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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1981

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

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BOB TRAXLER, Michigan
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*Deceased.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1981

WEDNESDAY, MARCH 19, 1980.

NEIGHBORHOOD REINVESTMENT CORPORATION

WITNESSES

WILLIAM A. WHITESIDE, EXECUTIVE DIRECTOR
JAMES A. McNEIRNEY, DEPUTY EXECUTIVE DIRECTOR
DONNIE L. BRYANT, SECRETARY-TREASURER, DIRECTOR, FINANCE AND ADMINISTRATOR
CAROL McCABE, GENERAL COUNSEL
KENNETH J. KNOX, DIRECTOR, SUPPORT AND TRAINING
GEORGE KNIGHT, DIRECTOR, PROGRAM DEVELOPMENT
MEG S. ARMSTRONG, DIRECTOR, NEIGHBORHOOD PRESERVATION PROJECTS
MARY LEE WIDENER, EXECUTIVE DIRECTOR, NEIGHBORHOOD HOUSING SERVICES OF AMERICA

	Estimate	Appropriation
1980	$9,500,000	$12,000,000
1981	13,426,000	

Mr. BOLAND. The Committee will come to order.

We are delighted to have the Neighborhood Reinvestment Corporation with us this morning, William Whiteside, the Executive Director; James McNeirney, Deputy Executive Director; Donnie Bryant, Secretary-Treasurer; Carol McCabe, General Counsel; Kenneth Knox, Director, Support and Training; George Knight, Director, Program Development; Meg Armstrong, Director of Neighborhood Preservation Projects; and Mary Lee Widener, Executive Director, Neighborhood Housing Services of America. We are glad to have you here.

Your 1981 appropriation request is $13,426,000. Last year the appropriation was $12 million. This Committee recommended $9.5 million, and we acceded in conference to $12 million.

This is the second time that the Neighborhood Reinvestment Corporation has appeared before this Committee in support of direct appropriations. As you noted in your justifications, before 1980, your predecessor organization, the Urban Reinvestment Task Force, received grants from the Office of Policy Development and

Research of the Department of Housing and Urban Development. The Corporation fared very well in its first time through the appropriations process last year.

As you indicated in your justifications, and the committee is aware, the bulk of the Corporation's financing comes from direct appropriations, but other sources will increase the total 1980 program to $15,036,000 and the 1981 proposed plan to $16,255,000.

Mr. Whiteside, we will be delighted to hear your statement at this time.

GENERAL STATEMENT

Mr. WHITESIDE. Thank you, Mr. Chairman. I have submitted a statement for the record, and I would like to just touch on a couple of highlights of the statement in my oral remarks.

First, we appreciate the confidence of this Committee and the Congress in allowing us to operate at a $12 million level during this past year. We believe we have done that productively. We spread those additional funds across our operating activities in what we felt was the most productive way to achieve the objectives of the Corporation.

ACTIVITIES OF NEIGHBORHOOD REINVESTMENT

Just to highlight what we are doing at the Corporation, the development of NHS programs, I think, is becoming well known. The creation of partnerships, of residents, lenders and local governments to revitalize neighborhoods is proceeding very well. There is an aspect of our work that is not that well known, which I would like to touch on, which is the support and training activities that we carry out to keep the programs effective once they have been developed. We provide training for NHS executive directors, newly hired ones, as well as in-service training opportunities.

We also have a training program for rehabilitation specialists, a very fine three-months-long program that is turning out highly qualified experts in this field.

We annually monitor NHS programs with a view to insuring that they are adhering to the terms of our grant, but also with a view to looking for areas where the programs can be strengthened. We advise on areas that we see which should be strengthened. Then upon request by the NHS, we will provide staff service and other resources to help strengthen those areas.

There is a secondary market which has been developed for the revolving loan funds. These are for the unbankable loans that NHS itself makes, so that if they become illiquid because all of their money is out, they can sell off loans and the program can proceed. This is an important element of our support services.

The conceptual base of what we are doing is important to put in perspective. We see a neighborhood as an association of individuals and families living in a particular place. The neighborhoods we are involved in have a lot of problems. The basic NHS model deals very well with the problems in 1- to 4-family homes. There are other problems, though, that affect neighborhoods, problems of abandoned buildings, of distressed apartment buildings, crime, educa-

tional resources, the need for commercial revitalization, just a whole panoply of problems.

DEVELOPMENT OF NEW TOOLS TO ADDRESS NEIGHBORHOOD PROBLEMS

The enabling legislation that set up the Corporation directed us to continue our work with neighborhood preservation projects to discover working answers to deal with some of these problems, and to replicate these answers in neighborhoods around the country. We are doing that, and we are discovering some very effective tools. We are evaluating the work that is being done by the sponsors of the projects. We are replicating successful projects on a trial basis in other neighborhoods, and then when our developmental process has proven itself and we have learned how to transfer the project from one place to another, we are prepared to replicate it at a greater rate.

As examples of this, I should touch on the Apartment Improvement Program that we discovered in Yonkers, where in the first 18 months they turned around 65 large buildings containing 3500 units. These are conventionally financed buildings that are in trouble physically and financially, and this program brings a partnership of lenders, city government, tenants, building owners, and others, to deal with the problems building by building, and bring them back into profitable operation, at the same time providing a decent living environment for the tenants.

We are replicating this in neighborhoods around the country. It is being extremely well received, and it is expanding on what NHSs can do. In our earlier programs we went around neighborhoods that had a lot of apartment buildings because we did not know how to deal with them. Now with the Apartment Improvement Program NHSs can expand into neighborhoods with more apartments. We can take on neighborhoods with more apartments in initial NHS development, and we can provide this resource to cities to deal with apartment problems in other neighborhoods.

ENERGY CONSERVATION ACTIVITIES OF NEIGHBORHOOD HOUSING SERVICES

Touching on a very recent example of a new project we have gotten into is one in the area of energy problems. The Providence, Rhode Island, NHS has come up with a project where they are doing energy audits house by house in an area of the neighborhood, and conducting resident education. They are bringing residents together with resources available to deal with their energy problems that the residents don't know about.

The problems include not just lack of insulation and this kind of thing, but faulty furnaces, ill-fitting doors and windows where the heat literally streams out through holes. The program is designed to produce a model to address those problems in NHS programs in other communities.

For instance, we feel that when the solar conservation bank measure is completed by Congress that there is going to remain a real problem, a problem of linkage between that federal mechanism and the man on the street who needs the resource, a linkage

between the banks that are expected to make very small loans and the borrower. (Banks and savings and loans don't find it profitable to make very small loans, there is too much paperwork related to the amount of money.) We see that NHS, for instance, could fulfill a role as a packager, putting together for residents in the NHS neighborhood applications, taking them to participating lenders, and making that linkage occur at the local level.

EFFORTS TO PREVENT DISPLACEMENT

I will touch on a couple of other areas. The NHS program is designed to revitalize neighborhoods for the current residents. It is not a program to "gentrify" neighborhoods, to revitalize the homes for a new population. We have been very true to that concept, and in the neighborhoods where increasing housing costs may threaten the ability of current residents to remain, the local NHSs and we are developing tools to combat displacement.

One of the tools is just the existence of NHS and a network of knowledge about what homes are worth in the neighborhood. It makes it more difficult for speculators to take advantage of homeowners who don't know the value of their homes.

Another program that was developed in Baltimore, turning tenants into homeowners, we have gotten started in a number of additional NHSs, where the NHS hires a couple of extra outreach staff members. One is going to tenants who might consider becoming homeowners, and counseling with them, discovering their interest; and the other is contacting absentee owners whose homes have been cited for code violations, suggesting they might want to sell at this time. Then the NHS is putting the interested tenant together with the seller, assisting with whatever rehabilitation is necessary in the process, providing a 100 percent loan by combining a conventional loan and a loan from the revolving loan fund to bring the tenant into home ownership at monthly payments not much different than their rent was before. This is happening in quantity in Baltimore, where in less than two years they converted 300 units from absentee ownership to owner occupancy, and over 200 of those were tenants from the neighborhood who now own their own units. We think that tool is going to be important not only in NHS neighborhoods but other areas as a way to avoid displacement.

NHS—A NATIONAL RESOURCE OF DELIVERY MECHANISMS

As I mentioned in referring to the question of linkage in energy programs, I think the NHS network offers the United States an important delivery service for present and future programs, a way of reaching neighborhoods, a proven, effective, skilled staff that can provide linkage on programs that we have now and may have in the future.

Today there are NHS programs in 87 cities serving 109 neighborhoods. We estimate that about $250 million in rehabilitation and support for the services of the NHS has been generated as a result of our work in reaching this point. By the end of fiscal year 1980 we expect that will be at a level of $300 million. It is important to put that in context with the total amount of Federal funds we have utilized.

The current year's Federal appropriation and the total five-year HUD demonstration grant totaled only $36 million. We think that is an effective use of Federal leverage to get local activity moving at a substantial rate.

