalties levied against the city or the utility if it caused the plant to fail to meet the DNR standards.

Almost three months into the contract, the plant still doesn't consistently meet DNR standards.

Zimpro employees John Leonhard and Steve Duebler, who are in charge of the plant, say the plant won't meet the DNR limits until the wastewater coming into the plant changes.

The wastes coming to the plant vary from acidic to alkaline, contain toxics and carry heavy metals. Such wastes upset the bacteriological process the plant uses and effluent standards are not met.

Zimpro guaranteed the plant would meet DNR standards, but only if the city enacted a sewer use ordinance prohibiting the dumping of harmful wastes into sewers.

Wausau enacted an ordinance, but it is bereft of meaningful standards and not yet enforced.

As proposed, the ordinance had parameters for pollutants that could be dumped into the sewers. They were based on other cities' ordinances and recommendations by the DNR and federal Environmental Protection Agency.

Faced with complaints by industries that some of the standards were unfair, all such limits were removed.

The ordinance still requires those who upset the city wastewater plant to pay for damages, but it would be very difficult to prove fault, according to Archie Becher Jr., president of Becher - Hoppe Engineers, Inc., Schofield, the firm hired as interim utilities manager.

"I think that without standards, it (the ordinance) is not very meaningful," he said. Becher said the standards should have been retained, and then modified as necessary.

The ordinance also is worthless unless the utility can determine what pollutants each customer dumps. Becher - Hoppe is conducting interviews and will soon begin monitoring dischargers. The firm expects to make a full report within 60 days.

It is likely that enforcement of the ordinance and reinstatement of conformance standards will force industries to pre-treat their wastes or face fines.

If Wausau had an effective and enforced sewer use ordinance in effect 10 years ago, the city might not be faced with a lawsuit today, according to Becher.

While industrial sewage is said to be the greatest problem facing the utility in its battle to meet DNR standards, there are others, all costly.

The utility is now beginning the repair of two sludge digeer units at the plant. Digesters are designed to reduce volatile solids. When they fail, other units must work harder.

Since all equipment at the plant but a filter press is more than 10 year old, other repairs and replacements may be needed.

In some areas of Wausau, storm and wastewater sewers are combined. Roof drains sometimes feed directly into sewers.

When it rains hard, the water in the combined sewers rushes to the sewage treatment plant, overloads the system and some incompletely treated sewage runs into the Wisconsin River.

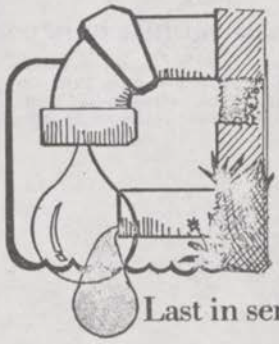
Based on timing between the start of a heavy rain and the first surge of rainwater at the plant, operators believe much of the rainwater comes from downtown Wausau, an area particularly in need of sewer separation.

The plant has been chronically understaffed, according to Elmer Olep, former utilities manager.

Becher says that the city may have been penny wise and pound foolish in the operation of its sewage treatment plant all along.

"The city has pursued a program of economic management to the point where, in a lot of cases, the short - term savings are going to be offset by long - term expenses," he said.

The sewage treatment plant and the DNR suit could prove his theory, he says.



Last in series

WAUSAU DAILY HERALD
AUG. 8, 1978

Wausau's sewage plant in compliance in July

By TOM BERGER
Herald staff

The Wausau sewage treatment plant complied with state effluent standards in July, it was reported today.

Effluent discharged into the Wisconsin River from the plant in July met state standards for the first time in several months.

As a result of earlier violations, the state Department of Natural Resources has filed a lawsuit against the city, with a maximum penalty of $10,000 a day.

The DNR has also imposed a moratorium on the extension of city sewer service until the treatment plant meets effluent standards. The moratorium played a role in town of Stettin residents' vote against annexation to the city.

The Wausau plant operates under a permit similar to those given to other municipal sewage treatment plants and is allowed an average discharge of 30 parts per million of suspended solids and of biochemical oxygen demand in its effluent.

In July, the average was 16 ppm for suspended solids and 22 ppm for BOD.

In April, the respective monthly averages for suspended solids and BOD were 58 and 47, in May they were 44 and 48 ppm, while in June the averages were 34 and 25 ppm, according to reports provided by Zimpro Inc.

Zimpro has run the plant since April 1 and has a one year, $140,000 contract with the Wausau Sewerage Utility Commission. The contract was a result of the city's sewage problems.

John Leonhard, treatment plant manager for Zimpro, attributed the July results to improved plant operation and maintenance. Adjustments were made in many plant processes, he said.

The compliance levels were reached despite rains which increased the flow of water to the plant to 20 percent greater than the normal volume.

In the past, high water flows have caused violations because sewage was less than fully treated when it was discharged into the Wisconsin River. Much of the rainwater is believed to reach sanitary sewers through roof drains in the downtown area.

"We're also seeing some modification in the severity and frequency of acid and caustic discharges coming into the plant," Leonhard said.

The discharges, suspected to come from industries in the Wausau and Schofield areas, have caused extreme pH readings in incoming wastewater and have upset the plant's biological processes.

The pH scale runs from one to 14, with seven neutral. A low reading is caused by an acid, and high readings are caused by caustics. Readings of incoming wastewater ranged from 3.1 to 11.7 at the plant in June and from 4.3 to 10.9 in July.

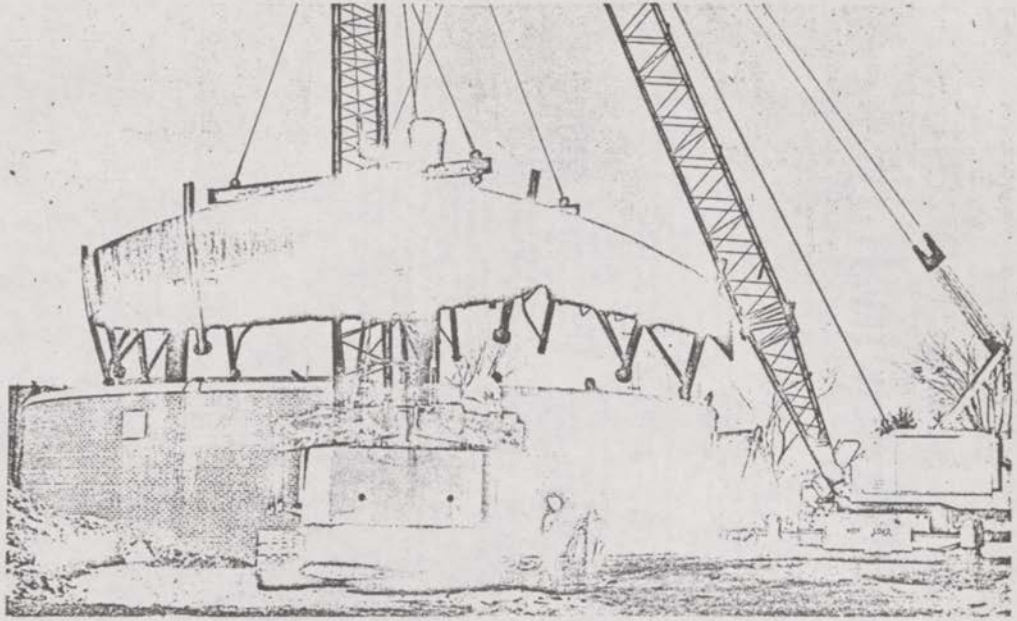
The attention given to the acid and caustic problem has led to more awareness by dischargers, according to Archie Becher Jr. of Becher - Hoppe Engineers, Schofield, acting manager of the utility.

"The message is getting through and we're seeing more cooperation and understanding of how these substances affect what the city's treatment plant can accomplish," said Becher.

Becher - Hoppe is developing an industrial waste monitoring program, a key step in implementing Wausau's ordinance forbidding the dumping of harmful substances into the sewers.

The monitoring will pinpoint the sources of harmful discharges and those responsible for the discharges can be fined for damages caused to the system.

WAUSAU DAILY HERALD
SEPT. 12, 1978



Repair work at the sewage plant

Workmen Monday used two cranes to lift a lid weighing 64,000 pounds from one of two digester tanks at the Wausau sewage treatment plant. The lid had collapsed into the half-million-gallon tank, released sewerage odors and contributed to the effluent quality problems the plant has had.

Behind the tank is a second digester, which also has a collapsed lid. The work is being done under the supervision of Zimpro Inc., Rothschild, the firm supervising plant operations under a contract with the utility.

—Herald photo by Rob Orcutt

RESCREEN & SQUARE HALFTONE

WAUSAU DAILY HERALD
SEPT. 12, 1978

Sewage plant in compliance again

The city of Wausau's sewage treatment plant met state discharge limits in August for the second month in a row.

August levels were the second this year to meet Department of Natural Resources standards.

Repair work also is continuing at the plant, with a 64,000 - pound damaged cover lifted from a digester tank at the plant Monday.

Wausau, like other municipal plants, is allowed to discharge an average of 30 parts per million of both suspended solids and biochemical oxygen demand.

For August, the plant averaged 25 ppm suspended solids and 29 ppm BOD.

Zimpro Inc. of Rothschild has been supervising plant operations since April under a one - year, $140,000 - contract with the Wausau Sewerage Utility Commission.

The contract was prompted by a DNR lawsuit against the plant for discharge permit violations. The August performance data was completed late last week.

John Leonhard, plant supervisor for Zimpro, said compliance was achieved despite mechanical problems with the sludge thickening tank and abnormally high wastewater flows through the plant.

On Aug. 24, the flow rate was 10.45 million gallons a day, almost twice the normal level. The plant was designed to handle nine million gallons daily.

Two cranes lifted the broken lid from the half - million - gallon digester tank Monday afternoon. The lid had fallen into the tank, allowing the release of sewerage odors and contributing to the plant's effluent standard problems.

Plans call for repairing the lid, placing it back on the tank and then refilling the tank. A similar project is needed for the plant's other digester tank, which also has a collapsed roof.

WAUSAU DAILY HERALD
OCT. 3, 1978

The Daily Herald

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Wausau Daily Record-Herald—Founded Dec. 2, 1907
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Page of Opinion

Page 4—The Daily Herald, Wausau-Merrill, Wis. —Tuesday, Oct. 3, 1978

At Wausau sewage plant

Things are looking up

When final tests are run this week, the Wausau Sewage Treatment Plant is expected to have met effluent limits for August, the third month in a row.

That really shouldn't even be news. But it is.

Wausau hasn't consistently met its effluent standards. If the September results are as good as those for August, it will be the first time since the current regulations took effect that the city met the standards for four consecutive months.

A lawsuit has been brought against the city by the Department of Natural Resources because Wausau hasn't met the DNR effluent standards.

The DNR has also imposed a moratorium on the extension of sanitary sewers in Wausau, until the city cleans up its act.

In a wise decision, the Wausau Sewerage Commission hired Zimpro Inc. of Rothschild to operate the plant under a one year contract. While the contract was costly, it now is proving its worth.

John Leonhard, plant superintendent and a Zimpro employee, has begun a tighter management program, has stepped up maintenance and has begun a parts inventory and training program.

Leonhard gives much credit to the cooperation of the city employees, all of whom have been retained under the Zimpro management contract.

It's good news that the plant is operating properly again and we laud those responsible.

Now it's up the DNR to dismiss its suit against the city and lift the sewer extension moratorium so we can get back to business.

WAUSAU DAILY HERALD
OCT. 10, 1978

Sewer extension ban could be lifted soon

By TOM BERGER
Herald Staff

A moratorium on new sanitary sewer extensions for the city of Wausau may be lifted.

If the city's sewage treatment plant meets effluent standards for two more months, the prognosis for the lifting of the moratorium appears good, according to the Department of Natural Resources.

The DNR imposed the moratorium in the spring of 1977, because of problems at the sewage treatment plant.

Wausau had consistently violated DNR standards, which require effluent to contain no more than 30 parts per million of suspended solids and biochemical oxygen demand.

But the city's hiring of Zimpro Inc. of Rothschild to manage the plant has turned things around.

In September, the plant achieved the best treatment levels since it opened nearly 10 years ago, according to Steve Duebler, Zimpro employee and chief operator at the plant.

Plant effluent averaged less than half of the allowable limits, with readings of 14 ppm for both suspended solids and BOD, despite a toxic loading late in the month.

The September performance gave the plant three consecutive months of compliance with DNR discharge standards for the first time since 1976, Duebler said.

In addition to imposing the sewer extension ban, the DNR has filed a lawsuit against Wausau for its discharge violations. The penalty could be as high as $10,000 a day.

The lawsuit is still pending in Dane County Circuit Court and is in the interrogatory stage, with each side directing questions to the other in preparation for a possible courtroom confrontation.

John G. Brasch, DNR district director, declined to comment on the lawsuit, or on a conference the DNR had with the state attorney general's office in the last several weeks on the matter.

But Brasch did say that the DNR might be on the verge of lifting the sewer extension moratorium.

"I would think that as soon as the operation of the treatment plant is consistently within limits that the moratorium will be lifted, if the plant can accept the additional sewage," said Brasch.

Asked what the DNR thought "consistently" would be, Brasch said, "from the time that the sewage treatment plant started meeting its limits, four to five months might be reasonable."

Braasch commended the Rothschild pollution abatment manufacturer and consultants for their management of the Wausau sewage treatment plant.

"It appears that Zimpro is doing a good job of operating the plant," he said.

The ability of Zimpro to achieve record levels of treatment after suspended solids and BOD levels in effluent that surpassed 100 ppm during some months indicates the problem at the plant was not with the equipment, but with its operation, Brasch said.

Further work is being done at the Wausau plant to improve its operation, according to John Leonhard, plant manager.