ASSISTANCE TO THE LOWEST INCOME HOMEOWNERS

By the end of 1981, we expect that there will be NHS programs in over 130 cities serving over 170 neighborhoods. We would like you to see this program, particularly in the current economic setting, as one of the resources to try to rebalance the equation for the lowest income homeowner. As we know, all of us are going to have to tighten our belts to deal with inflation—all of us have had to tighten our belts already because of inflation. But particularly, if you are talking about someone who is already badly housed, has a very limited income, inflation has already hurt them very badly. We are finding in the NHS programs right now that bankable lending has come to a near halt. Many homeowners who were bankable at 9 or 10 percent are unbankable at 17 percent, so there is a very heavy utilization of the revolving loan funds, now, to continue taking care of the needs of the neighborhood.

I might just mention one close-to-home reference for Chairman Boland. The new NHS in Springfield, for instance, last summer in their first 23 jobs focused on getting furnaces operational in the homes of those 23 homeowners before winter set in. It was an outreach, seeking the most painful problems. Every single one was a client for the revolving loan fund, so their initial leverage of bankable loans to unbankable loans, given that focus and given the economic circumstances, is going to be very poor. Over the long haul, as we get out of this trough of the cycle, clearly the leverage will improve and more activity will be generated from the private financial institutions.

With that I will conclude my oral statement and be pleased to take your questions.

[The complete statement follows:]

Mr. Chairman, and Members of the Committee. It is a privilege to appear before you today to testify on the Fiscal Year 1981 budget request for the Neighborhood Reinvestment Corporation. In my remarks, I shall cover the following areas:

1. CORPORATE ACTIVITIES
   - Neighborhood Housing Services Program Development
   - NHS Program Support and Training
   - Conceptual Base
   - Emerging Concerns
   - Looking Toward the Future
2. FISCAL YEAR 1980 RESULTS
3. FISCAL YEAR 1981 APPROPRIATION REQUEST
   - Sources of Funds
   - Expenses by Activity Areas
4. NEIGHBORHOOD HOUSING SERVICES AS A NATIONAL RESOURCE
   - Coping with Today's Economic Realities
   - Progress in Developing a National Delivery Mechanism

CORPORATE ACTIVITIES

Neighborhood Housing Services Program Development

The Neighborhood Reinvestment Corporation and its predecessor, the Urban Reinvestment Task Force, has developed an effective method of replicating Neighborhood Housing Services (NHS) programs in local communities. The NHS program itself is described in some detail in Paragraph 4101.2 of Appendix A. In brief, it may be described as a partnership between neighborhood residents, lenders

and local government which undertakes to revitalize previously declining neighborhoods, utilizing as resources for this effort: a small neighborhood-based professional staff which provides financial and rehabilitation counseling, rehabilitation loans to "unbankable" homeowners, loans from participating financial institutions to "bankable" homeowners, and housing inspection services and improvements in public amenities provided by the local government. Funding for these resources is provided by both private and public resources: the operating budget of the program is funded in the main by annual contributions of financial institutions to the non-profit NHS corporation. The revolving loan fund is supported by a variety of sources, including an initial capitalization grant by the Neighborhood Reinvestment Corporation, grants by local governments of Community Development Block Grant funds and contributions by charitable foundations and corporate sources.

Bringing an NHS program into existence involves creating a working partnership among disparate groups - groups which, before the NHS developmental process, more often than not exhibit some degree of hostility or lack of confidence in one another. The men and women on the program development staff of the Corporation are trained in educational processes designed to "build bridges" between the partnership groups, enabling the three groups to discover the common ground on which each of their self-interests will be served and to provide them with the necessary information and understanding to develop an NHS program tailored to the needs of their local community. Once developed, the NHS is autonomous and locally controlled.

Appendix B lists locations in which NHS programs are organized and in development. The cities in which NHS programs are currently organized or in development include:

17 cities -- 500,000 or greater in population

23 cities -- 250,000-500,000 in population

34 cities -- 100,000-250,000 in population

26 cities -- 50,000-100,000 in population

16 cities -- under 50,000 in population

NHS Program Support and Training

One of the unique features of the work of the Neighborhood Reinvestment Corporation is that once an NHS program is operational, the Corporation retains a commitment to provide technical assistance and resources to keep it strong and viable. This assistance is available to a local NHS program at its request, although such assistance is frequently offered in connection with an annual programmatic review.

Our support and training services to local NHS programs include:

- o staff help to NHS Boards of Directors in reviewing goals, working out board-staff relationships and resolving organizational issues.

- o annual monitoring reviews of NHS programs administered under contract by Neighborhood Housing Services of America (NHSA) in which an experienced NHS Executive Director and a senior Corporation staff member interviews the local partnership and examines policies and procedures with a view to advising the local Board on how the program can be strengthened.

- o workshops for NHS staff personnel on loan procedures, bookkeeping, client tracking, financial and rehabilitation counseling, etc.

- o workshops for resident board members on board responsibilities, committee functions, community outreach, board-staff relationships, etc.

- o training of rehabilitation specialists in specification writing, cost estimating, construction monitoring, client counseling, contractor relationships, etc.

- o training of new NHS Executive Directors in NHS administration, personnel, finance, board and committee relationships, community relations, rehab and financial counseling, etc.

- o assisting NHS in applying for Section 8 set-asides and ensuring that set-asides are available through local housing authorities.

- o providing information on resources, and providing guidebooks and technical data to local programs.

Another support service which is provided local NHS programs, through NHSA, is a secondary market which helps provide liquidity for the NHS revolving loan funds from which loans are made to "unbankable" homeowners.

Our experience in working with neighborhood-based organizations since 1970 has made it clear that establishing a network of neighborhood-based delivery mechanisms for housing and neighborhood revitalization would be a fruitless activity unless it were backed up by a strong support commitment. Needless to say, as the number of NHS programs in operation grows, the proportion of the Corporation's activity which relates to support and training will also grow.

Conceptual Base

In working with NHS programs, Corporation staff members discover the panoply of problems which negatively impact the quality of life in neighborhoods and contribute to disinvestment. These include not only the one-to-four family homes in disrepair, which is the primary target of the basic NHS program model, but also

problems associated with vacant buildings, with absentee-owned one-to-four family buildings, as well as with small and large apartment buildings. They also include vacant lots, obsolete commercial and institutional structures and deteriorating commercial areas. Among the human problems are the economic needs of residents with low or fixed incomes, criminal and asocial activity which leads to concern about security and safety in the neighborhood, and a weakened social fabric. Finally, schools which do not meet the needs of the neighborhood can become a serious negative factor and cause for disinvestment.

Revitalizing neighborhoods, therefore, is a multi-dimensional concern involving more than the factors addressed in the basic NHS model. Further, if neighborhoods are to be served which are suffering greater deterioration, which have lower incomes, less owner-occupancy or more social disintegration, additional tools are needed. Since 1974, as the Urban Reinvestment Task Force, we have been carrying out an organized procedure aimed at broadening the spectrum of tools available to serve existing NHS neighborhoods and to enable NHS and supplementary programs to serve additional neighborhoods.

In the first phase, our Neighborhood Preservation Projects division solicits proposals from local entities which have developed promising solutions to particular neighborhood problems. A neighborhood preservation project is selected, which operates in a neighborhood environment, which demonstrates a capacity to meet a substantial neighborhood need, and which involves a partnership approach. A small grant is made to assist the project and the Corporation's staff then monitors its progress and studies its structure, operations and specific outputs. Following a year or more of monitoring and evaluation, a successful project is then nominated for phase two of the three-phase process.

In phase two, our Neighborhood Preservation Development division develops an appropriate educational process to replicate this tool in other localities. This involves learning how to adapt the particular strategy to differing environments, learning the limits of its effectiveness and creating reliable processes to implant it in new locations. During this process, there may be a refining of the original concept.

In phase three, the proven programmatic tool and tested replication process is ready for delivery to a larger number of neighborhoods. Some of these will be made available to existing NHS programs to expand into more difficult neighborhoods, and others will supplement the NHS program and enable neighborhoods to be revitalized, which the Corporation had previously not been able to serve.

Emerging Concerns

The programmatic thrust of the Neighborhood Reinvestment Corporation is to revitalize neighborhoods for the benefit of the current residents. This concern has made us conscious of the forces which could potentially displace residents at the lower end of the income scale as a neighborhood improves. Neighborhood Housing Services programs address this concern in a number of ways, and we are testing additional tools to this end.

Neighborhood Housing Services programs are resisting displacement through:

- NHS counseling of homeowners to insure that they know the value of their properties and to reduce the possibility of their being victimized by speculators.

- NHS efforts to secure owner-occupant buyers for properties for sale and prevent them from falling into the hand of speculators.

- NHS assistance to tenants displaced by a sale to find another home in the neighborhood.

- Utilization of Section 8 set-asides to enable a tenant, whose rent may be increased due to rehabilitation and who would qualify for a Section 8 "Existing" subsidy, to remain in his unit.

- New program tools developed through Neighborhood Preservation Projects, including:

  -The Home Ownership Program (HOP), addressing under-maintained absentee-owned or vacant and abandoned one-to-four family properties. HOP markets vacant and absentee-owned properties as part of a neighborhood marketing strategy, which puts special emphasis on marketing to current neighborhood tenants as an anti-displacement strategy.

  -The Apartment Improvement Program (AIP), addressing under-maintained and financially distressed large apartment buildings. AIP is suitable for physically and financially rehabilitating larger apartment buildings. The program is operated by local governments in cooperation with a partnership of lenders, neighborhood residents and tenants, and building owners. Section 8 subsidies help prevent displacement of tenants as a building is improved.

Looking Toward the Future

Through NHS programs, we have been identified with promoting home-ownership. This is a valid identification and a thrust which we intend to continue pursuing; however, the erosion of rental units through condominium conversion and the high building costs and economic uncertainties that are preventing new rental units being produced, as well as concern about displacement, has made it imperative that our interest broaden to include rental resources. Pilot efforts are now under

way in a number of localities in which NHS or another neighborhood non-profit purchases and rehabilitates vacant, absentee-owned buildings and then operates them as continuing rental resources, controlled by the neighborhood, to provide for the needs of lower income neighborhood renters. We are continuing to search for additional strategies to meet this need.

FISCAL YEAR 1980 RESULTS

Your Committee initially approved a $9.5 million Fiscal Year 1980 appropriation for the Neighborhood Reinvestment Corporation, and later increased it in Full Committee to $12 million. Our Fiscal Year 1979 Federal funds budget was $8.5 million. I am pleased to report that the growth in output inherent in that 41% increase in the Federal funds portion of our budget, is proceeding in an orderly and efficient way. We expect to be able to expend 99% of the appropriated funds in Fiscal Year 1980 and to produce the following results:

- Begin NHS development: 40 programs including 30 new localities and 10 expansions of existing programs to additional neighborhoods.

- By the end of Fiscal Year 1980, NHS programs will be organized in 102 cities, serving 130 neighborhoods.

- Begin development of six Apartment Improvement Programs, four Home Ownership Promotion programs, two Rehabilitation and Sale programs, one NHS Foundation (if warranted), one Home Maintenance Training program, and ten Insurance Industry Full Partnership programs.

- By the end of Fiscal Year 1980, 14 Apartment Improvement Programs, 8 Home Ownership Promotion programs, 4 Rehabilitation and Sale programs, 2 NHS Foundations, and ten Insurance Industry Full Partnership programs will be operational.

- Support and training services will be provided to 130 Neighborhood Housing Services programs as well as 14 Apartment Improvement Programs.

FISCAL YEAR 1981 APPROPRIATION REQUEST

Sources of Funds

The Corporation's proposed Fiscal Year 1981 budget containing a $13,426,000 appropriation request is shown on pages 16-17 of our budget justification previously submitted for your review. We have also displayed the Corporation's budget from all sources of funds which totals $16,255,000. I would like to briefly summarize this information to assist you in your review of our Fiscal Year 1981 budget. First, to explain the sources of funds available as compared to the two previous years; and, secondly, the budgeted expenses by Corporation activities.

The Corporation's principal source of funds is its Congressional appropriation. In addition, the Corporation receives staff services and facilities made available to it by the Office of Neighborhood Reinvestment (ONR) of the Federal Home Loan Bank System (FHLBS). Other income includes reimbursements by local governments and other entities for direct costs involved in the development of Neighborhood Housing Services programs and interest income. You will find in Appendix C the amounts provided by these sources for Fiscal Years 1979 and 1980 and a projection for Fiscal Year 1981. The projections of interest income have not been allocated to expenditures, pending consideration by our Board of Directors.

Congressional Appropriation

The Corporation received its first congressional appropriation in Fiscal Year 1980. This was in the amount of $12,000,000. Prior to Fiscal Year 1980, the primary source of funds for the Corporation and its

predecessor, the Urban Reinvestment Task Force, was a Department of Housing and Urban Development (HUD) Demonstration Grant. In Fiscal Year 1979, the HUD Grant was $8,500,000. The Fiscal Year 1980 budget represented an increase of 41% in Federal support, whereas the Fiscal Year 1981 budget presented for your review represents an increase of only 12% over the previous year.

Federal Home Loan Bank System

The Corporation receives support of some of its administrative costs in the form of contributed staff services and facilities provided through the Office of Neighborhood Reinvestment of the Federal Home Loan Bank System. This budget is supplied by the twelve Federal Home Loan Banks.

Local Development Expense Reimbursement

The Corporation receives funds from local government and other entities to pay the direct local costs of developing Neighborhood Housing Services programs. The amounts shown represent a projection of receipts for these local developmental activities.

Expenses by Activity Areas

Appendix D shows an allocation of available funds for Fiscal Years 1979, 1980 and 1981 by activity areas. The 1981 column is a summary of the object code budget shown on page 17 of the budget justification and represents expenditures from all sources of funds. The chart on page 18 of the budget justification shows a similar breakdown of the Fiscal Year 1981 Congressional appropriation request. The Corporation's activities are shown in the following categories:

Neighborhood Preservation Projects

Neighborhood Preservation Development

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Neighborhood Housing Services Development

Program Support and Training

Administration

Neighborhood Preservation Projects

The Fiscal Year 1981 budget will provide for the continuing search for promising solutions to particular neighborhood problems through our Neighborhood Preservation Projects. Expenses provide for Corporation staff involved in the selection, monitoring and evaluation process. Grants are made to selected projects and staff is utilized to monitor and evaluate the project's progress and study its structure, operations and specific outputs. The budget represents an 11% increase over Fiscal Year 1980.

Neighborhood Preservation Development

In this activity, the Corporation will continue to develop appropriate educational processes and to replicate tools developed through Neighborhood Preservation Projects in other localities. The increase in this activity area is 6%.

Neighborhood Housing Services Development

The Corporation will continue during Fiscal Year 1981 its development of Neighborhood Housing Services programs and its assistance to local NHS programs expanding to additional neighborhoods. Expenses represent staff costs and, in addition, grants which are made to the NHS programs at the conclusion of the developmental process. This budget represents a 10% increase over Fiscal Year 1980.

Program Support and Training

In this activity area, the Corporation provides on-going technical assistance and training services to organized NHS programs. The increase in the number of NHS programs in operation represents a proportional increase in the need for these services. Also provided for in this activity is support of the secondary market activity of Neighborhood Housing Services of America, which purchases "unbankable" loans from local programs and sells notes backed by these loans to institutional investors. The budget represents an increase of 16% over Fiscal Year 1980.

Administration

The Corporation provides in this activity for its finance and administrative support and for its organization and staff development activities. Further, it provides for program evaluation, contract compliance and dissemination of information. This budget represents an 8% increase over Fiscal Year 1980.

NEIGHBORHOOD HOUSING SERVICES A NATIONAL RESOURCE

Coping with Today's Economic Realities

The NHS serves substantially minority neighborhoods at income levels below the city-wide median. The NHS clients are the lower income residents within each neighborhood. Inflation is dealing a severe blow to neighborhoods that are already having difficulty. Lower income residents are hurt by the inflationary squeeze on their limited budgets for the necessities of life. Fuel costs are especially high in deteriorated buildings which are not only inadequately insulated, but where

heat may stream through ill-fitting doors and windows. And the interest costs for loans from private sources, where available, are becoming prohibitively high as the necessary fight against inflation is carried on. In this environment, NHS and the NHS Revolving Loan Fund become increasingly important as a national tool to offer critically needed relief to lower income groups within distressed neighborhoods.

The central thrust of the direct services provided by each NHS is to assist homeowners who cannot meet normal credit standards bring their homes to at least minimum health and safety code standards. The NHS Revolving Loan Fund is used by each NHS as a last resort financial resource to judiciously meet these basic housing needs. Further, virtually every NHS includes counseling on energy conservation in its routine services to residents, includes energy-saving features in specifications for rehabilitation, and finances energy-saving improvements for "unbankable" homeowners through the revolving loan fund. In this inflationary era, the NHS Revolving Loan Funds take on added significance, and the need for the secondary market for NHS revolving loan funds is intensified.

Progress in Developing a National Delivery Mechanism

Since its beginning at the Federal Home Loan Bank Board ten years ago, this effort has been a systematic endeavor to produce small but reliable programs utilizing largely private funding and tapping the vitality of local control and an involved local partnership. These programs have, by design, raised minimum expectations and produced maximum results - on a sustained basis.

The programs' objectives have been tailored to local circumstances, seeking to reach the greatest level of need allowed by the resources available. Even though the NHS reaches the lower income groups within distressed neighborhoods, it has not always been able to initially reach neighborhoods as needy as we would have

liked to serve. However, in the last three years, the more mature programs have demonstrated that with success in an initial neighborhood, they were able to attract additional resources and to take an additional - usually more needy - neighborhoods.

Not only have local programs creatively developed their own tools for particular neighborhood problems, but during the past two years, the Neighborhood Reinvestment Corporation has developed the capacity to bring these and other programmatic tools to local programs on a growing scale. Today, NHSs are expanding the range of their services to include:

- Enhanced private insurance availability as well as loan availability in the neighborhoods;
- Neighborhood-based crime prevention strategies;
- Concern for proper treatment of buildings of historical significance;
- Increasing home ownership in NHS neighborhoods and at the same time providing lasting rental resources for lower income neighborhood tenants;
- Helping lower income families join together to build their own homes on vacant lots in the neighborhood;
- Assisting residents in improving the energy efficiency of their homes.