One of the plant's pair of sludge digesters should be back in operation this month. The digester cover was removed last month and is being repaired. The covers of both digesters had collapsed and fallen into the sludge.

The DNR sewer extension moratorium figured prominently in discussions by town of Stettin officials when voters in a mile-square area voted not to annex to the city.

WAUSAU DAILY HERALD
OCT. 12, 1978

Wausau still facing state sewage penalty

By TOM BERGER
Herald Staff

The state is still anticipating a "significant" penalty from Wausau for its sewage treatment plant effluent violations, according to an assistant attorney general..

General Steve Wickland, assistant attorney general, said a court trial could be held later this year or early in 1979.

Wausau has been charged by the Department of Natural Resources with violating rules on effluent discharged to the Wisconsin River.

The city could be fined a maximum of $10,000 for each day of violation.

Wickland said that, in his pleadings, he is asking for the maximum penalty, partly because the Wausau violations lasted for more than a year.

The state is going ahead with its prosecution of the city despite compliance with effluent standards for the last three months. Wausau has hired Zimpro Inc., Rothschild, to run the plant and Becher - Hoppe Engineers Inc., Schofield, as utilities manager.

Three months' compliance "is a relatively short time," Wickland said, and doesn't affect the current lawsuit.

He said the DNR and Justice Department, which is prosecuting for the DNR, is keeping a close watch over developments in Wausau.

A deadline of Sept. 29 had been set for the return of detailed Justice Department interrogatories directed to the city. They asked about the city's sewer users ordinance, consultants hired, expenses and other information relating to the sewage plant and its operation.

Wausau asked for a one month delay of the deadline and that information is now expected by Oct. 29, Wickland said.

If the case ultimately goes to court, it will be tried in Dane County Circuit Court.

Wickland said he is preparing as if a trial were to be held, but said the state would not rule out a negotiated settlement.

Under the supervision of Zimpro, the Wausau sewage treatment plant achieved record levels of treatment for September.

WAUSAU DAILY HERALD
DEC. 4, 1978

Sewage plant complies, but moratorium still on

For a record fifth consecutive month, Wausau's sewage treatment plant has met its effluent limits.

Actual and projected effluent readings for November are about half of the limit set by the state Department of Natural Resources.

Despite Wausau's record, the DNR has still not lifted a moratorium on sanitary sewer extensions imposed on the city for past plant failures.

City Attorney James Simmonds said his negotiations with the DNR on an end to the moratorium and settlement of a lawsuit by the state against the city for plant failures have been disappointing.

"They continually want something more," Simmonds said of the DNR.

Simmonds is negotiating with the state attorney general's office for a settlement. He said he had expected an agreement would have been reached two or three weeks ago.

Because of the DNR moratorium, Wausau was unable to install sewer extension projects budgeted for this year. The question about availability of sanitary sewers has also caused the city problems with proposed annexations.

For November, Wausau's sewage treatment plant achieved a suspended solids output of 14 parts per million, while the DNR allows 30 ppm.

Projected biochemical oxygen demand average for the month is 14-15 ppm, again compared with an allowable 30 ppm.

The two criteria are standards by which the DNR judges a plant's impact on the receiving water, in this case the Wisconsin River.

"Those are good numbers when you're only expected to do 30 and 30 and you do less than half of that," said John Leonhard, Zimpro Inc. employee and plant superintendent. Zimpro is managing the plant under a contract with the city.

When the plant met DNR standards in October for the fourth consecutive month, it was the first time the plant had ever been in compliance four months in a row, Leonhard said.

By meeting the DNR limits in November, the plant has achieved a new record for compliance.

WAUSAU DAILY HERALD
DEC. 11, 1978

DNR to ask fine, improvements; may lift sewer moratorium

By TOM BERGER
Herald Staff

A sanitary sewer moratorium against the city of Wausau may be lifted this week.

Both city and Department of Natural Resources officials say a settlement of a lawsuit over city sewage treatment plant violations appears imminent.

As a part of the settlement, Wausau may have to pay a fine and make sewage treatment plant improvements totaling something less than $100,000.

"At this point, it's simply a matter of setting that agreement down on paper and getting it signed," DNR Secretary Anthony Earl said today.

"We hope to have the proper paper work completed and restore Wausau's right to extend sewers in days," said Earl.

The 15-month moratorium prevented Wausau from extending sanitary sewers in 1978. Because sanitary sewers and water mains are usually installed at the same time, water extensions were also held up.

A fine will be a part of the stipulation being negotiated by the state Department of Justice and City Attorney James Simmonds.

Wausau will also be required to make certain sewage treatment plant improvements.

Neither Earl nor Simmonds could set a definite fine and improvement total, but Earl said it would be less than $100,000.

"The major portion of the money to be expended by Wausau will be for plant improvements," Earl said.

While it apparently won't happen, Wausau could be fined $10,000 for each day the sewage treatment plant filed to meet DNR effluent standards.

Wausau's sewage treatment plant has been managed by Zimpro Inc. since April 1 under a $140,000, one-year contract.

The plant has now met DNR standards for five consecutive months.

Earl said Wausau's ability, with the aid of Zimpro, to again meet DNR effluent standards is a mitigating circumstance in setting a penalty for the city.

While Wausau was not the first state city to be charged by the DNR with effluent standard violations, it represents a new set of circumstances.

"The Wausau situation is a bit unusual in that Wausau is one of the first cities with a relatively new plant that we're going after," Earl said.

Wausau's secondary treatment and sludge conditioning addition was completed in 1972 and cost $2.9 million.

Previously, the DNR had brought suit against cities with old, inadequate treatment plants. Wausau and most other cities its size now have new plants or recent additions, Earl said.

For that reason, there will be other cities with new treatment plants sued by the DNR — "There will be other Wausaus," Earl said.

It was during Earl's term as Wausau city attorney and a member of the Wausau Board of Public Works that bids were let for the secondary plant.

Because of his familiarity with Wausau's plant, "I had a strong feeling that the plant can work and ought to," said Earl.

He said the DNR's lawsuit prodded the city into doing what it should have done before, much like suits against Milwaukee by the DNR and Illinois have done.

"In many ways, it's similar to Milwaukee," Earl said. "Milaukee got in such problems with Illinois, but now they're meeting the numbers also. They've demonstrated that on nine days out of 10, they can do it."

Wausau Mayor John Kannenberg said he was pleased with Earl's announcement of a coming settlement.

"We've had a long siege with that and we're spending a lot of money on that plant," said Kannenberg.

"If this is lifted, then I don't see any reason why we can't extend sewers next year, which we weren't able to do this year," he said.

Costs of the Zimpro contract, the expected DNR fine and plant improvements the DNR will require are borne by homeowners, businesses and industries in Wausau, Schofield and parts of the towns of Stettin and Weston.

That could force sewerage fees up — "We can't keep operating at a loss," Kannenberg said.

WAUSAU DAILY HERALD
DEC. 22, 1978

Sewer extension agreement for Wausau would cost $75,000

By PAT RUPINSKI
Herald Staff

The city of Wausau and the state Department of Natural Resources have reached an agreement that will probably result in the lifting of a moratorium on sewer extensions by the Wausau Sewage Utility.

Mayor John Kannenberg this morning released a copy of the agreement worked out by city officials and the DNR.

It calls for a penalty of $75,000 to be assessed against the city for failing to comply with DNR standards for treating sewage.

Of that amount, the DNR agreed to allow Wausau to keep $60,000 for capital expenditures at its treatment plant. Items purchased will help upgrade the facility.

The other $15,000 will be forfeited to the state as a fine.

Although the agreement doesn't mention the 15-month moratorium, Kannenberg said he saw no reason why it wouldn't be lifted once the City Council approves the agreement.

With the moratorium's end, Wausau would be able to extend sewer service, which would be an encouragement to areas to annex to the city.

The mayor said he would call a special session of the City Council for 1 p.m. Tuesday, Dec. 26, to approve the agreement.

The DNR reported that it was near reaching an agreement with Wausau earlier this month.

Anthony Earl, secretary of the DNR, said at that time that Wausau's situation was somewhat unique in that it was the first municipality with a relatively new sewage treatment plant to be charged with violating effluent discharge standards.

Previously, the DNR had brought suits against municipalities with old, inadequate treatment plants.

Wausau's plant has both primary and secondary treatment and a sludge conditioning addition. For the last five consecutive months, it has met DNR discharge standards.

The city, which was named as a defendant in the case because it runs the sewage utility, could have been fined up to $10,000 a day for each day the plant was in violation.

Improvements that the city will be required to make with the $60,000 it will keep under the agreement are: $15,000 for an automated feeding system, including a bulk storage tank for chemicals used in the system; $10,000 for installation of automatic dissolved oxygen control system for mixed liquor aeration tanks; $20,500 for rerouting of return flows from a Zimpro unit and digesters to separate supernatents from sewage influent and allow independent sampling; $750 for recording pH meter at the plant; $3,400 for a secondary digester level indicator, and an alarm with interlock on sludge transfer pump; $5,900 for a portable sampler and two flow recorders; $500 for a laboratory balance table and chair; $800 for a dissolved oxygen meter for the lab; $2,000 to $3,000 for microscopes; $1,250 for expanding the scale of the specific ion meter in the lab; and $300 for operation manuals.

WAUSAU DAILY HERALD
DEC. 27, 1978

Wausau accepts $15,000 fine as DNR sewage plant settlement

The Wausau City Council Tuesday afternoon accepted a $75,000 settlement worked out with the Department of Natural Resources, which will require the city to make improvements to its sewage treatment plant and pay a fine to the DNR.

City officials expect a moratorium prohibiting the city from extending sanitary sewers will be lifted as a result of the settlement.

Out of the total settlement, the city will pay $15,000 to the state as a fine for a period when the city's treatment plant failed to meet DNR effluent standards. The city will also have to spend $60,000 for improvements at the plant.

The city has been under a 15-month moratorium preventing it from extending sanitary sewers. Because sanitary sewers and water mains are usually installed at the same time, water extensions have also been held up.

The plant has been managed since April 1 by Zimpro Inc., Rothschild, and has met DNR standards for five consecutive months.

The agreement was unanimously accepted, although grudgingly by some aldermen.

Alderman Bertell MacDonald, for one, said, "There are some things in here that curl my hair. The fine itself is a rip-off of the taxpayers in Wausau. And who is the DNR to tell us how to run our plant?"

Alderman Richard Mayer responded by saying, "I'm sure the rest of us don't feel any differently, but it's the least of all evils available. And I'm reasonably sure 60 percent of the plants in the state are in the same shape as we are."

Mayer also said arguments that Wausau was singled out are immaterial. "We were wrong," he said of the city's failure to meet effluent standards.

Alderman Norman Walters asked if the city did not have the proper staff at the treatment plant, "and if not, why not?"

Mayer said the plant was seriously understaffed, and in fact is still lacking some staff. The plant's previous "driver" was not up to the job, he indicated.

Alderman Floyd Johnson found one bright spot in the settlement. "Maybe this is the start of something new," he said. "I remember the Wausau Paper hearing, when they told the DNR, 'Why don't you people tell us what we need, and not just that we're in violation.' "

The settlement spells out specific steps that the city must undertake to complete the $60,000 repair work ordered. The work is intended to enable the city to better handle industrial pretreatment of wastes and solids as well as preventive maintenance at the plant.

Mayor John Kannenberg was philosophical about the settlement. "I don't like to see the fine, but you've got to look at their side. If they let us off the hook, how can they get anyone else to comply?," he noted.

WAUSAU DAILY HERALD
JAN. 15, 1979

Sewage plant within limits for 6 months

The Wausau sewage treatment plant has reported six consecutive months of compliance with its discharge permit.

As announced today, the plant's December effluent averaged 24 parts per million for suspended solids and 22 for biochemical oxygen demand, compared to allowable levels of 30 parts per million for each.

For the six months, the plant has averaged 19.7 parts per million of suspended solids and 20.7 ppm for BOD.

Wausau had been sued by the Wisconsin Department of Natural Resources and was under a DNR sewer extension ban because of plant violations before 1978.

The DNR recently settled the lawsuit and lifted the moratorium.

John Leonhard, plant manager, and Steve Duebler, chief operator, said maintenance, staff performance, major equipment overhaul and increased attention to industrial and private dischargers into the treatment plant were reasons for the better results the last six months.

Duebler said pH levels of wastewater entering the plant were in the neutral range more than two-thirds of the time in recent months.

The pH level indicates the acid or caustic content of the wastewater. High acid or caustic loads, originating from a specific soure along the sewer system, can upset treatment processes.

Last spring, for example, pH levels at Wausau's plant were neutral only a few days each month.

Leonhard said that since summer, all three main sewage influent pumps have been repaired, work has been completed on a sludge digester, and clarifiers and the chlorine contact chamber have been emptied and cleaned.

In addition, preventive maintenance, spare parts and a parts inventory system have been begun.

Leonhard and Duebler are employees of Zimpro Inc., Rothschild, the firm hired by the Wausau Sewerage Utility to supervise treatment plant operations since last April.

Mr. SABO. Thank you. We appreciate your statement and your interest.

The Committee stands adjourned.

[The following statements were submitted for the record:]

Statement of the Honorable William Boner

SECTION 202 FUNDING
HOUSING FOR THE ELDERLY AND HANDICAPPED
STATEMENT BY THE
HONORABLE BILL BONER
OF TENNESSEE
BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON HOUSING
April 24, 1979

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE,

I appreciate the opportunity to be here today to voice my strong opposition to the budgetary request to the Congress submitted by the President relating to the funding level for Section 202, Housing Programs for the Elderly and the Handicapped.

The Housing Act of 1959 enacted a program that promoted the development of housing for the elderly. Section 202 provided direct 3% loans to non-profit sponsors to provide rental housing for the elderly through new construction or rehabilitation of existing structures. Over a ten year period the program produced 45,000 units with only 1 foreclosure, but the program was phased out in 1969 because of two reasons. First, the Administration felt the program was having a detrimental effect on the Federal Budget. Secondly, the Administration felt the Section 236 subsidy could replace the

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Section 202 program. In January, 1973, the Section 236 program was halted by the housing moratorium and from that date until the summer of 1975 there was no effective program to aid the development of housing for the elderly.

The 1974 Housing and Community Development Act revised the Section 202 program in August, 1974. HUD did not issue final regulations for the program until August, 1975. These provided for the financing of construction loans only, with permanent financing to be obtained by the project sponsor from other sources. This proved to be not feasible, and no projects were undertaken. In the HUD - Independent Agencies Appropriations Act of 1976, Congress mandated long-term financing to non-profit sponsors. Final regulations were published on February 25, 1976.

The purpose of Section 202, as amended by the Housing and Community Development Act of 1974, is to provide direct Federal construction and permanent mortgage loans for housing projects to serve elderly and handicapped families and individuals. Only private non-profit corporations and consumer cooperatives are eligible for Section 202 loans. Under the 1974 legislation loans were made at an interest rate based upon the average market yield on U.S. obligations

with comparable maturity periods, plus an allowance to cover administrative costs and probable losses under the program.

The Housing Authorization Act of 1976 amended the program further to lower the interest rate charged to sponsors. The rate is based on the average interest rate of all interest bearing obligations of the U.S. Government, rather than long term debt alone, plus an amount to cover administrative costs.

An important aspect of the revised Section 202 program is that all projects receiving the long-term loans must meet the requirements of, and will receive the benefits of, leased housing assistance payments under the Section 8 program. This means that eligible tenants will not pay more than 25% of their incomes for rent. To guarantee their availability upon approval of the financing, reservations for Section 8 funds will be set aside at the time a Section 202 reservation is made.

Section 202 funds are allocated on a geographic basis for metropolitan areas among the 10 HUD regions, taking into account the number of elderly households within each region, those households lacking some or all plumbing facilities, and those with incomes below regionally adjusted poverty levels.

Projects may have congregate dining rooms and other shared facilities, must be designed to accommodate the special environmental needs of the occupants, and may offer certain services to the residents. These services include health care, continuing education, welfare, recreational, homemakers, counseling and referral services, and transportation where necessary to facilitate access to social services.

Potential sponsors have expressed a need to coordinate the fundings of Section 202 housing with that of the supportive services provided the projects. Until October 1978, there was no provision for the funding of these services. The passage of the Housing and Community Development Amendments of 1978 provided authorization for HUD to enter into contracts with local public housing agencies and sponsors of Section 202 projects to provide these congregate services programs for eligible project residents in order to promote andencourage maximum independence within a home environment. Funding authorization for this congregate services program is $20 million for FY 79, $25 million for FY 80, $35 million for FY 81, and $40 million for FY 82.

Another achievement of the Housing and Community Development Amendments of 1978 is the set aside of

$50 million for Section 202 housing for non-elderly handicapped persons. This group is usually considered with the elderly and reportedly, often in the past their individual needs have been neglected. Through this new provision Congress has specified that they be considered as a separate group.

In 1979, HUD reserved $800,000,000 for approximately 21,200 units of Section 202 construction. In the 1980 Budget, HUD has estimated a reservation of $800,000,000 for another 21,200 units of Section 202 residence.

Mr. Chairman, in summary I believe that Section 202 Funding not only needs to be maintained at current levels but must be increased to provide for additional applications by our growing senior citizens population. I wish to take exception to the National Association for Non-Profit Retirement Housing, which was founded in 1963, and who have corresponded with my office to urge a maintenance of the FY 1979 funding level for this program. I wish to point out at this time, Mr. Chairman, that Section 202 funding in Tennessee is at a particularly crisis level. For the eight counties under the responsibility of the HUD regional office in Nashville (Davidson, Rutherford, Robertson, Cheatham, Sumner, Wilson, Williamson and Dickson counties) there is presently an inability to continue funding for the eight to ten projects that have been approved

under Section 202 back during the 1977 and 1978 years. The Nashville HUD office did, however, indicate to me that the deadline for applications under 202 was April 30, 1979 and any applications received will be considered in the 1979 funding level. At the conclusion of my remarks, please find a short list of Section 202 projects in the Nashville area.

Mr. Chairman, not only the HUD regional office in Nashville but HUD offices throughout the country need additional funds in order to provide adequate housing for our elderly and handicapped citizens. I urge the subcommittee and the committee to reverse the President's budgetary levels and increase appropriations for Section 202 funding for the elderly and the handicapped.

In addition, Mr. Chairman, I am pleased to cosponsor Congressman Lundine's bill, H.R. 3523, introduced on March 27, 1979 and cosponsored by the distinguished Chairman of the Senate Housing and Urban Affairs Subcommittee, Senator Williams, to continue this essential program for three years, including a funding increase from $800 million for FY 1980 to $875 million and further authorization increases in fiscal year 1981 and 1982 to $950 million and $975 million, respectively. Mr. Chairman, I feel this legislation will protect the project from the erosion brought about by persistent inflation, and a

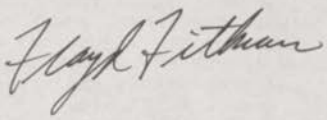
second major change incorporated in the more recent Section 202 program legislation is the extension of Section 8 rental assistance to all residents of elderly and handicapped projects. This is necessary to ensure that housing for these population groups becomes part of our larger effort to target assistance to those who most need it. The record from the Section 202 projects under the early program demonstrated clearly that HUD assistance was not reaching those elderly of surviving on the minimum income or in the substandard dwelling. This is especially distressing since a disproportionate high percentage of elderly pay excessive rent and since elderly incomes are already lower than the national average. Mr. Chairman, I also understand that Congressman Roybal, Chairman of the Housing Subcommittee of the Select Committee on Aging, has also cosponsored this important piece of legislation.

I urge the Subcommittee to consider increasing funding for Section 202 Housing Act of 1959 programs.

SECTION 202 PROJECTS IN THE NASHVILLE AREA

Project	No. of Units	Status
Greenhills Apartments 2209 Abbot Martin Rd. Nashville, Tenn.	136 units	Tenants in residence.
Trevecca Towers 6060 Lester Avenue Nashville, Tenn.	207 units	Tenants in residence.
Trevecca Towers East Lester Avenue Nashville, Tenn.	150 units	As of 2/2/79 project was 81% completed. Projected completion date is 3/13/79.
Metrocenter Teachers Apartments Athens Way Nashville-Davidson, Tenn.	249 units	Projected completion date is 4/29/79.
Capitol Hill Homes Cliff Drive Nashville, Tenn.	107 units	To be completed in 1980.
Cumberland View Towers Cheyenne St. Nashville, Tenn.	150 units	To be completed in 1980.

Statement of the Honorable Floyd Fithian



Mr. Chairman, I welcome the opportunity to discuss the Carter Administration budget for FY 1980 concerning the Environmental Protection Agency's program for pesticides, especially its federal-state shared funding of the Certification and Training Program.

Since the Carter Administration budget request for certification and training programs is only $2 million, I respectfully request that the HUD and Independent Agencies Subcommittee increase the amount by $4 million, bringing its total to $6 million--either by adding $4 million to this line item or by transferring $4 million from other parts of EPA's pesticide program to this line item. I fully realize that this request represents a substantial increase in expenditures, but I believe this level of funding is mandated by the 1978 amendments to the Federal Insecticide, Fungicide, and Rodenticide Act, which I sponsored on the House side (H.R. 8681).

In conference, the House and Senate agreed to fund the Certification and Training Program at "an amount equal to 50 percent of the anticipated cost to each State and Indian Tribe." (Conference Report 95-1560, page 37). The states have collectively submitted their budget requests for a total program of $12 million, of which a 50 percent share would be $6 million.

The Carter budget request for only $2 million is totally inadequate to meet the legislative mandates of FIFRA. When one subtracts $250,000 for federally run programs in Nebraska and Colorado and another $100,000 for various Indian tribes, only $1.65 million remains for the rest of the 48 states. This represents a funding level of only 12.7 percent--a figure well below the intended 50 percent level.

If the budget only includes the recommended $2 million for certification and training programs, several possible actions could occur:

1) Many states, perhaps about one-half according to EPA, would have to cut back or reduce their programs.
2) Many small states with small programs, like Maine, Vermont, and others, would be especially hurt.
3) Many states could default on the program and turn it over to the federal government to run. This action would increase federal costs and indirectly short-change other states even more.
4) Some states which have received up to 80 percent in the past would now be reduced to only a 12.7 percent federal share.

The certification and training programs are an important link between applicators, both private and commercial, and the federal laws and regulations. The program has established trust between government and the people affected. During the span of the program, misuse has declined, protective equipment sales have increased, safety inquiries have increased, and other educational programs by the nation's extension service have been adopted. A recent EPA study of the North Carolina Certification and Training Program demonstrated its value, particularly in the areas of transportation, handling, mixing, loading, and storage of restricted use pesticides. Over the years, the C & T Program has been one of the most effective and useful programs conducted by EPA and the Agricultural Extension Services.

This critically needed program has been operating successfully for many years, and I am hopeful that this committee, which has been so helpful in the past, will continue to support the program at a level necessary to complete its statutory requirements. I strongly urge that $4 million be added to the Certification and Training Program budget for FY 1980, either by the use of a $4 million add-on or by moving $4 million from within the EPA pesticide program to the C & T Program.

Thank you very much for your attention and consideration of this matter.

Edward R. Roybal

STATEMENT OF THE

HONORABLE EDWARD R. ROYBAL
on the

Congregate Housing Services Act of 1978

Committee on Appropriations
Thursday, April 26, 1979

Mr. Chairman,

I come before this Subcommittee to express total support for the Congregate Housing Services Act of 1978 and to urge that $25 million be appropriated for FY 1980 to carry out the provisions of this Act.

The Congregate Housing Services Act is designed to implement those provisions of the 1970 Housing Act which require the Secretary of Housing and Urban Development to encourage the development of congregate housing for low income persons.

During FY 1979, $10 million were appropriated to start the program. Although short of the $20 million authorized, it was a first step in bringing about a concept which is not only sound, but cost-efficient as well.

It disturbs me and concerns me greatly that, to date, there has not been any action on the part of HUD to implement the program. Of even greater concern is that the Administration has elected not to request an appropriation for the Congregate Housing Services Act in FY 1980.

When the Congregate Housing Services Act was passed in 1978, two purposes were highlighted:

1. Allowing the frail elderly to continue to live independently,
and 2. Providing housing and services to the elderly at a lesser cost than nursing homes.

Today, these two purposes continue to form the foundation of a sound, efficient and proven program which combines housing and services into a total package for the benefit of older Americans throughout this country.

The program does not have any detractors. On the contrary, congregate housing enjoys wide support and has been strongly advocated by the aging network.

My Subcommittee on Housing and Consumer Interests has received testimony and correspondence from numerous national senior citizens and housing organizations, local groups, and individual citizens all praising the program and urging that Congress act to ensure that HUD implements the program and the funds are appropriated for FY 1980.

The testimony describes again and again the fiscal soundness and cost-efficiency of the program. It is estimated, using figures supplied by the International Center for Social Gerontology, that approximately 40,000-45,000 people now residing in public housing projects would be eligible for the congregate services program at a cost of no more than $1000 per person. According to the Social Security Administration, the Federal share alone of maintaining an individual in an institution is about $5500 per year. Thus, to delay for just one year the institutionalization of those estimated to be eligible for the benefits of this legislation would result in a savings to the Federal government of more than $200 million.

Congregate housing can also produce enormous savings in health care costs. For each dollar the Federal government would spend on congregate housing services to prevent institutionalization of a public housing resident, it could save $4.50 or more in Medicaid costs.

The benefits to be derived by the frail elderly and the handicapped have been outlined countless times in testimony and correspondence received by my Subcommittee. Every day, elderly and handicapped people are removed from their public housing units because their frailties no longer permit them to live in a totally independent manner. Most of these persons are institutionalized, while others go to live with families or friends who often cannot cope either financially or emotionally with the sudden additional burden. Tragically, the removal of these individuals is in too many cases unnecessary. Studies estimate that 40 percent or more of those persons now living in nursing homes do not belong there, but can actually function better in a much less restrictive environment. Today, about 45,000 public housing residents face forced displacement from their units because of their physical impairments, even though with only a minimum of supportive services, they could stay where they are. Congregate housing with services offers these individuals a housing alternative midway between the total care situation of an institution, which they do not need, and a fully independent environment, which they cannot maintain. Through congregate housing, these persons can remain active and productive in a familiar home setting.

Services and congregate housing are inseparable; the housing cannot exist without the service component. Some local housing authorities provide social services of one kind or another to their needy residents, but these services are usually incomplete and inadequate and are rarely found in a congregate setting.

Despite the great variety of existing social service programs, both public and private, these programs for the most part cannot match the special requirements of congregate housing. First of all, none of these service programs can guarantee funding for more than a year. Under present law, some or all of the units in a congregate housing project must be built without kitchens and the project must be connected with a fully equipped central dining facility. Congressional intent dictates that this unique kind of housing must have a commitment of long-term, continuous funding for the service package designed to accompany it. Any interruption of services would render the unit unliveable, and so without the security of continuous funding, these projects are not functional.

To rely on existing social service programs for the elderly in order to design a congregate housing facility would be to deny the problems inherent in this approach. For example, congregate residents need 2 or 3 meals a day, seven days a week. The Title III Nutrition Program of the Older Americans Act invariably provides only one meal a day for 5 days a week. Title XX of the Social Security Act permits a full meals program in only limited circumstances and for no more than six months. Other social service programs have similar structural problems that make them inadequate for congregate housing.