A number of NHS programs are developing model strategies for expanding their energy conservation activities, which we will bring to additional programs. We anticipate that NHS programs will provide needed delivery mechanisms for future federal, state and local energy conservation and solar power programs.

NHS programs now serve 109 neighborhoods in 87 cities and by the end of Fiscal Year 1980 will have leveraged about $300 million in support for their work and in reinvestment in their neighborhoods (see Appendix E). This has been accomplished, incidentally, with the direct expenditure of less than $36 million in Federal funds. By the end of Fiscal Year 1981, if this appropriation request is approved, they will be serving close to 170 neighborhoods in over 130 cities. It seems to me, as we enter the decade of the 80's, that this network of neighborhood delivery mechanisms will become a resource of great value to the United States. With committed public/private/community boards, which provide lower income residents with a first-among-equals voice in the future of their neighborhoods, with effective staff, and with track records of successful service delivery, NHS programs offer the nation a resource to serve an expanding spectrum of neighborhoods and to deal with an increasing variety of neighborhood needs. We look forward to an exciting opportunity in Fiscal Year 1981 to further develop this resource.

Thank you for the opportunity of making this presentation. I and the other officers of the Neighborhood Reinvestment Corporation will be pleased to answer any questions you would care to direct to us.

APPENDIX A

The following pages set forth the purpose and scope of activities of the Neighborhood Reinvestment Corporation, provide general information on the organization and channeling of functions, and provide general program information for grant applicants. In addition, they furnish public information regarding meetings of the board of directors, in accordance with the provisions of section 552b of Title 5, United States Code; and a statement of Non-Discrimination in Federally Assisted Programs, as printed in the Federal Register, November 20, 1979.

NEIGHBORHOOD REINVESTMENT CORPORATION

24 CFR Ch. XXV

Administrative Rules and Regulations

AGENCY: Neighborhood Reinvestment Corporation.

ACTION: Final regulation.

SUMMARY: These regulations set forth the purpose and scope of activities of the Neighborhood Reinvestment Corporation, provide general information on the organization and channeling of functions, and provide general program information for grant applicants. In addition, they furnish public information regarding meetings of the board of directors, in accordance with the provisions of section 552b of title 5, United States Code; and a statement of Non-Discrimination in Federally Assisted Programs.

EFFECTIVE DATE: April 25, 1979

FOR FURTHER INFORMATION CONTACT: Donnie L. Bryant, Secretary, Neighborhood Reinvestment Corporation, 1700 G Street, N.W., Fifth Floor, Washington, D.C., 20552. 202-377-6480

Dated: November 14, 1979.

Donnie L. Bryant,

Secretary.

Title 24 of the Code of Federal Regulations is amended by establishing Chapter XXV, Neighborhood Reinvestment Corporation, consisting of Parts 4100, 4101, 4102, and 4104 to read as follows:

PART 4100—STATEMENT; ORGANIZATION AND CHANNELING OF FUNCTIONS

Sec.

4100.1 Functions and activities.
4100.2 General organization.
4100.3 Field activities.
4100.4 General statement concerning procedures and forms.
4100.5 Delegations of authority.
4100.6 Inquiries.

Authority: Title VI, Pub. L. 95-557, 92 Stat. 2115 (42 U.S.C. 8101 et seq.)

§ 4100.1 Functions and activities.

(a) *General statement and statutory authority.* The Neighborhood Reinvestment Corporation (referred to in this Statement as "the Corporation") was established by Congress in the Neighborhood Reinvestment Corporation Act (Title VI of the Housing and Community Development Amendments of 1978, Pub. L. 95-557, October 31, 1978). The Corporation is not a department, agency, or instrumentality of the United States Government.

(b) The Corporation is authorized to receive and expend Federal appropriations and public and private revenues to conduct a variety of programs designed to reverse decline in residential neighborhoods, and for other purposes. These programs include:

(1) *Neighborhood Housing Services:* The major effort of the Corporation is to assist local communities in the development of local Neighborhood Housing Services (NHS) programs. NHS programs are based upon partnerships of community residents, and representatives of local governments, and financial institutions. Each local program is administered by an autonomous, private, non-profit corporation, and offers comprehensive rehabilitation services to community residents in selected neighborhoods. These services include rehabilitation counseling, construction assistance, financial counseling, and loan referrals. Each local NHS maintains a revolving loan fund which makes rehabilitation loans available to homeowners in target neighborhoods who do not qualify at traditional lending institutions.

(2) *NHS Support:* The Corporation's Division of Support and Training provides supportive services to local NHS programs to insure their continuing effectiveness. These services include provision of training, information and technical assistance to NHS programs.

(3) *NHS Expansion:* In response to requests by local NHS programs, the Corporation provides the local NHS's with assistance in expanding to serve additional neighborhoods.

(4) *Neighborhood Preservation Projects:* The Corporation identifies, monitors, evaluates and supports other promising local neighborhood preservation strategies based on local, public-private partnerships. Those which show particular promise after the monitoring and evaluation stage will be developed as tools to treat specific problems in other neighborhoods.

(5) *Neighborhood Preservation Development:* Neighborhood Preservation Projects which, following a period of monitoring and evaluation, show special promise as replicable mechanisms or strategies to reverse neighborhood decline are replicated in a number of other cities on a pilot basis to test and refine developmental processes in different housing markets and neighborhood environments. Following this pilot stage, the new programs are available for broader replication, subject to availability of resources.

(6) *Neighborhood Housing Services of America:* The Corporation also supports Neighborhood Housing Services of America (NHSA), an independent, private, non-profit corporation which provides a variety of services to local NHS programs, including a loan purchase pool, or secondary market, for NHS revolving loan fund loans.

§ 4100.2 General organization.

(a) *The Board of Directors.* The Corporation is governed by a Board of Directors composed of six members: the Chairman of the Federal Home Loan Bank Board, the Secretary of Housing and Urban Development, the Chairman of the Federal Deposit Insurance Corporation, a Member of the Federal Reserve Board designated by its Chairman, the Chairman of the National Credit Union Administration, and the Comptroller of the Currency. Members of the Board serve *ex officio* during their tenure in the offices mentioned. The Chairman of the Federal Home Loan Bank Board serves the first two-year

term as Chairman of the Corporation's Board, pursuant to the Act. Thereafter, the Board may elect one of its members as Chairman. The Vice-Chairman of the Board is elected by its members. The Bylaws of the Corporation provide for the creation of an Executive Committee, an Audit Committee, and such other committees as the Board may, from time to time, establish. The Board meets quarterly to provide the Corporation's management with guidance and policy direction in the conduct of the Corporation's affairs. The Board of Directors elects the officers of the Corporation.

(b) *Management of the Neighborhood Reinvestment Corporation.* The Executive Director is the Chief Executive Officer of the Corporation and, pursuant to authority of the Board, supervises the operations of the Corporation and conducts its business. The Deputy Executive Director derives certain management authority from the Executive Director and acts in the Executive Director's place when the office of the Executive Director is vacant or its incumbent is absent. The Director, Program Development, supervises the development of Neighborhood Housing Services (NHS) programs in neighborhoods throughout the country and new programs growing out of selected neighborhood preservation projects. The Director, Support and Training, supervises the provision of technical assistance and training programs that support Neighborhood Reinvestment's grantees. The Director, Neighborhood Preservation Projects, supervises the selection, monitoring and evaluation of neighborhood preservation projects. The Director, Finance and Administration, supervises the conduct of the Corporation's financial and related operational activities. The Treasurer is the custodian of the Corporation's assets. The General Counsel is the chief legal officer of the Corporation. The Secretary has record-keeping and other functions generally conducted by corporate secretaries.

§ 4100.3 Field activities.

The Corporation's field activities are conducted from regional and local field offices around the country. Regional offices provide coordination of field activities in support of local programs within the geographic limits of each region. Field offices within each region provide assistance in the development and support of local programs. Regional offices are located as follows:

(a) *Eastern Division—Boston, Massachusetts* (Florida, Alabama, Georgia, North Carolina, South Carolina, Virginia, West Virginia, Maryland, District of Columbia, Delaware, New Jersey, Pennsylvania, New York, Connecticut, Rhode Island Massachusetts, Vermont, New Hampshire, Maine): Neighborhood Reinvestment, c/o Federal Home Loan Bank of Boston, P.O. Box 2196, One Federal Street, Boston, MA 02106, (617) 622-7250.

(b) *Central Division—Dallas, Texas* (Michigan, Indiana, Ohio, Kentucky, Tennessee, Mississippi, Arkansas, Louisiana, Oklahoma, Texas, New Mexico): Neighborhood Reinvestment, 500 South Ervay, Dallas, TX 75201, (214) 741-9521.

(c) *Western Division—San Francisco, California* (Washington, Oregon, California, Alaska, Hawaii, Idaho, Nevada, Arizona, Utah, Wyoming, Colorado, Kansas, Nebraska, South Dakota, North Dakota, Minnesota, Iowa, Missouri, Illinois, Wisconsin): Neighborhood Reinvestment, c/o Federal Home Loan Bank of San Francisco, 600 California Street, Suite 301, San Francisco, CA 94108, (415) 393-0705.

§ 4100.4 General statement concerning procedures and forms.