The Federal social service programs give wide latitude to states and localities to determine what kind of social services they will provide. Limited funds and competing priorities may cause some necessary services to be unavailable. For public housing residents in need of a congregate environment, the absence of even one required service will place them in jeopardy of displacement from their units.

The fragmentation of Federal social service programs also contributes to the problem of designing congregate service packages. Local housing authorities often encounter a bewildering array of legislative and regulatory requirements for various social service programs. Each program has its own unique character and operates under separate statutes, regulations, guidelines, and procedures which can result in great difficulty in the shaping of a comprehensive congregate housing service package.

As mandated more than eight years ago, the Congregate Housing Services Act encourages the development of congregate public housing by addressing the problem of social service availability. It advances the concept that congregate housing and services are inseparable, it assures long term continuous funding of services, and it facilitates the fashioning of comprehensive service packages.

I want to emphasize that the Congregate Housing Act is not designed to replace existing social service programs, nor do I want to leave the impression that the social services provided through the various agencies have totally failed to serve the elderly in Federally financed housing projects. On the contrary, the Congregate Housing Act does no more than provide a safety net under those local housing authorities and Section 202 projects that cannot otherwise secure the full range of congregate services needed by their impaired residents. Services funded through the Congregate Housing Act cannot substitute for services already being provided through other funding sources. Services provided through the Act can form the base for a broader program or supplement existing services. The legislation recognizes that a new approach

to develop and guarantee congregate services is needed only because current programs do not account for the unique demands of congregate public housing.

I want to also express concern with the interpretation HUD has given to the Congregate Housing Act. The program is presently viewed as a pilot project rather than as an integral part of the housing programs at HUD. Testimony presented before my Subcommittee prior to passage of the Congregate Housing Act repeatedly emphasized the feasibility and demonstrated effectiveness of the program. That congregate housing works and is beneficial to older persons does not have to be tested. The purpose of the Act was to create a long needed marriage between bricks-and-mortar and services. The concept that services and shelter must be considered as a unit is a proven one and needs to be implemented.

In closing, I want to say that today we have an estimated 2-3 million older persons that are in need of the basic services provided under the Congregate Housing Act--services such as the meals, homemaker, and personal care services which are mandatory. These services would allow partially disabled older persons to remain in the community and enjoy independent or semi-independent lives.

This is why I urge that $25 million be appropriated for FY 1980.

Statement of the Honorable James Weaver

Appropriations Committee
Subcommittee on HUD-Independent Agencies

April 25, 1979

Mr. Chairman and Members of the Subcommittee:

Public Law 92-500, the Water Pollution Control Act Amendments of 1972 and the Clean Water Act of 1977 were established to ensure that the nation's waterways were clean and free from industrial and domestic waste. Criteria were developed for secondary mandatory treatment of municipal discharges. Congress wisely committed themselves to a $45 billion (or $5 billion per year) compliance assistance program to that end. These funds are channeled through each state for 75%/25% match to local governments for facility construction.

I am presenting this testimony because of my deep concern over proposed funding levels for the 201 construction grants program under the Clean Water Act of 1977. The long term funding program had as its intent an assured source of funds to comply with the Act. Unlike 40 other states, Oregon has not accumulated a cash carryover. We have been diligently planning for and implementing the intent of the Acts. There are many projects which have gone through the design phase and are ready for implementation. In fiscal 1979, Oregon will obligate at least 95% of its fiscal 79 funding as well as all of its fiscal 1978 carryover. By November 1, 1979,--one

46-106 O - 79 - 63

month into the fiscal year--there will be $87 million dollars worth of high priority projects ready to begin immediate construction.

It will never be cheaper to construct these projects. Construction costs are rising at an annual rate of 12 per cent. Yet at a time when Oregon is short of funding, EPA estimates that more than $700 million of fiscal 1978 funds will remain unobligated at the end of this fiscal year.

It has become obvious to me and to the public that Oregon and it's communities are being punished through this one-time allocation formula and reduction in funds! Our cities and towns have developed many of their comprehensive plans including schedules for completion of their proposed waste water treatment facilities on the basis of original EPA funds projections.

With 1983 as a target date for compliance with the law, we must have an appropriation allocated to Oregon for FY '80 that meets our needs. Because other states have not fulfilled their project obligations does not mean that we have to be set back what would amount to three years!

Typically, small municipalities do not have a per capita income as high as those in large metropolitan areas. Consequently, it is an unfathomable burden for these people to pass bonds to offset our dollar loss. As it

is, they are passing bond levies for their fair share of projects and cannot afford more.

This is not a request for new dollars. It is simply a request that Oregon obtain what it would have had other states done as it has: comply with the law. I urge the Subcommittee to provide appropriations to Oregon that are equivalent to the amount the state would receive under the full national authorization of $5 billion--approximately $64 million. In addition, we urge the Subcommittee to provide a mechanism for Oregon--and other states in similar situations--to obtain funding for additional projects which will be ready for construction during fiscal 1980. This could be done either through direct appropriations or through "loans" from the pooled surpluses of states that are not using all of their funding. This is the funding needed in order to meet the requirements of the Clean Water Act of 1977--and to do so in the most cost-efficient manner.

In this time of necessary budget cutting and fiscal austerity, I sympathize with the task before you. Yet, we must not create an even deeper breach of faith in government. I implore you to take equitable and just action on behalf of Oregon and those states which have performed as we asked in prior sessions of Congress

Thank you for your serious consideration of this request.

(Statement of NESCAUM concerning EPA and Air Pollution Control)



NEW ENGLAND STAFF FOR COORDINATED AIR USE MANAGEMENT
(NESCAUM)

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April 11, 1979

The Honorable Edward P. Boland
2111 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Boland:

I am writing in behalf of NESCAUM to express our concerns about the FY-80 appropriations for EPA and the state air programs. NESCAUM was established under Public Law 10-148 as the official interstate air quality planning agency for New England. Members include the state air pollution control agency directors from the six New England states and New York. The NESCAUM members all face the frustrating task of administering sophisticated air quality programs with insufficient resources, increasing programs responsibilities as a result of federal mandates, and eroding staff morale due to low state salaries and lack of training opportunities.

The attached resolution presents our position. We feel it reflects a very reasonable request for an extremely small increase to the Administration's budget for EPA. We have identified the areas where minimum increases are absolutely essential, and we hope you and your committee will act favorably on this recommendation.

We will be happy to furnish your staff with any additional information to aid in your efforts.

Thank you for your consideration and concern.

Sincerely,

F. Peter Fairchild
Executive Director
NESCAUM
Boston College Weston Observatory
Weston, Massachusetts 02193

cc: Mr. Hawkins, EPA
Mr. Turek, EPA
NESCAUM Members
Mr. Hohman, Region I, EPA
Mr. Baker, Region II, EPA
Commissioner Cortese

WHEREAS, in FY-80 implementation of revised SIP's, plus new requirements under the Clean Air Act, will greatly increase the states' responsibilities and program activities,

WHEREAS EPA has requested only a seven percent increase in funding of Section 105 grants for state air programs (from $80m in FY-79 to $85.6m in FY-80), an increase which does not allow for any expansion or increase in state programs,

WHEREAS most state programs, particularly those in NESCAUM, are unable to obtain funding increases from state funds for FY-80,

WHEREAS, EPA has failed, as in the past three years, to request any funds to support academic and in-service training for state air program staffs as authorized in Section 103,

WHEREAS EPA has again failed to request any funds for state grants in the areas of public education and public information as authorized in Section 127, and

WHEREAS failure to expand the capability and maintain the effectiveness of state programs undermines our efforts to protect the public health and provide for a sound economy,

NOW, THEREFORE BE IT RESOLVED THAT NESCAUM make the following recommendations in regard to funding of state air programs:

1. That Section 105 funding be increased from $80m to $90m for FY-80 to offset increasing program costs and to provide at least minimal increase for state and local efforts as necessary in the areas of PSD, monitoring, source compliance, I&M program development, NSPS and NESHAPS enforcement, new source review, and data acquisition - all of which are major program priorities for FY-80;

2. That all funds appropriated by Congress for grants under Section 105 be allocated to the states in accordance with procedures of the Clean Air Act, and that these funds should not be earmarked by EPA nationally or regionally for specific programs or projects.

3. That all state and local programs entitled to Section 150 funds must, as a minimum effort, maintain current level (FY-79) of non-federal funding for air programs.

4. That NESCAUM have the opportunity to review a written description of current procedures for allocation of state air program funds to EPA regions and from Region I and II to the states.

5. That $1.5m be appropriated under Section 103 for air program staff training; (Note that last year $1.5m was added to the EPA budget by Congress for air program training; but EPA split this money between air and water programs so that only approximately $700,000 was made available to support air training.)

6. That $2m be appropriated under Section 127 for grants to states to develop and implement public participation and public information activities.

This resolution was passed by all seven NESCAUM states at the April 3, 1979 meeting.

(Statement of Rabbi Lefkowitz concerning Neighborhood Self-Help, Livable Cities, and the National Consumer Co-operative Bank)

Rabbi Shmuel Lefkowitz, CSW
Executive Director

PUBLIC HEARING TESTIMONY TO
HON. EDWARD BOLAND, CHAIRMAN
Sub-Committee on HUD Independent Agencies
Room H-143
The Capitol
Washington, D.C. 20515

My name is Shmuel Lefkowitz, Executive Director of the Southern Brooklyn Community Organization, a community development project of Agudath Israel of America. The Southern Brooklyn Community Organization (SBCO) is a community based non-sectarian inter-ethnic organization with funding from the Ford Foundation, organized to deal with neighborhood stabilization and community development. SBCO is involved in community organization, housing programs, and commercial revitalization programs in the Boro Park/Ocean Parkway neighborhoods.

In the last couple of years, neighborhood groups have sprung up across the country to fight urban decay. Because of the energy crisis, inflation, and general lifestyle, the people are tired of running from their neighborhoods, are becoming more conscious of their roots and ethnic heritage. Instead of picking themselves up and running at the first sign of decay, the citizens

Southern Brooklyn Community Organization
a community development project of Agudath Israel of America
4520—18th AVENUE / BROOKLYN, NEW YORK 11204 / (212) 435-1300

of the United States are determined to attempt to fight neighborhood decay rather than run from it.

In order for a neighborhood to accomplish its goals, it needs to get organized to identify its problems and to deal with them. There is a need for setting up grassroots organizations that will meet regularly to discuss problems and seek solutions to upgrade and maintain their turf. These organizations should be organized on a democratic basis with the board members residing in the community.

Neighborhood organizations have made tremendous impact on the neighborhoods in the urban cities. Neighborhood organizations have been able to leverage the help of banks and government to work together to upgrade the neighborhood.

However, only those communities which have a funded organization with a full time staff devoted to resolving these problems will solutions really be forthcoming. Only a full time staff can really identify problems adequately, collect the necessary data, and prepare the appropriate proposals for funding. It is only with full time staff that the packages can be developed. Yes, the residents and the board members provide input, sanction, and direction; but it is the full time staff that implements and does the necessary legwork.

Therefore, we urge you to appropriate the necessary funds for the Neighborhood Self-Help Program, Liveable Cities and

Co-op Bill. We are especially interested in the Neighborhood Self-Help Program because it provides some of the necessary resources to implement neighborhood preservation activities. Funds to neighborhood organizations for administration will stimulate local resources from the residents and from the lending institutions to work together with government to implement neighborhood activities. By strengthening neighborhoods, we are maintaining the tax base of our cities and the viability of our country. We therefore urge you to appropriate the necessary funding for the Neighborhood Self-Help Program of HUD. Thank you very much.











Statement of the

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA

ON: FISCAL YEAR 1980 APPROPRIATION REQUEST FOR THE NATIONAL INSTITUTE OF BUILDING SCIENCES (NIBS)

TO: SUBCOMMITTEE ON HUD--INDEPENDENT AGENCIES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

BY: WILLIAM D. KELLEHER

DATE: APRIL 26, 1979

STATEMENT
on
FISCAL YEAR 1980 APPROPRIATION REQUEST FOR
THE NATIONAL INSTITUTE OF BUILDING SCIENCES (NIBS)
for submission to the
SUBCOMMITTEE ON HUD--INDEPENDENT AGENCIES
of the
HOUSE COMMITTEE ON APPROPRIATIONS
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
William D. Kelleher*
April 26, 1979

The Chamber of Commerce of the United States, on behalf of its 82,000 members, which include business firms, associations, and state and local chambers of commerce, is pleased to have the opportunity to comment on the National Institute of Building Sciences (NIBS) appropriation request.

The National Chamber supports funding the full appropriation request of $750,000 for NIBS as provided in the President's budget for fiscal year 1980. The Chamber believes there is a vital need for a non-governmental approach to dealing with issues and problems in the fields of building codes, standards and regulations. NIBS meets this need. It provides the basis for a public-private partnership to address common concerns in this area.

The construction industry should have a full opportunity to utilize the best available building products, components and systems. However, development and application of innovations and improvements in the construction field require research, development and testing efforts. The sources of advancements in this field can range from persons to individual business firms to broadly based private or public joint ventures.

Communication and coordination among the various aspects of this market structure should exist to provide the timely, efficient, and safe introduction of new technology to the building industry. The National Institute of Building Sciences can perform these functions.

Through its Board of Directors and Consultative Council, NIBS provides a forum for sharing ideas and the candid exchange of views. It also provides an objective source of evaluation and prequalification of new and improved technology.

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*Associate Director, Construction, Housing and Community Development, Chamber of Commerce of the United States

This effort can reduce duplication, point out gaps in existing or proposed projects and highlight potentially promising areas for new work. Because responsibility for improving communication and coordination should be shared by government and private enterprise, both sectors should contribute to the financial support of NIBS.

History of NIBS

NIBS was created under Title VIII, Section 809, of the Housing and Community Development Act of 1974 (Public Law (93-383) as a non-profit, non-governmental organization. The President of the United States was to name the initial and succeeding board of directors with the advice and consent of the Senate. NIBS purpose was to act as an authoritative source of information and advice to the construction industry and all levels of government.

The basic mission of NIBS is to bring about a more rational regulatory environment for the construction industry and provide an effective mechanism for encouraging and facilitating the rapid and widespread introduction of new and improved technology. In accomplishing this mission, NIBS also seeks to reduce housing and building costs and improve the overall quality of our built environment. The principal means of accomplishing these tasks is through achieving acceptance of NIBS as the authoritative national source of findings and advice for both the public and private sectors of the construction community.

The basic NIBS legislative mandate as stated in the Housing and Community Development Act requires NIBS to:

- o Develop, promulgate, and maintain nationally recognized performance criteria and standards for adoption by building regulatory jurisdictions;
- o Evaluate and prequalify existing and new building technology;
- o Conduct needed investigation in the fields of codes, standards, and regulation as they impact construction technology; and
- o Assemble, store, and disseminate technical data.

In fulfilling this mandate, NIBS was to:

- o Create a Consultative Council to provide a forum for discussion among all segments of the construction community;
- o Use existing private and public organizations, institutes, and agencies in the field to the maximum degree possible;
- o Coordinate NIBS' program with other community and environmental development efforts; and

- o Consult with the Department of Justice and other agencies of government to the degree it is necessary to ensure that the national interest is protected and promoted in the exercise of NIBS' functions and responsibilities.

In April 1976, the President nominated the first 18 members of the NIBS Board. They were confirmed by the Senate in June 1976, and sworn in by the Secretary of Housing and Urban Development acting for the President during the same month.

On June 28, 1976, the National Academy of Sciences contracted with HUD to advise and assist in organizing NIBS. NIBS was incorporated in the District of Columbia on September 8, 1976, and received its first appropriation from Congress of $1 million for fiscal year 1978. These funds were part of a five year authorization of $10 million in start-up costs for NIBS. With this funding, NIBS was able to begin hiring a staff in November 1977. NIBS received $750,000 for fiscal year 1979.

Current Activities

NIBS is presently undertaking a wide ranging program of activities related to its mandate. It is working with various Federal agencies such as:

- o The Consumer Product Safety Commission on architectural glazing standards;
- o The Office of Science and Technology Policy in the National Bureau of Standards on improving seismic design provisions for buildings;
- o The General Accounting Office on various studies dealing with housing costs, computer aided design, and building energy performance standards; and
- o HUD which has retained NIBS to develop a set of model rehabilitation guidelines for existing buildings as directed by the Housing and Community Development Act of 1978.

The Federal Trade Commission has recognized NIBS' unique role by naming it the sole member of a separate group for questioning witnesses on the FTC's proposed rule concerning codes and standards.

NIBS is also consulting with a wide range of private organizations that are vital participants in the voluntary criteria, standards, and code process. Included in this process are private industry elements that are essential in the development of technological innovation.

As part of its continuing efforts to establish communication channels with all parts of the building industry, NIBS is establishing the Congressionally mandated Consultative Council. Because membership is open to all who wish to participate, NIBS has established a wide range of memberships which should allow all interested organizations and individuals to take part in the Council and be part of NIBS. In the little over three months that NIBS has been recruiting members, over 250 firms and individuals have joined. NIBS anticipates the Council will be self-sustaining through membership dues by the end of this coming fiscal year.

Under Title III of the Energy Conservation and Production Act of 1976, NIBS was given specific responsibilities to assist in the development and promulgation of energy conservation performance standards for new buildings. Last Spring, three surveys on the status of state legislative and regulatory enforcement efforts in the field of building energy conservation were completed. Last November, NIBS held an all-day briefing session on Department of Energy's advanced notice of proposed rulemaking for building energy performance standards to assist firms and individuals in understanding and commenting on the DOE proposal.

Finally, NIBS continues to pursue basic research in the area of building codes, standards, and regulations. Using funds appropriated specifically for NIBS, the Institute has undertaken three baseline studies. They involve creation of effective national systems for:

- o The generation and maintenance of performance criteria, standards, and codes;
- o The evaluation and prequalification of existing and new building technology for the benefit of producers, builders, and users; and
- o The collection, storage, and dissemination of information dealing with criteria standards and codes.

These studies, when completed, will provide an overview of the current state of the art in each area and suggest basic options for achieving improvements.

Future and Direction

While many of NIBS current activities are timely and important, the National Chamber believes NIBS should not lose sight of its primary mission of bringing about a more rational and effective regulatory environment for housing and building.

NIBS was established to provide an authoritative national source of findings and advice on building science and technology. To fulfill this purpose, NIBS should be provided with adequate funding to allow it to build its credibility and constituency in a responsible manner. NIBS should not be forced to compete with various other public and private organizations for federal categorical research funds to meets its operating expenses. The Institute must be a coordinator and communicator and not a competitor if it is to fulfill its mandate regarding building codes, standards and regulations.

Congress recognized this fact when it established NIBS. The Institute's enabling legislation calls for the use of existing organizations when appropriate to perform specific research tasks. Congress also authorized $10 million to support NIBS during its formative period. Regrettably, the appropriation level for NIBS has not kept pace with either the authorization plan or the growing problems in the field of building regulations.

Nowhere is the need for an adequately funded and fully functioning NIBS more evident than in the area of housing construction costs. Jay Janis, Under Secretary of HUD, has estimated that regulation at all levels of government adds 20 percent to the cost of a new home.[1] The maze of federal, state, and local regulation has created such confusion that it is no longer possible to tell where needed regulation ends and bureaucratic duplication begins.

Education of builders and building codes officials could lead to substantial savings in this area, according to the General Accounting Office (GAO). The GAO estimates that $1,700 per house could be saved in some communities if code officials would allow the use of less expensive methods and materials that equal their existing standards in performance.[2]

Some builders could save up to $7,000 per house by utilizing advances in technology in the building field if they were aware of them. NIBS can play a key role in educating the private sector and government officials at all levels in the potential use of cost saving innovation in building technology and its impact on construction methods and regulation.

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1 Jay Janis, Under Secretary, U.S. Department of Housing and Urban Development. Speech before the Legislative Conference of the National League of Savings and Loans, March 13, 1979.

2 General Accounting Office. Why Are New House Prices So High, How Are They Influenced by Government Regulations, and Can Prices be Reduced? (Washington, D.C.: U.S. General Accounting Office, 1978), pp. 46-47.

Both GAO and HUD[3] have specifically pointed to a potential role for NIBS in this area.

Chamber Recommendations

The Chamber supports the $750,000 appropriation request for NIBS and recommends that the Subcommittee consider increasing the appropriation to a level more consistent with the existing authorization. Dealing with the construction-related impact of the energy crisis and reducing construction costs will require a broad range of actions in the area of building technology and the codes, standards, and regulation that govern the construction industry. There is a need for an organization to provide national authoritative leadership in these fields if the nation is to have the benefit of the best construction methods and products. NIBS has the potential to play this role if it is provided with adequate resources by both the public and private sectors.

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[3] U.S. Department of Housing and Urban Development. Final Report of the Task Force on Housing Costs. (Washington, D.C.: U.S. Department of Housing and Urban Development, 1970), p. 45.

(Statement of the Upper Occoquan Sewage Authority concerning EPA construction grants)

APR 24 1979

upper occoquan sewage authority

P.O. BOX 688 • MANASSAS PARK, VIRGINIA 22110
TELEPHONE (703) 361-6601

April 20, 1979

Honorable Jamie L. Whitten
Chairman, House Committee on Appropriations
United States House of Representatives
Room H-218
Capitol Building
Washington, D. C. 20515

Dear Congressman Whitten:

I want to strongly protest the representations about the Upper Occoquan Sewage Authority (UOSA) contained in the House Appropriations Committee staff report on the Environmental Protection Agency's construction grants program. This biased and grossly inaccurate document issued under the prestigious auspices of the Congress does a great disservice to the Authority and the citizens it serves.

I am enclosing our comments on the section of the report concerning UOSA. We found the total UOSA section of the report to be slanted and misleading, but we limited our comments to more gross misrepresentations. For example, UOSA plant operation and maintenance costs have averaged 50-55¢ per 1,000 gallons for the past 5 months, yet the staff report lists these costs at $1.41, an almost 3-fold distortion of the facts. The report contains many such gross errors. We believe any objective person will reach the same conclusion on a careful review of the report. As indicated by the enclosed editorial, this opinion is shared by the Potomac News.

On behalf of the UOSA Board of Directors, I request that this letter and our comments be attached to the subject report as part of the official record.

Yours sincerely,

Garnett Y. Carpenter, Jr.
Chairman, Board of Directors

GYC:mm
Enclosure

cc: Senator Harry F. Byrd, Jr.
Senator John N. Warner
Congressman Herbert Harris III

POTOMAC NEWS

April 10, 1979

Our point of view

UOSA: A sound facility

There are, for the first time in many years, informal reports that fish are returning to Flat Branch.

There is, also for the first time in many years, no raw sewage floating around in the Sudley-Westgate-Loch Lomond area after a heavy rain.

Prince William's supervisors continue to hear reports that the Upper Occoquan Sewage Authority treatment plant isn't really necessary.

As contradictory as these occurrences seem, we were eager to read technical reports which differed from our information concerning the effectiveness of the new sewage treatment plant. The reports were presented to the supervisors a couple of weeks ago, partially in response to our statements about the need for nitrogen removal, the most sophisticated part of the UOSA plant.

We wanted to take part in a genuine technical debate, partially because our information showed no guarantee that, without nitrogen removal, the potential health hazard would actually occur.

What we found, particularly in a report from engineer James May of Lynchburg, was hogwash.

The information contained in a staff report to the House of Representatives Appropriations Committee, which the Environmental Protection Agency will soon rebut, wasn't much better.

Mr. May suggests in his letter to John Sloper, administrator of the Greater Manassas Sanitary District, that the county could return to using its old sewer plant.

Apparently Mr. May did not read the effluent quality reports from UOSA, since he said the old plant could produce an effluent nearly as good. That is simply not true.

Nor did Mr. May contemplate the GMSD history of bypassing raw sewage into the neighborhood streams when he stated that the old plant worked nearly as well as UOSA; he provided no method of dealing with the enormous amounts of sewage which flow through the sewer lines after heavy rains.

Like other critics of UOSA, Mr. May sneers at the 100 percent backup system at UOSA, but he does not tell the supervisors that UOSA has to use its backup capabilities, primarily because the sewer lines in GMSD allow enormous amounts of rainwater into the sewer lines.

Finally, Mr. May did not discuss at all the points in which we were most interested. He told Mr. Sloper that nitrogen removal is not necessary. He did not mention the potential health problem. He hardly addressed the general questions of water quality.

Instead, Mr. May couched his entire report in the emotionally charged rhetoric of politics. He describes UOSA as a white elephant, but he gives no technical reasons for the description. He calls implementation of the Occoquan Policy a "gross misuse of public funds", but he does not tell anyone how to protect Northern Virginia's drinking water source by some other means.

Is this the kind of information on which Mr. Sloper and the Board of Supervisors base their political and technical decisions? If so, we can see why our opinion differs from that of county officials, since we try to find the best available technical information, and they rely on someone else's political rhetoric.

Next, we turned to the staff report provided to the Congressional committee.

That report questions the need for advanced waste treatment in general, primarily on the grounds that the Congressional staff people did not find precise information on the amount of some pollutants which should be removed from sewage.

This report is certainly better done than the one by Mr. May, and the section on UOSA shows some general knowledge of the situation.

However, like the May report, the Congressional people did not contemplate health hazards in their section on nitrogen removal.

More frightening, they seemed at one point to suggest that a long abandoned plan to export the sewage from the Occoquan watershed might have had merit. In the drought of 1977, virtually all the water going into the Occoquan Reservoir came from sewage plant effluent. If that had been exported, what would Northern Virginians have had for their water supply? Not much.

Finally, the Congressional report holds up a sewage treatment plant in Roanoke as a model of effectiveness and efficiency.

However, the construction costs cited in the report seem to relate only to the addition of one section to an existing plant; these costs are compared directly to the total cost of the UOSA construction. Second, the Roanoke plant did not get caught in the now defunct federal requirement which added approximately $33 million to the UOSA construction cost. Again, there is no allowance for this unusual cost overrun at the UOSA plant. Finally, the Congressional staff used a higher number for the UOSA operating cost than we have found; the report states that the staff increased the operating cost figure, but there is no specific indication of the reason.

It is still probably true that the Roanoke plant was cheaper to build and operate than UOSA, but we have no way to tell why or by how much.

Finally, the report does not mention that the Roanoke plant had to bypass 230 million gallons of raw sewage in one year, while UOSA has bypassed nothing. Nor does it mention that the quality of the effluent in Roanoke is not as good as the UOSA product.

What's the upshot?

We'll stick to our original point of view—the UOSA plant does what it was supposed to do, and the most sophisticated parts of the plant are needed, because the effluent is our source of water.

Again, we suggest that Prince William's supervisors each do the same thing we did: take a little time to read the assorted information and look at the calibre of the various reports. We think the board members will reach the same conclusion we did.

Text from the House Appropriations Committee Staff Report on the Environmental Protection Agency's Construction Grants Program

(The section on the Upper Occoquan Sewage Authority (UOSA) begins on page 66)

UOSA COMMENTS

(3) Develop a new water supply resource for the Occoquan Reservoir which should extend its life and increase its capacity.