(a) The meetings of the Board of Directors are conducted in accordance with provisions of the Neighborhood Reinvestment Corporation Act, the Neighborhood Reinvestment Corporation's Bylaws, and, when not inconsistent with the foregoing, with Robert's Rules of Order. Meetings of the Board of Directors are open to public observation in accordance with the Corporation's Statement: Public Information Regarding Meetings of the Board of Directors.

(b) Information about the Corporation and certain forms used for various programs are available to the public upon request, pursuant to the Corporation's Statement: Availability and Character of Records.

§ 4100.5 Delegations of authority.

In accord with the Resolution by the Board of Directors adopted December 21, 1978, the Executive Director exercises grant and contract authority of the Neighborhood Reinvestment Corporation, pursuant to the direction, policy guidance of, and budgets adopted by the Board of Directors. All such authority is exercised in Washington, D.C., and none has been delegated to Regional or Field offices.

§ 4100.6 Inquiries.

Requests for additional information should be addressed to: Neighborhood Reinvestment Corporation, 1700 G Street NW., Washington, D.C. 20552.

PART 4101—GENERAL PROGRAM INFORMATION FOR GRANT APPLICANTS

Subpart A—Neighborhood Housing Services Programs

4101.1 Introduction.
4101.2 Neighborhood Housing Services (NHS) Programs; essential elements.
4101.3 Role of the Neighborhood Reinvestment Corporation.
4101.4 Multi-neighborhood programs.
4101.5 Additional neighborhoods for existing NHS programs.
4101.6 Application procedure.

Subpart B—Neighborhood Preservation Projects

4101.12 Introduction.
4101.13 Neighborhood preservation projects; demonstration grants and technical assistance.
4101.14 Program areas.
4101.15 Neighborhood preservation projects; selection criteria.
4101.16 Application procedure.

Authority: Title VI, Pub. L. 95-557, 92 Stat. 2115 (42 U.S.C. 8101 et seq.).

Subpart A. Neighborhood Housing Services Programs

§ 4101.1 Introduction.

The major effort of the Neighborhood Reinvestment Corporation is to assist local communities in developing Neighborhood Housing Services (NHS) programs—private, locally-controlled, nonprofit organizations which offer comprehensive housing rehabilitation and financial counseling services to residents of locally selected neighborhoods. Patterned after a program created in Pittsburgh in 1968, and based on a partnership of local government representatives, lenders and residents, NHS programs are now operating in more than 100 communities.

§ 4101.2 Neighborhood Housing Services programs; essential elements.

Neighborhood Housing Services programs, as developed by the Neighborhood Reinvestment Corporation, are designed to promote

reinvestment in a wide variety of neighborhoods. A typical NHS program includes the following essential elements:

(a) A neighborhood with defined boundaries characterized by (1) housing stock showing evidence of deterioration and lack of maintenance; (2) an inadequate degree of mortgage and home improvement activity; (3) a substantial degree of homeownership; (4) a median family income in line with estimated typical repair costs and available local financial resources; and (5) an area of 1,000 to 2,000 structures (somewhat fewer in smaller cities).

(b) Neighborhood residents who (1) want to improve their homes and preserve their community; (2) will actively participate in the development and operations of the program; and (3) will help create a positive improvement climate.

(c) Local government capacity and willingness to (1) provide capital improvements and increased city services where needed; (2) establish a sensitive and systematic housing inspection program; and (3) assist in the development, implementation and operations of the program.

(d) Local financial institutions that will (1) agree to reinvest in the neighborhood by making market rate loans to all homeowners meeting normal underwriting criteria; (2) contribute to (and/or help raise locally) the operating costs of the NHS; and (3) actively participate in the development, implementation and operations of the program.

(e) Establishment of a local, private, state-chartered corporation with the following features:

(1) A nonprofit 501(c)(3) tax exempt status;

(2) A governing Board of Directors made up of neighborhood residents and local financial industry representatives, and city government representation or liaison. No partner controls, but neighborhood residents constitute a numerical majority of the Board. The Board with committees, carries out the ongoing responsibility to keep in place the basic resources to operate the program. These resources include loan fund and administrative funding, public improvements, inspection services, bankable lending, a high degree of organized resident support, appropriate target areas and adequate staffing.

(3) A small, but highly skilled and committed staff (usually a director, assistant director/rehabilitation specialist and secretary/administrative assistant). These staff members, from an office in the neighborhood, carry out program responsibilities and provide the following NHS services:

(i) Housing Rehabilitation—an analysis of home repair needs, work writeups, cost estimates and home repair counseling;

(ii) Construction Monitoring—on-site inspections and communication links between contractors and residents;

(iii) Financial Counseling—assists client with financial alternatives, helps assess and solve real estate related problems, makes referrals to lenders or other non-NHS resources, assists with revolving loan fund applications.

(4) A revolving loan fund designed to meet the needs of NHS clients who cannot meet commercial credit requirements. This fund is set up as a self-help tool for the neighborhood and is a source of loans, not grants, with repayment terms to fit the ability of the borrower. Loans are secured by the property, usually a deed of trust or mortgage, and NHS counsels with clients to solve payment difficulties. Funds are normally contributed by foundations, by local corporate sources and by local government, usually from community development block grant resources. The Neighborhood Reinvestment Corporation may provide a seed grant to stimulate capitalization of the revolving loan fund.

§ 4101.3 Role of the Neighborhood Reinvestment Corporation.

The Corporation's role is to develop and assist the NHS program. The developmental process, which usually takes from eight to twelve months, normally includes, but is not limited to, the following:

(a) Entering into a developmental agreement to assist the local entity in developing an NHS program. Cost to the local entity is in the range of $35,000 to $50,000, and covers a full-time local staff person and a series of workshops, including travel for participants to an operating NHS program;

(b) Recruitment of a local, full-time staff person to coordinate all aspects of the local developmental effort;

(c) Securing strong interest and support of a partnership of financial institutions, city officials and neighborhood residents;

(d) Conducting an educational process to acquaint representatives of this local partnership with operational details of the NHS program and assisting them in creating a local program;

(e) Assistance with the recruitment, selection, orientation, and training of NHS staff;

(f) Assistance with the organization and establishment of the NHS Board and committees, policies and procedures;

(g) Assistance in initiating an ongoing fund raising program for the revolving loan fund and administrative costs;

(h) Providing a one-time seed money grant for the revolving loan fund (usually $50,000); and

(i) Providing ongoing information and technical assistance to the newly formed private, nonprofit NHS corporation.

§ 4101.4 Multi-neighborhood programs.

Where resources are adequate, the Neighborhood Reinvestment Corporation has found it possible to create NHS programs which serve two or more neighborhoods within a given city. Applications for "multi-neighborhood" programs should indicate potential sources of funding for development at $50,000 and revolving loan fund monies at $100,000 per neighborhood.

§ 4101.5 Additional neighborhoods for existing NHS programs.

Neighborhood Reinvestment Corporation assistance is available to NHS programs wishing to expand to one or more additional neighborhoods, and may include grants to revolving loan funds and/or funding of developmental costs. Applications for expansion assistance should indicate potential sources of increased program funding for administrative costs and the revolving loan fund.

§ 4101.6 Application procedure.

(a) Applications for Neighborhood Reinvestment Corporation assistance in developing NHS programs are accepted on an ongoing basis. Local entities should submit completed applications (forms are available upon request) and other supportive materials directly to the Neighborhood Reinvestment Corporation for consideration. Promising applications will be selected for field reviews and ranked according to their readiness for development. Developmental agreements will then be entered into with the local entities, subject to the availability of Neighborhood Reinvestment Corporation resources.

(b) Inquiries or requests for applications should be addressed to the Program Development Division, Neighborhood Reinvestment Corporation, 1700 G Street, NW., Washington, D.C. 20552.

§ 4102.2 Definitions.

For purposes of this Statement, the term "meeting" means any deliberations (including those conducted by conference telephone call) of at least that number of members of the Board of Directors of the Corporation (the "Board") required to take action on behalf of the Corporation when the purpose or effect of the deliberations is to determine or result in joint conduct of official business of the Board of Directors, but does not include (a) deliberations to determine whether meetings will be open or closed or whether information pertaining to closed meetings will be disclosed, (b) staff briefings of Board members, and (c) informal background discussions among Board members and staff which clarify issues and expose varying views.

§ 4102.3 Open meetings.

Except as provided in § 4102.4 every portion of every meeting of the Board shall be open to public observation. Board members shall not jointly conduct or dispose of official agency business other than in accordance with this Statement.

§ 4102.4 Exemptions.

(a) The Board may close a meeting or portion of a meeting and withhold information pertaining to such meeting, where it determines that disclosure of information pertaining to such meeting or portion thereof is likely to:

(1) Relate solely to the internal personnel matters, rules, and practices of the Corporation;

(2) Disclose matters specifically exempted from disclosure by statute (other than 5 U.S.C. 552b): Provided, that such statute (i) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue, or (ii) establishes particular criteria for withholding or refers to particular types of matters to be withheld;

(3) Disclose trade secrets or commercial or financial information obtained from a person and privileged or confidential;

(4) Involve accusing and person of a crime, or formally censuring any person;

(5) Disclose information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy;

(6) Disclose information contained in or related to reports on performance or financial evaluations of grantees or contractors who have not had an opportunity to review and comment totally upon such reports;

(7) Disclose information the premature disclosure of which would:

(i) Be likely to compromise the interests of the Corporation in business matters under negotiation or during competitive bidding procedures; or

(ii) Be likely to significantly frustrate implementation of a proposed Corporation action, except that this paragraph (a)(7)(ii) shall not apply in any instance where the Corporation has already disclosed to the public the content or nature of its proposed action, or where the Board is required by law to make such disclosure on its own initiative prior to taking final action on such proposal; or

(8) Specifically concern the Corporation's participation in a civil action or proceeding, an action in a foreign court or international tribunal, or an arbitration, or the initiation, conduct, or disposition of a particular matter involving a determination on the record after opportunity for a hearing.

(b) A meeting or portions of a meeting shall not be closed nor information withheld pursuant to paragraph (a) of this section if the Board finds that the public interest requires that the meeting or portion or portions of the meeting be open to public observation or that such information should not be withheld.

§ 4102.5 Closed meetings.

(a) *Meetings closed under regular procedures.* (1) A meeting or portion thereof will be closed to public observation under regular procedures, or information pertaining to such meeting or portion of a meeting will be withheld, only by recorded vote of a majority of the members of the Board when it is determined that such meeting or portion or the withholding of such information qualifies for exemption under § 4102.4(a) and the Board does not find that the public interest requires otherwise.

(2) Except as provided in the next paragraph of this section, a separate vote of the Board members will be taken with respect to the closing or the withholding of information as to each meeting or portion thereof which is proposed to be closed to public observation, or with respect to which information is proposed to be withheld.

(3) A single vote may be taken with respect to a series of meetings, a portion or portions of which are proposed to be closed to public observation, or with respect to any information concerning such series of meetings proposed to be withheld, so long as each meeting in such series involves the same particular matters and is scheduled to be held no more than thirty days after the initial meeting in such series.

(4) Whenever any person's interests may be directly affected by a portion of a meeting for any of the reasons referred to in § 4102.4(a) (4), or (5), or (6) person may send a written request to the Secretary of the Corporation asking that such portion of the meeting be closed to public observation. The Secretary, or in his absence the Acting Secretary, will transmit the request to the Board members and upon the request of any one of them a recorded vote will be taken whether to close such meeting to public observation.

(5) Within one day of any vote taken pursuant to this section, the Corporation will make publicly available at or through the Office of the Secretary a written copy of such vote reflecting the vote of each Board member on the question. If a meeting or a portion of a meeting is to be closed to public observation, the Corporation within one day of the vote taken pursuant to this section, will make publicly available at or through the Public Information Office a full, written explanation of its action closing the meeting or portion of the meeting together with a list of all persons expected to attend the meeting and their affiliation, except to the extent such information is determined by the Board to be exempt from disclosure under § 4102.4 (a).

(b) *Recordkeeping.* (1) A complete transcript or recording shall be made and maintained of the proceedings at each meeting or portion thereof closed to the public under this part, except that, where appropriate, minutes may be made and maintained in lieu of such transcript or recording with respect to meetings closed or information withheld under § 4102.4(a) (6), (7)(i) or (8). Such minutes shall fully and clearly describe all matters discussed and provide a full and accurate summary of any action taken, and the reasons therefor, including a description of each of the views expressed on any item and the record of any rollcall vote (reflecting the vote of each Board member on the question). All documents considered in connection with any action shall be identified in such minutes.

(2) Such transcript, electronic recording, or minutes of the discussion of any item on the agenda, or of any item of the testimony of any witness received at the meeting, shall be made promptly available to the public at or through the Public Information Office, except for such item or items of such discussion or testimony as have been determined to contain information which may be withheld under § 4102.4(a). Copies of such transcript or minutes or a transcription of such recording, disclosing the identity of each speaker shall be furnished to any person at the actual cost of duplication or

transcription. The Secretary shall maintain a complete verbatim copy of the transcript or a complete electronic recording of each meeting, or portion of a meeting, closed to the public for a period of at least two years after such meeting, or until one year after the conclusion of any Board proceeding with respect to which the meeting or portion thereof was held, whichever occurs later.

(3) For every meeting or portion thereof closed pursuant to this section, the General Counsel (or in his absence or incapacity the senior legal officer of the Corporation) shall certify that such closure is authorized by law, including a statement pertaining to the relevant exemptive provision or provisions of law. A copy of such certification, together with a statement from the presiding officer of the meeting setting forth the time and place of the meeting and the persons (other than staff) present shall be retained by the Board.

§ 4102.6 Public announcements of meetings.

(a) Except as otherwise provided in this section, public announcement of open meetings and meetings or portions thereof closed under § 4102.5(b) will be made at least one week in advance of each meeting. Except to the extent that such information is determined to be exempt from disclosure under § 4102.4(a) each such public announcement will state the time, place and subject matter of the meeting, whether it is to be open or closed to the public, and the name and telephone number of the official designated to respond to requests for information about the meeting. Each such announcement shall be posted in the lobby of the Corporation's principal office, and may be made available by other means or at other locations as may be deemed desirable by the Board. Immediately following each public announcement, the stated information shall also be submitted for publication in the **Federal Register.**

(b) Where a majority of the Board members determine by recorded vote that agency business requires that a meeting be called at any earlier date, the one-week prior-announcement rule shall be suspended and announcement shall be made at the earliest practicable time.

(c) Change of the time or place of a meeting following public announcement may be made only if announced at the earliest practicable time.

(d) Change of the subject matter of a meeting or redetermination to open or close a meeting or portions thereof may be made after public announcement only if a majority of the Board determines by recorded vote that agency business so requires and no earlier announcement of the change was possible, and public announcement of such change and the vote of each member upon such change is made at the earliest practicable time.

4102.7. Accommodations for public attendance at open meetings.

Unless otherwise specified, open meetings are held in the Board Room, Sixth Floor, at 1700 G Street, NW., Washington, D.C., at the time and on the date specified in the advance public notice. Interested members of the public may attend such meetings, but may not participate therein unless invited or permitted to do so by the Board.

PART 4104—NONDISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS

§ 4104.1 Nondiscrimination in federally assisted programs.

In accordance with the terms of Interagency Agreement No. H–51–74, as amended between the Department of Housing and Urban Development and the Federal Home Loan Bank Board, and of an agreement between the Federal Home Loan Bank Board and the National Neighborhood Reinvestment Corporation ("the Corporation") dated April 5, 1979, the Corporation's regulations regarding nondiscriminatory administration of its programs are identical to regulations entitled "Nondiscrimination in Federally Assisted Programs," published by the Federal Home Loan Bank Board beginning at 12 CFR 529.1, as the same may from time to time, be amended. Assistance from the Corporation pursuant to the agreements cited, shall be considered "federal financial assistance" as that term is used in those regulations.

(Title VI, Pub. L. 95–557, 92 Stat. 2115 (42 U.S.C. 8101 et seq.))

[FR Doc. 79-35707 Filed 11-19-79; 8:45 am]

BILLING CODE 6000-00-M

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24 CFR Part 4103

Availability and Character of Records

AGENCY: Neighborhood Reinvestment Corporation.

ACTION: Interim Final Regulation; requests for comments.

SUMMARY: In accordance with provisions of 5 U.S.C. 552, and the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8103(g) the Corporation shall publish for the guidance of the public, descriptions of the established places at which, the officers from whom, and the methods whereby, the public may secure information, make submittals or requests, or obtain decisions. As required in 5 U.S.C. 552(4)(A), public comment is invited on Part 4103.4(e). Fees for providing copies of records.

DATES: Effective date: April 25, 1979. Comments must be received before December 15, 1979.

ADDRESS: Comments should be addressed to Donnie L. Bryant, Secretary, Neighborhood Reinvestment Corporation, 1700 G Street, N.W., Fifth Floor, Washington, D.C. 20552.

FOR FURTHER INFORMATION CONTACT: Donnie L. Bryant, 202–377–6480.

Dated: November 14, 1979.

Donnie L. Bryant,

Secretary.

Accordingly, Title 24 of the Code of Federal Regulations, Chapter XXV is amended by adding Part 4103 to read as follows:

PART 4103—STATEMENT OF NEIGHBORHOOD REINVESTMENT CORPORATION AVAILABILITY AND CHARACTER OF RECORDS

Sec.

4103.1 Basis and scope.
4103.2 Definitions.
4103.3 Published information.
4103.4 Access to records.
4103.5 Information not disclosed.
4103.6 Subpoenas.

Authority.—The Neighborhood Reinvestment Corporation Act, Title VI, Housing and Community Development Amendments of 1978, Pub. L. 95–557; sec. 604(g), 42 U.S.C. 8103(g), makes the Neighborhood Reinvestment Corporation (referred to in this statement as "the Corporation") subject to the provisions of 5 U.S.C. 552, as amended.

§ 4103.1 Basis and scope.

The Neighborhood Reinvestment Corporation Act and Section 552 of Title 5 of the United States Code, provide that the Corporation shall publish in the **Federal Register** for the guidance of the public, descriptions of the established places at which, the officers from whom, and the methods whereby, the public may secure information, make submittals or requests, or obtain decisions.