(4) Greatly minimize the possibility of a major siltation pollution problem that could be associated with the installation of the export system and some of the major cross county collection lines."

As discussed previously on page 45, the prototype Lake Tahoe plant was experiencing numerous problems meeting effluent limits as indicated by the fish kills, algae growth, and high ammonia concentration which were occurring at the Indian Creek Reservoir at the time the Occoquan Policy was being drafted. Moreover, a current study has recommended abandonment of the Lake Tahoe A/T plant because of inefficiencies in the operation and the high cost of O&M. It seems rather ironic that the solution selected to protect the only current water supply for 600,000 Northern Virginia was based on the very tentative results of a prototype A/T plant. Other considerations apparently were instrumental in deciding not to export the effluent, including a need to maintain a water supply resource for the Occoquan Reservoir.

During its first seven years of operation (1968 - 1975), the Lake Tahoe plant consistently produced the highest quality effluent ever attained in the operation of any municipal wastewater treatment plant anywhere. The plant compliance with its effluent requirements during this period has been well documented. Since the Roanoke and UOSA plants were designed during this period, it was quite logical to base the designs of these plants on the very successful South Tahoe plant.

d. Redundancy--100 Percent Standby

"The initial backup capacity within the plant shall be 100 percent for the initial increments of the plant. If after the initial few years of operation the plants reliability has been satisfactorily demonstrated, additional treatment trains can be added up to a ratio of four treatment units to one stand-by train."

Thus, according to the Occoquan Policy, UOSA was constructed with a 100 percent standby capacity--in effect, the ultimate in a fail-safe system to assure the highest reliability. For example, at least two of everything was constructed from the initial flow measuring devices through the various process steps to the sampling basins. In addition, other precautionary measures included were: three different sources of electric power--main, auxiliary, and backup power sources; an emergency retention pond which can hold up to 40 million gallons of influent; and, a final effluent storage pond (lake) with a capacity of 160 million gallons which holds 20 days of effluent prior to discharge into Bull Run.

The need for the extensive redundancy was dramatically confirmed during the past few months when most of the redundant units had to be used to prevent the discharge of raw sewage to the water supply. The 40 million gallon emergency retention pond had to be used most of the time during January and February; 2 of the 3 power sources have been out at the same time; and all of the system storage facilities and most of the other fail-safe features have had to be used simultaneously on several occasions. Despite flows as high as 40 million gallons per day (compared to the plant permit capacity of 10.9 million gallons per day), the plant by utilization of the redundant features has met its permit limits on a continuous basis.

Consultant Study

In September 1974, a consulting engineer, at the direction of UOSA, prepared a PER supplement entitled "States and Alternatives Available for Completion of the Water

House Staff Report (continued)

Reclamation Project." The study was made because of cost overruns of about $13 million and the strong possibility that no additional funds would become available.

One of the study recommendations stated that some of the redundant treatment units could be eliminated at very little additional risk in meeting the discharge standards, and the resulting plant design would still be in keeping with the intent of the Occoquan Policy.

Interestingly enough, all of these safeguards were established to prevent virus in the Occoquan Reservoir drinking water. The potential for virus was the major reason that the Fairfax County Water Authority did not want the effluent discharged into the Occoquan Reservoir.

e. Questionable Need for Denitrification Process

The Investigative Staff visited the Occoquan Watershed Monitoring Laboratory to ascertain if the 4 years of laboratory testing in the watershed had shed any light on the stringent requirements placed on the UOSA plant by SWCB. The director of the laboratory stated that, beyond a shadow of a doubt, phosphorus is the limiting nutrient in the Occoquan Reservoir. He also said his conclusion has been confirmed by 6 months of operation of the UOSA plant. A report issued by the laboratory in December 1978, stated in part that:

> "Following start-up of the UOSA plant in the reservoir of 1978, phosphorus concentrations in the reservoir declined significantly from the values observed in the previous year. This improvement can be attributed directly to the new plant performance, and it is likely that the levels of treatment now being provided will allow such improvement to continue."

The director of the laboratory emphasized that it is essential to the reservoir water quality that UOSA retain the high level of phosphorus removal. Asked if the requirement could be modified from .1/mg/l to .5/mg/l, the director stated that it could not be relaxed but could offer no technical data to support his position. Similar to other examples discussed in this report, there appears to be a lack of reliable data showing what degree of phosphorus should be removed.

Regarding denitrification, the director was very emphatic that nitrogen is not a limiting nutrient and that "denitrification is not needed South of Buffalo." There is

UOSA Comments (continued)

Viruses were only one of many public health aspects considered in determining the waste treatment requirements and fail-safe features necessary to protect the water supply. Methemoglobinemia (blue babies) is caused by certain forms of nitrogen in drinking water and was obviously a very important consideration.

The Fairfax County Water Authority as well as the State Department of Health and the Environmental Protection Agency endorsed the UOSA project provided:

(1) a watershed monitoring program was established;

(2) positive checkpoints were established on increases in capacity; and

(3) backup facilities were provided.

Dr. Grizzard, Director of the Occoquan Watershed Monitoring Laboratory, advises that the information furnished by him was badly misrepresented in the report and his position is documented in a letter dated April 5, 1979, to the House Appropriations Committee staff. The laboratory has provided substantial data to demonstrate the need for the very high levels of phosphorus removal provided by UOSA. A laboratory report dated December 18, 1978, provides ". . . The drought conditions made it quite clear that water quality in the reservoir was totally dominated, and as a result, seriously degraded by the phosphorus discharged from the existing upgraded sewage treatment plants. With the existing plants, this condition, where poor water quality may be expected from wastewater discharges alone, would be likely to occur on over 70 percent of the days in a year. . ." ". . . In summary, it is clear that during moderate to low flow conditions in the Occoquan Basin, the high level phosphorus removal provided by UOSA is essential to the protection of reservoir water quality. Because these moderate to low flow conditions persist for most of the year, it is apparent that continuous operation of the UOSA phosphorus removal facilities is required . . ."

House Staff Report (continued)

absolutely no support for nitrogen removal for the Occoquan Reservoir. However, the UOSA AWT plant as designed and constructed provides for an extensive nitrification/denitrification process.

The Occoquan policy provided for the inclusion of nitrogen removal in the future, as follows:

> "Presently, there exists no highly reliable and proven year round method of nitrogen removal. Should it be demonstrated that one of the present nitrogen removal methods now being developed proves feasible, i.e., ion exchange, break point chlorination, nitrification/denitrification, then it shall be incorporated into the plant. Therefore, provisions shall be made for inclusion of nitrogen removal for the future and these provisions shall be shown on the preliminary and final plans submitted to the State Water Control Board for approval."

In a meeting with the Executive Secretary of SWCB, he stated that SWCB is currently studying the nitrogen issue at UOSA to determine if the process is needed. If it is decided by SWCB that the nitrification/denitrifiction process is unnecessary, the process will not be operated and the State will have to "bear the sunk costs." In a subsequent meeting with EPA Region III officials, they echoed the SWCB position that if nitrification/denitrification for UOSA is not needed the process will not be used. Of course, this means the Federal funds expended on this process will have been wasted.

f. Restudy of Occoquan Policy by Present SWCB

The new executive secretary of the SWCB was contacted to ascertain the history of the Occoquan Policy and present thinking on the policy. The executive secretary and the cognizant members of the staff advised the Investigative Staff that the Occoquan policy was the "brain child" of and was written by the then chairman of the SWCB. The chairman, whose term expired in early 1974, also personally conceived of the Lake Tahoe type facility after paying a visit to the Lake Tahoe facility. The executive secretary referred all questions regarding the Occoquan policy to the past chairman.

The past chairman advised the Investigative Staff that the primary reason for the stringent standards contained

UOSA Comments (continued)

The plant does not now have nor will it ever have a nitrification/denitrification process. The plant will employ the selective ion exchange process for the removal of nitrogen. The ion exchange columns can be converted for use as filters, and consequently, these units will be an asset whether or not nitrogen removal is required in the future.

House Staff Report (continued)

in the Occoquan Policy is to protect the drinking water supply of Northern Virginia. When asked if it would have been more economical to "export" the effluent out of the basin, as several consultants had recommended the past chairmen advised that UOSA plant concept at the conceptual time frame was the least expensive approach to handle the influent from the basin. He provided export cost estimates of about $65 million and the UOSA estimate of $43 million. He added that even though the cost difference was much greater than $20 million, the differential was enough to justify the UOSA plant concept of treating the influent before discharging into the reservoir.

When asked if the SWCB staff supported the Occoquan policy, the executive secretary replied that, at the pertinent time frame when the policy was formulated, the staff favored the original consultants plan to export the effluent out of the basin rather than the plan mandated in the Occoquan Policy. The executive secretary stated that on June 25-27, 1978, the SWCB directed the staff to retain a consultant to reevaluate the Occoquan policy including the nitrification issue and in particular to:

(1) Examine the requirements applying to the number of plants in the watershed.

(2) Examine requirements pertaining to redundancy.

(3) Determine if the effluent requirements should remain the same? If not, what should they be?

(4) Ascertain if the effluent requirements need to be applied during the entire year, or can they be seasonal limits?

(5) Ascertain if these are effluent requirements for certain individual parameters that may be modified on a year-round or seasonal basis.

When asked if the UOSA AWT would be constructed in today's climate, the executive secretary offered that it would not be.

After the visit to the SWCB, the Investigative Staff visited the EPA Regional Office in Philadelphia to discuss the Occoquan policy. The Regional Office officials stated that EPA did not officially approve the Occoquan Policy by ratification, but by silence and the eventual funding of the UOSA AWT plant. The officials advised that one must refer back to the attitude of the times. EPA mandated secondary treatment and, if a State wanted to adopt more stringent standards, EPA went along. On the current review of the Occoquan policy, the Region III officials advised that EPA is a partner in the restudy of the Occoquan policy and the need for nitrification/denitrification.

UOSA Comments (continued)

House Staff Report (continued)

9. Present Status of UOSA AWT Plant

The UOSA regional project commenced partial operations in the late June 1978. Included in the project was an AWT plant and the necessary interconnecting piping and pumping stations to eliminate 11 existing sewage treatment plants. According to cost data furnished by UOSA, the present cost of the project is $82,280,000, indicating a considerable cost overrun from the original estimate of $43,600,000. Federal funding, to date, has exceeded $57.5 million.

As mandated in the Occoquan Policy, the 10.5 mgd UOSA plant has very strict discharge limits, as follows:

UOSA Comments (continued)

UOSA has documented in its report "Summary Report Concerning EPA's 'Operable Unit' Requirement and its Effects on the Capital Cost of the UOSA Project" that most of the cost overruns ($33 million) was caused by EPA's requirement that the project be constructed in Operable Units. The operable unit requirement was subsequently prohibited by an act of the Congress, but this action was too late to help the UOSA project. The House investigative staff was furnished a copy of the UOSA operable unit report but apparently chose to ignore it.

MINIMUM EFFLUENT QUALITY REQUIREMENTS* FOR SUCH A PLANT OF THE OCCOQUAN TYPE

	BOD	COD	Suspended Solids	Nitrogen	Phosphorus	MLAS	Turbidity	Coliform Per 100 ML Sample
	Mg/L	Mg/L	Mg/L	Mg/L	Mg/L	Mg/L	Jax Units	
Final Effluent Requirements	1.0	10.0	0**	1***	0.1	0.1	0.4	Less than 2
Typical Percent Removals (These are for information only; not requirements)	99.5%	98.0%	100%	97%	99.5%	99%	100%	100%

* As measured on a weekly average. Since these are minimum requirements, the normal average would be expected to be substantially better.

** Unmeasurable.

*** When technology is available this requirement must be met with a reliable year-round nitrogen removal capability. Accordingly, in the detailed design of the initial plant, the designer should consider incorporating chemical means to achieve this lower limit, if EPA research work develops a proven, reliable all-weather unit. Until the time, the plant shall be designed such that its effluent contains no greater than 1mg/l of unoxidized nitrogen.

House Staff Report (continued)

The UOSA plant has not as yet been accepted by the grantee because of on-going construction work; in fact, two major functions of the plant are still not on-line, they are an entirely new concept in sludge disposal and a nitrification/denitrification process. According to the plant manager, there was an urgency to starting plant operations even though considerable construction work remained. Many of the administrative and operational staff had been hired and/or were undergoing training with the resultant high expenditure of funds without any revenue being generated to offset these expenses. As a result, a decision was made to commence partial operations to provide the necessary funds.

Identified Early Problems

With the start up of the UOSA AWT plant operations and the forced discontinuance of the existing treatment plants, users of the new facility received their first bills which were, in many instances, much higher than their previous bills for such services. Considerable protest to the higher bills has occurred, some of the users have objected so strenuously that the issue has become enmeshed in a highly emotional and political arena. Extensive publicity has been given to the subject on radio and television, as well as in the community and local newspapers. Also, some of the users have refused to pay their utility bills and have had their water turned off because of nonpayment.

h. Cost Comparison of Roanoke and UOSA AWT Plants

The Investigative Staff was advised by cognizant EPA officials that UOSA is the most sophisticated AWT plant and by the regional director of the Virginia SHCB that the Roanoke AWT is the best operating plant in the State. The following schedule compares pertinent cost and effluent discharges of the Roanoke and UOSA AWT plants.

	Construction			O&M Costs	Effluent			
	Capital Cost	Capacity MGD	Cost Per Gallon	Per 1,000 Gallons	BOD	SS	P	N
UOSA	$82,000,000	10.5	$3.00	$1.41	1	1	.1	*
Roanoke	$28,000,000	35	$ .80	$ .18	1.8	.9	.13	.2

* Not operational

UOSA Comments (continued)

The most pressing reason to begin plant operations last summer was to protect the water supply. The discharges from the existing sewage plants had created very serious water quality problems in the water supply reservoir during the summer and fall of both 1976 and 1977.

The statement that the plant sludge disposal system was not on-line is ridiculous. The plant produces 50 tons of sludge per day, and if the sludge disposal system had not been on-line at the beginning of plant operations, the plant would now be buried in sludge.

The cost comparison between the Roanoke and UOSA plants is very inaccurate and misleading. Some of the more misleading and erroneous figures are as follows:

(1) The Roanoke plant discharges above a large 20,000 acre reservoir used for hydroelectric power production and recreation. The UOSA plant discharges to a small 1700 acre reservoir which serves as the principal water supply for Northern Virginia. Consequently, the water quality requirements for the UOSA plant are much more stringent than for the Roanoke plant. UOSA must have more extensive facilities to insure the protection of the public water supply at all times.

(2) The Roanoke capital costs were for expansion and addition of AWT units to an existing 21 MGD high quality secondary sewage treatment plant. The Roanoke delivery system was also in existence. Since no secondary facilities were available that could be expanded to meet the UOSA requirements, UOSA had to construct the total plant and delivery system.

(3) The Roanoke $28 million in capital costs listed in the report are the plant construction contract costs only. The $82 million listed for UOSA covers total project costs including pump stations, force mains, interceptor sewers, engineering, inspection, bond sale expenses, administration, land acquisition and legal costs. The UOSA plant construction contracts cost was $45 million, and if the operable unit requirement had not been imposed by EPA, the plant construction cost would have been about $27 million.

(4) The Roanoke plant contracts were awarded 1-2 years prior to the first UOSA contract and were not subjected to the very costly, highly inefficient operable unit construction scheme imposed on UOSA.

(5) The UOSA plant capacity is 15 MGD excluding the back-up facilities.

(6) The UOSA O & M costs were apparently deliberately distorted. The UOSA O & M costs to date have averaged 69¢ per 1,000 gallons which includes 19¢ per 1,000 gallons for operation of the delivery system. We do not have adequate data on the O & M costs at Roanoke, but we do have these data on some of the plants replaced by UOSA. For example, the O & M costs for the 5 small secondary sewage treatment plants in Fairfax County replaced by UOSA was $1.47 per 1,000 gallons.

(7) The listed effluent discharges from both UOSA and Roanoke are incorrect.

House Staff Report (continued)

The Investigative Staff visited both plants and noted that the Roanoke plant is well maintained but it would not be classified as a sophisticated AWT. Whereas the UOSA plant with its million dollar computers and all the latest known technological advances plus some of which UOSA is still researching--such as sludge disposal--represents the latest and most expensive type of AWT.

The O&M cost at UOSA is understated as the carbon in the carbon filters has not yet been recharged and nitrification and sludge disposal are not operable as of this date. The $1.41 per thousand gallons O&M cost will surely increase.

The Investigative Staff noted the evident difference in treatment processes and overall costs of the two facilities even though they were conceived and constructed about the same time. The performance of the Roanoke plant has proven to be very effective--producing a high quality effluent. In fact, a Roanoke brochure stated "This was the most sophisticated plant of its size at the time of completion in the United States." Interestingly, both plants were approved and funded under the same chairman of the SWCB. It also leads to the question as to why the Roanoke process was not used at UOSA, instead of the "Tahoe East" concept.

10. Effects of Virginia Potomac Embayment Standards

As of February 1, 1979, EPA has awarded grants for the following sophisticated AWTs which are required to meet the Potomac Embayment standard:

	Estimated Federal Funding
City of Alexandria	$59,554,270
Arlington County	56,784,850
Prince William County	25,431,450
County of Fairfax	57,929,550

As in the case of other AWTs mentioned in this report, the basic data used to establish the most stringent water quality standards are being reevaluated. The SWCB and EPA Region III have agreed that, before any additional funds are expended to satisfy the stringent requirements, a study should be made to ascertain if the strict standards are still required.

In the report of September 20, 1978, the SWCB staff stated in part that:

UOSA Comments (continued)

Both the Roanoke and UOSA AWT processes were based on the highly successful Lake Tahoe design. The basic difference in the Roanoke and UOSA plants is due to the more stringent requirements for UOSA to protect the water supply. Roanoke does not incorporate all of the unit processes employed at Lake Tahoe and the UOSA plant includes all the processes of the Lake Tahoe plant plus selective ion exchange for nitrogen removal. The Roanoke plant does not have a nitrogen removal requirement and the Lake Tahoe plant did not have a nitrogen removal requirement until 1974.

The major unit processes at the 3 plants are as follows:

Lake Tahoe*

secondary → chemical clarification → multi-media filtration → carbon adsorption

Roanoke

secondary → chemical clarification → multi-media filtration

UOSA

secondary → chemical clarification → multi-media filtration → carbon adsorption → selective ion exchange

*These were the major unit processes at Lake Tahoe from 1968 to 1974 and during this period Roanoke and UOSA were designed. The Lake Tahoe plant added break-point chlorination in 1975 to meet the new requirement to remove nitrogen.

(Statement concerning the National Consumer Co-operative Bank)

March 29, 1979

Hon. Edward P. Boland, Chairman
Subcommittee on HUD-Independent Agencies
H-143, U.S. Capitol
Washington, DC

Dear Chairman Boland:

Last year, the Congress enacted the National Consumer Cooperative Bank Act, perhaps its major consumer and economic development initiative. Although the Administration has made a budget request below that authorized for the program, we urge you to support the Administration's request.

The legislation provided a first-year authorization of $100 million for the Consumer Cooperative Bank, with $200 million authorized for the next four years. On a pro rata basis that formula would authorize $150 million for the bank for its first two years of operation. The Administration is asking for only two-thirds of this amount. The Self-Help Fund, which assists low income cooperatives, was authorized at $10 million for the first year and $65 million over the two succeeding years. This formula would provide for over $40 million for the first two years of the fund's existence on a pro rata basis. The Carter Administration is requesting less than three-fourths that amount. The remainder of the request is for administrative expenses, most of which will be devoted to providing technical assistance as anticipated in the legislation.

Not only is the Administration's request modest, it is essential to assuring the success of the program. The cornerstone of this program is the repayment of the federal government's investment through privately raised funds at the earliest possible moment. The bank must have the opportunity to establish a track record that will encourage purchase of its debentures, and terminate its dependence on the federal government. As a result, a decision to expose the Cooperative Bank's authorization to meat axe cuts will backfire, by extending the period when the bank will require government support.

Furthermore, if the bank's appropriation is not sufficient to satisfy a substantial portion of the loan demand, the soundness of the Cooperative Bank could be threatened. Loan demand should far exceed the funding requested by the Carter Administration. Any further reduction would tempt bank officials to spread its limited funds over too many borrowers. An inadequate loan can be as harmful as no loan at all. Insufficient funding will result in defaults, handicap the Cooperative Bank's ability to repay the government, and jeopardize the entire program.

The Carter Administration's requests for the Cooperative Bank are modest in absolute terms and in comparison to the figures in the authorizing legislation and the budgets of similar programs. The reqest is the minimum amount required for prudent operation of a nationwide banking system and to give this program of private initiative a chance to work.

We urge you to support the Administration's request. Please include this statement in the hearing record.

Sincerely,

Public Citizen's Congress Watch

Cooperative League of the U.S.A.

National Rural Electric Cooperative Association

United Auto Workers

Conference on Alternative State and Local Policies

Alternative Economics

Arlington Cooperative Organization

Campaign for Human Development

Center for Community Change

Community Development Credit Union Institute,
National Center for Urban Ethnic Affairs

Credit Union National Association

Greenbelt Consumer Services

Food Research and Action Center

League Life Insurance

National Association of Farm Worker Organizations

National Association of Housing Cooperatives

Rep. Boland
3/29/79, p. 3

National Consumers League

National Farmers Union

National League of Cities

National Retired Teachers Association/
American Association of Retired
Persons

National Urban League

Nationwide Mutual Insurance Companies

NETWORK

Rural America

Strong Force

United Mine Workers of America

United Steelworkers of America

National Economic Development
and Law Center

(Statement of Mayor Morial concerning noise pollution)

LINDY (MRS. HALE) BOGGS, M.C.
2D DISTRICT, LOUISIANA
COMMITTEE:
APPROPRIATIONS

WASHINGTON OFFICE:
1524 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
BARBARA RATHE
ADMINISTRATIVE ASSISTANT

Congress of the United States
House of Representatives
Washington, D.C. 20515

April 2, 1979

Honorable Edward P. Boland
Chairman
House Appropriations Subcommittee on Housing and
Urban Development/Independent Agencies
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed are letters I have just received from the Mayor of New Orleans regarding the City's position on several items in the EPA budget for fiscal 1980.

I would appreciate it very much if Mayor Morial's letters can be included in the official hearing record so that his views will be available to all members of the Subcommittee for consideration.

My kindest regards and many thanks for your assistance.

Sincerely,

Lindy

Lindy (Mrs. Hale) Boggs, M.C.

LB:mg
Enclosures

CITY OF NEW ORLEANS
OFFICE OF THE MAYOR

ERNEST N. MORIAL
MAYOR

March 28, 1979

The Honorable Lindy Boggs
U.S. House of Representatives
1524 Longworth Building
Washington, D.C. 20515

Dear Representative Boggs:

Currently, your Subcommittee on HUD and Independent Agencies of the Appropriations Committee is considering Fiscal Year 79 funding for the Quiet Communities Act of 1978 (42 USC 4901).

As you know, urban noise from aviation and non-aviation sources has become a serious problem. In New Orleans, for instance, there are identified noise problems along Decatur Street in the French Quarter due to truck traffic, among many neighborhoods due to mixed vehicular traffic, and near the Lakefront and New Orleans International Airports due to expanded operations. Unfortunately, neither public officials nor the public know enough about the location of the most serious noise problems, about the actual impacts of noise on residents, and about realistic steps to mitigate noise.

Consequently, I urge you to vote for full funding ($15,000,000) for the Quiet Communities Program for FY 79. I would also encourage you to consider giving special attention to noise problems in the City of New Orleans.

Sincerely yours,

Ernest N. Morial
Mayor

ENM:JH:dml

CITY OF NEW ORLEANS
OFFICE OF THE MAYOR

ERNEST N. MORIAL
MAYOR

March 28, 1979

The Honorable Lindy Boggs
U.S. House of Representatives
1524 Longworth Building
Washington, D.C. 20515

Dear Representative Boggs:

Your Subcommittee on HUD and Independent Agencies of the Appropriations Committee is reviewing the FY 80 Presidential budget request for the wastewater treatment construction grants program (the 201 program), and the water quality management program (the 208 program) of the U.S. Environmental Protection Agency.

As I understand the situation the investigations staff of the Committee has recommended no funding for FY 80 for these programs. I find this a remarkably shortsighted and naive recommendation.

To assure improvements in water quality through federally assisted programs both local and State governments require a steady, consistent flow of funds from year to year. The elimination of the 201 and 208 programs from the FY 80 budget would seriously disrupt and consequently set back efforts to restore the quality of our Nation's waters. Being the Mayor of a city that is completely surrounded by water and wetlands, and that is heavily dependent on high quality waters for food, recreation and tourism, I cannot sit idle as the budget axe falls mindlessly upon these essential programs.

Therefore, I urge you to vote to fund the 201 program at the $3.8 billion level, as requested by the President, and to fund the 208 program also at the level requested by the Administration. Please convey my position to Chairman Edward P. Boland and the other members of your Subcommittee and to the Committee at Large.

Sincerely yours,

Ernest N. Morial
Mayor

ENM:JRH:jh

"An *Equal Opportunity Employer*"

(Statement of Mr. Joel Smith concerning EPA)

JAMES ABDNOR
2D DISTRICT, SOUTH DAKOTA

1224 LONGWORTH HOUSE OFFICE BUILDING
(202) 225-5185

VERNON C. LOEN
ADMINISTRATIVE ASSISTANT

COMMITTEES:
PUBLIC WORKS AND TRANSPORTATION
VETERANS' AFFAIRS
AGING

Congress of the United States
House of Representatives
Washington, D.C. 20515

FOR YOUR INFORMATION
CONGRESSMAN JAMES ABDNOR
SECOND DISTRICT, SOUTH DAKOTA

February 7, 1979

Mr. Joel C. Smith, Administrator
Office of Air Quality & Waste Management
S.D. Department of Environmental Protection
Joe Foss Building
Pierre, South Dakota 57501

Dear Mr. Smith:

Thank you very much for the copy of your February 2, 1979, letter to Mr. Plehn at the Environmental Protection Agency concerning funding under the Resource Conservation and Recovery Act of 1976.

I have forwarded a copy of your letter to Chairman Boland of the Housing and Urban Development - Independent Agencies Appropriations Subcommittee for his information.

If you would like to submit a statement for the Subcommittee's deliberations on the fiscal year 1980 appropriations, I would be happy to see that it is included in the official hearing record.

In any event your interest in keeping me apprised of your thoughts is appreciated, and I shall keep your comments in mind as the opportunity to be of influence arises.

With best wishes,

Sincerely,

JAMES ABDNOR
Member of Congress

JA/ans

cc: Chairman Edward P. Boland

SOUTH DAKOTA DEPARTMENT OF
ENVIRONMENTAL PROTECTION
JOE FOSS BUILDING
PIERRE, SOUTH DAKOTA 57501

February 2, 1979

Steffen Plehn
Deputy Assistant Administrator
Office of Water and Hazardous Materials
United States Environmental Protection Agency
Washington, D.C. 20460

Dear Mr. Plehn:

I have just reviewed a memorandum from Thomas C. Jorling regarding FY'80 funding under the Resource Conservation and Recovery Act of 1976 (RCRA). In this memo he discusses the U.S. Environmental Protection Agency (EPA) priorities for funding state projects as;

1. The open dump inventory,
2. Establishing state regulatory programs under Subtitle D,
3. Managing industrial waste residues, and
4. Developing a state solid waste management plan.