§ 4103.2 Definitions.

As used in this statement:

(a) "Information of the Corporation" means all information coming into the possession of any Director, officer, or employee of the Corporation as a result of his or her service with the Corporation and in the performance of duties for or on behalf of the

Subpart B—Neighborhood Preservation Projects

§ 4101.12 Introduction.

Through its Neighborhood Preservation Projects (NPP) program, the Neighborhood Reinvestment Corporation seeks out and assists promising neighborhood preservation efforts. In the initial phase of a three-phase process, these projects are monitored and evaluated for potential transferability to other cities. In the second phase, projects are replicated in one or more locations to work out a systematic developmental process. Once the developmental process is refined, the program will enter the third-phase, replication in additional cities with provision of technical assistance to insure each program's success.

§ 4101.13 Neighborhood preservation projects; demonstration grants and technical assistance.

The Neighborhood Reinvestment Corporation is participating in the developmental funding of a limited number of selected demonstrations involving a partnership of neighborhood residents, lenders and other private sector representatives and local government, called Neighborhood Preservation Projects. This involves identifying, monitoring, and evaluating locally developed neighborhood preservation programs which show promise of potential replicability in other communities. Those programs selected receive modest demonstration grants and technical assistance from Neighborhood Reinvestment Corporation staff.

§ 4101.14 Program areas.

(a) The Neighborhood Reinvestment Corporation seeks preservation strategies on a neighborhood scale enhancing residents' quality of life and confidence in their neighborhood. Applications will be considered for selection as neighborhood preservation projects which address (but are not limited to) one or more of the following areas:

(1) Mechanisms which address the displacement of current residents of neighborhoods experiencing rapidly increasing housing costs.

(2) Neighborhood-controlled rental resources involving rehabilitation, management and ongoing maintenance of properties to serve low and moderate income renters.

(3) Property management services (non-profit or subsidized) that stabilize apartment buildings of 5–50 units by bringing sophisticated management, financial analysis, and maintenance services to residents and owners.

(4) Property management training programs for resident owners of 2–6 unit properties.

(5) Strategies for the revitalization of neighborhood commercial areas, relating particularly to the needs of the surrounding residential communities.

(6) Strategies to redesign and convert economically obsolete commercial or other buildings to new uses which will contribute to overall neighborhood revitalization.

(7) Strategies to address residents' concerns about personal safety and property security in neighborhoods or large apartment buildings.

(8) Programs integrating energy conservation techniques into neighborhood housing rehabilitation programs.

(9) Strategies to deal with vacant lots and blighting parcels of land in a neighborhood setting, including creative approaches to land-banking.

(10) Cooperative or condominium conversion mechanisms benefitting the present low or moderate income residents of neighborhoods.

(11) Strategies to improve local schools, using the partnership concept in a neighborhood setting.

(b) Other program areas may be considered for selection if they can be shown to be part of a comprehensive revitalization strategy on a neighborhood scale.

§ 4101.15 Neighborhood preservation projects; selection criteria.

(a) The project should involve a partnership of neighborhood residents, the private sector, and local government.

(b) Preference will be given to projects that are operational.

(c) The project should be specific to a neighborhood or neighborhoods, and should be demonstrating success in upgrading that/those neighborhood(s).

(d) Local government should be willing to allocate financial resources and technical assistance to the project.

(e) Those responsible for the implementation of the project should have a demonstrated capability to perform successfully in the area of neighborhood preservation.

(f) The project sponsors should be willing to provide information which can be analyzed by Neighborhood Reinvestment or its participating agencies to judge the effectiveness of the project. Sponsors should also be willing to cooperate with Neighborhood Reinvestment in assisting others who may wish to replicate their project.

§ 4101.16 Application procedure.

(a) Applications are being accepted on an ongoing basis. Cities or other governmental jurisdictions or non-public entities wishing to have an activity considered for selection as a Neighborhood Preservation Project should submit an application to the Neighborhood Reinvestment Corporation. Application forms are available upon request.

(b) Neighborhood Reinvestment will review materials submitted and select promising submissions for field review. Following the field review, applications will be ranked according to their promise as demonstrations, and agreements will be entered into with the top ranking applicants, subject to the availability of Neighborhood Reinvestment resources.

(c) Inquiries should be addressed to: Neighborhood Preservation Projects, Neighborhood Reinvestment Corporation, 1700 G Street NW., 5th Floor, Washington DC 20552.

PART 4102—STATEMENT: PUBLIC INFORMATION REGARDING MEETINGS OF THE BOARD OF DIRECTORS OF THE NEIGHBORHOOD REINVESTMENT CORPORATION

Sec.

4102.1 Purpose and scope.
4102.2 Definitions.
4102.3 Open meetings.
4102.4 Exemptions.
4102.5 Closed meetings.
4102.6 Public announcements of meetings.
4102.7 Accomodations for public attendance at open meetings.

Authority.—The Neighborhood Reinvestment Corporation Act, Title VI, Housing and Community Development Amendments of 1978, Pub. L. 95-557, sec. 604(h) 42 U.S.C. 8103(h), makes the Neighborhood Reinvestment Corporation (referred to in this statement as "the Corporation") subject to the provisions of 5 U.S.C. 552b, as amended.

§ 4102.1 Purpose and scope.

This statement is issued by the Corporation pursuant to the requirements of the Neighborhood Reinvestment Corporation Act (cited above) that make provisions of the Government in the Sunshine Act, section 552b of Title 5, United States Code, applicable to the Corporation. This Statement is published to provide the public with the fullest practicable information regarding the Board's decision-making processes while protecting the rights of individuals and the ability of the Corporation to carry out its responsibilities.

Corporation, whether located at the offices of the Corporation or elsewhere.

(b) "Records of the Corporation" means rules, statements, opinions, orders, memoranda, interpretations, letters, reports, accounts, and other papers that contain information of the Corporation.

(c) "Person" includes any individual, firm, corporation, organization or other entity.

§ 4103.3 Published information.

(a) **Federal Register.** As required by sections 552 of Title 5 of the United States Code, and subject to the provisions of section 5 of this Statement, the Corporation publishes in the **Federal Register** for the guidance of the public, in addition to this Statement:

(1) Descriptions of its central and field organization and the established places at which, the employees from whom, and the methods whereby, the public may obtain information, make submittals, and obtain decisions;

(2) Statements of the general course and methods by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available;

(3) Rules of procedure, descriptions of forms available or the places at which forms may be obtained, and instructions as to the scope and contents of all papers, reports, or examinations;

(4) Substantive rules of general applicability adopted as authorized by law, and statements of general policy or interpretations of general applicability formulated and adopted by the Corporation.

(5) Every amendment, revision, or repeal of the foregoing; and

(6) General notices.

(b) *Annual report.* The Corporation's Annual Report to the President and the Congress, made pursuant to section 607(a) of the Neighborhood Reinvestment Corporation Act, (42 U.S.C. 8100(a)), which is published after its submission to the President and the Congress, covers the operations of the Corporation.

(c) *Compendium of Basic Documents, Policies, and Interpretations.* The corporation will maintain a Compendium of Basic Documents, Policies and Interpretations which contains: (1) the statutes under which the Corporation operates; (2) the statements of policy promulgated by the Board or by the Executive Director pursuant to authority of the Board; (3) digests of opinions rendered by the Office of General Counsel; and (4) other basic policy material relating to the Corporation's operations. The Compendium will be supplemented as necessary to provide current information. A free copy of the Compendium will be available to any person requesting it from the Corporation's Public Information Office.

(d) *Other published information.* From time to time, the Corporation may issue statements to the press regarding particular statements of policy, actions with respect to certain types of applications to the Corporation, and other matters. In addition, the Corporation issues various publications, relating to its programs, projects, and other operations.

(e) *Access to publications.* The publications referred to in paragraphs (b), (c), and (d) of this section may be examined and, if available, copies may be obtained at the offices of the Corporation at the times and the address set forth in paragraph (d) of § 4103.4.

§ 4103.4 Access to records.

(a) *General rule.* All records of the Corporation are made available to any person for inspection and copying in accordance with the provisions of this section and subject to the limitations stated in § 4103.5 of this Statement. It is the policy of the Corporation to disclose its records to the public, even though such records may, in Neighborhood Reinvestment's discretion, be exempted from disclosure by section 552 of Title 5 of the United States Code or by § 4103.5 of this Statement, wherever such disclosure can be made without resulting in injury to a public or private interest intended to be protected by the foregoing statute or in a significant interference with the statutory responsibilities of the Corporation and the national interest. Requests for information which can be produced only by processing through an information system program especially designed for that purpose are not regarded as requests for identifiable records that must be disclosed pursuant to section 552 of Title 5 of the United States Code; but it is the policy of the Corporation to make such information available if it is not otherwise exempt from disclosure, provided that the retrieval or production of such information does not unduly burden or interfere with the functioning of the Corporation.