He also indicates that funding for regional and local planning and implementation will probably not be available now or in the future.

Having been involved in solid waste management for six years on a state level, I can not agree with these priorities. First of all, the states, or most of them, have identified the disposal sites in their states which are polluting the environment and the problem they face is in closing or upgrading these facilities. The major obstacle to such activity is the funding required to close a dump and establish an environmentally sound disposal site. Most of the dumps in South Dakota are located in rural areas with sparse population and limited resources. Therefore, the money used for the open dump inventory could be better spent by funding projects to close open dumps and to establish regional solid waste management systems. This was seen as one of the major benefits of the passage of RCRA.

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Once again, most states have an established regulatory program for activities outlined in Subtitle D. It is my feeling that some of these funds would be better utilized in funding local implementation projects.

However, I do agree that hazardous and toxic wastes are high priority and need immediate attention. We are in the process of developing a state program to address the issues of hazardous waste management and hope that EPA will not delay the development of regulations and guidance in this regards.

In conclusion, if EPA does not address the issue of funding local implementation projects, the results will be an open dump inventory resulting in compliance schedules that cannot be met and an unimplementable state plan because financial resources are inadequate. EPA should be willing to recognize and utilize the information most states have collected in their ongoing inspection programs and realize that most states have established regulatory processes.

Sincerely,

Joel C. Smith

Joel C. Smith, Administrator
Office of Air Quality and
Solid Waste Management

cc: Jon Yeagley, Chief
Solid Waste, Region VIII - EPA
Honorable George McGovern
U.S. Senate
Honorable Larry Pressler
U.S. Senate
Honorable James Abdnor
U.S. House of Representatives
Honorable Tom Daschle
U.S. House of Representatives
Honorable William Janklow, Governor
State of South Dakota

AA/OS

(Statement of Mr. Ronald Cooper concerning EPA)

Honorable Congressman Boland and Members of the Subcommittee

My name is Ronald Cooper. I am the Study Manager for the Flathead River Basin Environmental Impact Study. I have been asked by the Steering Committee for the Study to briefly review the status of our project and to explain to you the critical nature of our third year's funding. Actually, the first year's funding, in which the Steering Committee has been prepared to request amounts of monies which relate directly to project needs. I will briefly explain the background for the Study, status of the Study, development pressures facing the basin, what the Study will accomplish and the critical nature of the funding for the third year of the Study.

The Study was authorized by Congress as part of the appropriation to the Environmental Protection Agency for fiscal year 1978. It was authorized as a two and nine-tenths million dollar, five-year Study with a first year appropriation of four hundred thousand dollars. The purpose of the Study is to undertake an environmental impact assessment of the Flathead River Basin. The Study is unique in a number of ways, but most importantly, the Study has been undertaken primarily in response to identification of its need by citizens of the basin. This Study genesis has provided both unique opportunities for local involvement and resulted in organizational problems for the federal agency charged with undertaking the Study. Typically, federally funded studies are undertaken because: (1) a federal agency has identified a problem, (2) existing federal law mandates that a study be undertaken, or (3) Congress has set up a program whereby local governmental bodies may undertake certain studies following federal guidelines. The Flathead Basin Study does not fit this pattern being locally emanated to fulfill a need; namely, degradation of a natural resource of national significance. The Environmental Protection Agency, being charged with the responsibility of conducting this Study, recognized the unique genesis of the Study and in response, provided a locally-based Steering Committee to take responsibility for developing, managing, and implementing the Study. The Steering Committee is a broadly-based group of local governmental officials, private citizens, state government and federal resource agencies. The Environmental Protection Agency representative on the Steering Committee has a single vote just like any of the other fourteen members.

The development of a working Steering Committee from such a diverse group has not been a task without difficulty, although it is a task that has been successfully completed. The funding for the Study, as I stated earlier, began in October, 1977. The Environmental Protection Agency turned the Study over to the Steering Committee in February, 1978. The Steering Committee adopted by-laws and elected a Chairman in April, 1978. By this time, the President's budget for fiscal 1979 had been submitted to Congress. The Steering Committee already had one strike against them - their fiscal year 1979 budget request had been formulated while they were barely a working committee without a sound plan of study. The Steering Committee hastily threw together a pro forma study plan so that the Study could continue. During May, 1978, studies of apparent need were undertaken. I was then hired by the Steering

Committee to manage the Study in September, 1978. The Steering Committee had solidified into a fully operational group. A task which, in and of itself, was no small endeavor in light of the typical lack of coordination and animosity which frequently exist between local, state and federal governmental entities. The Steering Committee recognized that in order to meet their basic desire to protect the extremely high quality environment of the Flathead, they would need a solid understanding of the complex interrelationship which exists between the natural, cultural and social resources of the basin. To fulfill this need, a detailed set of goals and objectives were adopted by the Steering Committee during December, 1978. These goals and objectives then formed the basis for the development by the Steering Committee of a work plan which addressed basic data needs and systems understanding. By now, the President was preparing to submit his budget request for 1980 to Congress. The Steering Committee finally had a justifiable work plan. Our budget request of $796,000. is funding necessary to meet our basic objective.

Too often, a piecemeal approach to resource understanding has resulted from inadequately funded, poorly coordinated, single purpose studies. We feel that we, as a Steering Committee, have the capability to obviate some of these past study problems and to begin to build a foundation upon which future resource needs may be addressed. A good start has been undertaken. We are tired of studies that constantly re-invent the wheel.

The third year of the Study is extremely critical to the success of the entire Study. The value of the entire Study will be seriously questioned if adequate funding is not obtained. We will answer certain specific questions. We will not obtain the capability to protect the quality of life found here in the basin. We will not obtain the intergovernmental/interagency coordination which will be needed if we are to protect the resource in the future. We will not obtain the capability needed to adequately assess the potential impacts from proposed developments that are facing the basin.

The Flathead River Basin has attributes which give it distinction and demand national recognition. Located within the basin are such national treasures as Flathead Lake, the Flathead River, Glacier National Park, the Great Bear Wilderness, the Mission Mountain Wilderness and the Bob Marshall Wilderness. The Basin Study is unique in that the Study has been undertaken prior to any serious degradation of the environment rather than in response to it. Flathead Lake forms the focus for the basin. The lake is the largest natural body of water in the continental United States west of the Mississippi River. It is an oligotrophic lake of quality comparable to Lake Tahoe. Unlike Lake Tahoe, much of its shoreline is undeveloped. Flathead River, which enters the lake, is a designated component of the National Wild, Scenic, and Recreational River System within its North Fork and Middle Fork stretches. Both the river and the lake are being threatened by development pressure within the basin. It is imperative that we develop

the basic understanding of the interrelationships of the ecosystem now if the resource is to be protected and Flathead Lake is not to suffer the degradation common to so many of our natural bodies of water.

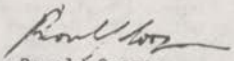
Of immediate concern is the proposed development of a coal strip mine along two tributaries of the North Fork of the Flathead River within British Columbia. Since this development involves a foreign country, it is extremely important that adequate data be developed to provide the means for the U.S. Department of State to take action through the International Joint Commission. Over seven hundred and fifty thousand acres of state and federal gas and oil lease applications have been filed. It is important that we gain a basic understanding of our ecosystem so that we can best manage the extraction of this needed resource. Finally, growth has been accelerating in the basin as it has throughout the rest of the Rocky Mountain area. This growth continues to focus additional attention upon the highly desirable recreational resources of the basin. It is important that we gain the knowledge to expand the recreational opportunities found in the basin while at the same time protecting the resources. Incrementally, we are constantly affecting the natural resources of the basin. If we are to protect this unique natural system for all the citizens of the United States to enjoy, we need to take action now.

I can not stress strongly enough the critical nature of this, our third year of the Flathead River Basin Study. Each member of the Steering Committee is expending considerable effort working to insure the success of the Study. The Steering Committee involvement will not permit this Study to become yet another study to be added to all those studies that have been undertaken in the past. The pressures facing the resources of the basin can no longer be segregated but must be viewed in a coordinated fashion by all resource managers within the basin. Any further dilution of the Study will not provide the required intensive look at the resource. The scientific credibility of the Study and, in turn, the value of the Study results will suffer.

The institutional framework has been set up. The resources of the basin are undergoing considerable pressure. This pressure will not subside but will only intensify over time. We need the tools to manage our future.

We need you to take the action that is needed - to fund the Flathead River Basin Study at the required amount, $796,000. Thank you.

Respectfully submitted
on behalf of the Steering
Committee Members,



Ronald Cooper
Study Area Manager

(Statement of the National League of Women Voters concerning EPA construction grants)

League of Women Voters of the United States 1730 M Street, NW. Washington, D.C. 20036 Tel. (202) 296-1770

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April 30, 1979

The Honorable Edward P. Boland
Chairman, Subcommittee on HUD and
Independent Agencies
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The League of Women Voters of the United States and the Clean Water Action Project support continued funding of the Clean Water Act's municipal wastewater construction grants and water quality management programs as well as adequate funding to ensure proper EPA direction and oversight.

We share many of the same concerns expressed by the Survey and Investigation staff in their report to the House Appropriations Committee on the Environmental Protection Agency's construction grants program. We are particularly concerned that facilities are constructed where they are most needed, that the treatment works built are the best means for solving specific local water pollution problems, and that they do not stimulate unnecessary growth or "sprawl".

It was because of these concerns that we strongly supported the funding of innovative and alternative technologies, the pretreatment of industrial wastes to prevent the discharge of incompatible pollutants into municipal treatment systems, and limited reserve capacity in 1977 when Congress amended the 1972 Federal Water Pollution Control Act. Our commitment to the goals of the Clean Water Act has continued since that time. We have participated closely in the development of EPA's regulations for construction grants and for public participation in the implementation of the wastewater treatment program.

We feel that for these improvements in the construction grants program to be effectively implemented, there must be a system of long-term funding. State and local governments need to be assured that they can make plans that are necessary to continue clean-up momentum and ensure proper facility design. We fear that a zero appropriation may disrupt the progress that has been made since the passage of the 1977 amendments. In addition, we feel that the next year or two, as the modified construction grants program is implemented, will be a particularly important time. State and local governments will be indicating their commitment to the extent that they fund innovative and alternative treatment programs, fund the most cost-effective technologies, and satisfy the public participation requirements recently promulgated by EPA.

Consequently, we suggest that you consider $3.8 billion funding for FY1980 coupled with a one to two year assessment of how well the modifications made by Congress in 1977 have been implemented by state and local governments. Specifically, we propose that this evaluation include a determination of the following.

1. What number and amount of construction grants have been made for innovative and alternative technologies?

2. What percentage of a state's allotment has been spent to increase the funding for the innovative or alternative portions of a proposed construction grant? Congress provided that 2-3 percent of a state's allotment be used for this purpose.

   The answers to questions #1 and #2 would indicate the degree of commitment by state and local governments to trying new technologies to control water pollution problems rather than the traditional and sometimes "not tried or true methods."

3. To what extent have the facilities planned, designed and constructed been the most cost-effective alternative as required under section 217 of the Clean Water Act? The least energy intensive as directed under section 201(i)?

4. Have local governments where industries discharge into a publicly owned treatment work instituted pretreatment programs as required under section 307(b) of the Clean Water Act?

5. To what extent have state governments encouraged public participation in the development of their priority list and have local governments fully met the requirements of section 101(e) of the Act? We firmly believe that many of the past construction grants program problems described in the report to the House Appropriations Committee could have been avoided if interested citizens had been provided ample opportunity to help select the technology most appropriate for their water quality problems and their "ability to pay."

Of course, there are many other questions that could be part of the program assessment.

We feel that to cut appropriations now is akin to "cutting off your nose to spite your face." Just as the direction from Congress and EPA has improved the construction grants program, why hurt its chances for successful implementation? Rather, provide the assurance of continued funding, but assess the extent to which the program changes which Congress has made to correct past deficiencies are fulfilled by municipal construction project grantees. Congress would then be in a better position to make decisions about continued funding.

Our proposal no doubt will require considerable oversight by EPA and probably more personnel than they have proposed in the FY80 budget. We would recommend that increased personnel commensurate with this formal evaluation task be added.

With regard to the House Survey and Investigation staff report evaluating the administration of the 208 water quality management program, we agree with many of their conclusions, although some states have done a good job with the program. However, just as with the construction grants program, we urge you not to cut funding of the 208 program just at the time many welcome improvements are underway.

A chief concern of the League and the Clean Water Action Project has been that the 208 plans would collect dust sitting on agency shelves and not serve as tools for implementing measures to control point and nonpoint pollution sources. EPA, however, began to address this concern when, at the end of last year, it proposed regulations that tied continued funding to implementation of the 208 plans. Our understanding is that implementation will be a focus of the 208 program in the future.

As with the construction grants program, we support continued funding of the Clean Water Act's water quality management program and suggest that Congress and EPA closely evaluate the program in FY80 according to measures undertaken by state and local governments to control point, but particularly nonpoint sources of pollution. Based on this assessment, Congress should then evaluate whether or not to make additional money available.

Thank you for your time and consideration.

Sincerely,

Ruth J. Hinerfeld
President

Larry Silverman
Clean Water Action Project

Hester P. McNulty
Natural Resources Coordinator

cc: Members of the House Subcommittee on HUD and Independent Agencies

The Honorable Harold T. Johnson, Chairman, House Committee on Public Works and Transportation

Mr. Douglas Costle, Administrator, U.S. Environmental Protection Agency

Mr. Charles Warren, Chairman, Council on Environmental Quality

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