(b) *Opinions, orders, statements of policy, interpretations, and staff manuals and instructions.* Subject to the provisions of § 4103.5 of this Statement, the Corporation makes available for inspection and copying (1) all resolutions of the Corporation's Board of Directors (including the recorded votes of individual Directors) and all decisions made in the ordinary conduct of Board operations; (2) statements of policy and interpretations adopted by the Corporation that are not published in the **Federal Register**; and (3) administrative staff manuals and instructions to staff that affect any member of the public. However, to the extent required to prevent a clearly unwarranted invasion of personal privacy, the Corporation may delete identifying details in any material of the kinds above-described; and in each such case the justification for such deletion will be fully explained in writing. The Corporation maintains and makes available for public inspection and copying a current index providing identifying information for the public as to any material described in this paragraph which is issued, adopted, or promulgated after April 1, 1979.

(c) *Other records.* Subject to the provisions of § 4103.5 of this Statement, a record of the final vote of each member of the Corporation's Board of Directors in any proceeding of the Board of Directors is available for public inspection.

(d) *Requests for records and other information.* When records and other information of the Corporation subject to this section are available, they may be inspected or copied during regular business hours on regular business days at the Public Information Office of the Corporation, Fifth Floor, 1700 G Street NW., Washington, D.C. Any person requesting access to, or copying of, such records or other information shall submit such request in writing to the Public Information Office of Neighborhood Reinvestment. The request shall state the full name and address of the person and a description of the records or other information sought that is reasonably sufficient to permit their identification without undue difficulty. A request should be submitted sufficiently in advance of the date inspection or copying is desired, preferably by mail.

(e) *Fees for providing copies of records.* (1) A person requesting access to or copies of particular records shall pay the cost of searching or copying such record at the rate of $10 per hour for searching and 10 cents per page for copying. Records may be furnished without charge or at a reduced charge where the Executive Director determines that waiver or reduction of fees is in the public interest because furnishing the information can be considered as primarily benefiting the general public. Unless a requestor states in his initial request that he will pay all costs regardless of amount, he shall be notified as soon as possible if there is

reason to believe that the cost for obtaining access to and/or copies of such records will exceed $50, if such notice is given, the time limitations contained elsewhere in this Statement shall not commence until the requestor agrees in writing to pay such cost. The Public Information Officer is authorized to require an advance deposit whenever in his judgment such a deposit is necessary to insure that the Corporation will receive adequate reimbursement of its costs. If such a deposit is required, the time limitations contained elsewhere in this Statement shall not commence until the deposit is paid.

(2) The Public Information Officer is authorized to waive payment in instances in which total charges are less than three dollars.

(f) *Initial determination.* (1) The Public Information Officer or his designee, shall determine within ten days (excepting Saturdays, Sundays, and legal public holidays) after the receipt by the Public Information Officer of a written request for records or other information of the Corporation whether, or the extent to which, the Corporation will comply with such request.

(2) Upon determination by the Public Information Officer or his designee, with respect to a request for records or other information of the Corporation the Public Information Officer shall immediately send written notification to the person making the request. If the request is denied, in whole or in part, said notification shall include the reasons therefor and shall advise such person that such determination is not a final agency action and of the right to appeal therefrom under paragraph (g) of this section.

(g) *Appeal procedure.* (1) In the event of any denial under paragraph (f) of this section, the person making the request may, within 30 calendar days of the date of written notification thereof, appeal from said denial by written application, stating the grounds therefor, to the Public Information Officer at the address set forth in § 4103.4(d).

(2) The Executive Director shall make a determination with respect to the appeal within 20 days (excepting Saturdays, Sundays, and legal public holidays) after receipt of said application by the Public Information Officer. If on appeal the denial of the request for records is upheld, in whole or in part, the Public Information Officer shall promptly notify the applicant in writing of such determination and of the provisions for judicial review thereof under 5 U.S.C. 552(a)(4).

(h) *Appeal during pendency of action for judicial review.* If a suit is filed in a district court of the United States under 5 U.S.C. 552(a)(4) in any case in which an initial adverse determination, in whole or in part, has been issued, regardless of whether or not the suit is premature, (1) the Corporation may continue to process any appeal therefrom under paragraph (g) of this section, or (2) if the person making the request has not appealed under said paragraph (g), the Corporation may initiate and process an appeal from such determination.

(i) *Time extension in unusual circumstances.* In unusual circumstances as provided in this paragraph, the time limitations prescribed in paragraph (f) or (g) of this section may be extended for not more than ten additional working days by written notice to the person making the request setting forth the reasons for such extension and the date on which a determination of the request or appeal is expected to be dispatched. As used herein, "unusual circumstances" means:

(1) The need to search for and collect the requested records from field facilities or other establishments that are separate from the office processing the request; or

(2) The need to search for, collect and appropriately examine a voluminous amount of separate and distinct records which are demanded in a single request; or

(3) The need for consultation with an agency having substantial interest in the determination of the request or the appeal, or among two or more components of the Corporation having substantial subject-matter interest therein.

(j) *Time limitations.* All time limitations established pursuant to this section with respect to initial determination and appeals therefrom shall begin as of the time that a written request for records or other information of the Corporation or the appeal from such determination, is actually received by the Public Information Officer.

§ 4103.5 Information not disclosed.

(a) *General rule.* Except as otherwise provided in this Part, or as may be specifically authorized by the Board of Directors, information of the Corporation that has not been published in accordance with § 4103.3 of this Part and is not available to the public through other sources will not be made available to the public or otherwise disclosed if such information is—

(1) Exempt from disclosure by statute or executive order;

(2) Privileged or related to the business, personal, or financial affairs of any person and is furnished in confidence;

(3) Related solely to the internal personnel matters, rules, or practices or other internal practices of the Corporation;

(4) Contained in personnel, medical, and similar files (including financial files), the disclosure of which would constitute a clearly unwarranted invasion of personal privacy; or

(5) Contained in the Corporation memoranda or letters that would not be routinely available by law to a private party in litigation with the Corporation, including but not limited to memoranda, reports, and other documents prepared by the Corporation's staff, or by others acting as agents of the Corporation, and records of deliberations and discussions at meetings of the Board of Directors not required to be open, at meetings of the Corporation's staff.

(b) Any reasonably segregable portion of a record shall be provided to any person requesting such record after deletion of the portions which are exempt from disclosure under this section.

(c) *Prohibition against disclosure.* Except as authorized by this Statement or otherwise by the Corporation, no officer, employee, or agent of the Corporation shall disclose or permit the disclosure of any unpublished information of the Corporation to anyone (other than an officer, employee, or agent of the Corporation properly entitled to such information for the performance of his official duties), whether by giving out or furnishing such information or a copy thereof, or otherwise. Notwithstanding the foregoing, unpublished economic, statistical or similar information or unpublished information regarding interpretations by the Corporation of statutory or regulatory provisions may be disclosed, orally or in writing, by any officer, employee, or agent of the Corporation, acting in his capacity as agent of the Corporation, subject, however, to the restrictions stated in § 4103.5.

§ 4103.6 Subpoenas.

Advice by person served. If any person, whether or not an officer or employee of the Corporation, has information of the Corporation that may not be disclosed under this Statement and in connection therewith is served with a subpoena, order, or other process requiring his personal attendance as a witness or the production of documents or information in any proceeding, he shall promptly advise the Executive Director of such service and of all relevant facts, including the documents and information requested and any facts which may be of assistance to the

Executive Director in determining whether such documents or information should be made available; and he shall take action at the appropriate time to advise the court or tribunal which issued the process and the attorney for the party at whose instance the process was issued, if known, of the substance of these rules.

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NEIGHBORHOOD REINVESTMENT CORPORATION

Program Report - March 6, 1980

The following Neighborhood Reinvestment programs are in operation or in development in neighborhoods in the cities listed below:

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION DEVELOPMENT PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Albuquerque, NM	1**					
Allentown, PA		1				
Atlanta, GA	1		1			
Aurora, IL	1					
Baltimore, MD	2			2		
Barberton, OH					NCS	
Beaumont, TX		1				
Beloit, WI	1					
Birmingham, AL	1					
Boston, MA	2			1		
Bridgeport, CT	2		1		HOP	INS
Bronx, NY		1				AIP
Brooklyn, NY		1				
Buffalo, NY	6					
						HOP
Charleston, SC	1					
Charleston, WV	1					
Charlotte, NC	1					
Chattanooga, TN		1				
Chelsea, MA	1					
Cheyenne, WY		1				
Chicago, IL	5			2	INS	
Cincinnati, OH	2					
Clearwater, FL	1					
Cleveland, OH	2					INS

*Neighborhood Preservation Development Programs : HOP - Home Ownership Promotion Program, AIP - Apartment Improvement Program, NCS - Neighborhood Conservation Services, R&S - Rehabilitation and Sale Program, SWF - State Wide NHS Foundation, INS - Insurance Full Partnership

*Number refers to the number of neighborhoods in which a program operates

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CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION DEVELOPMENT PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Colorado Springs, CO	1					
Columbus, OH	1					R&S
Dallas, TX	3					AIP
Davenport, IA		1				
Delray, FL		1				
Denver, CO	1					
Des Moines, IA	1					
Detroit, MI	1					
Durham, NC		1				
East Orange, NJ						AIP
East Providence, RI		1				
Elgin, IL		1				
Emeryville, CA						NCS
Eugene, OR				1		
Evansville, IN					NCS	
Fort Worth, TX	1					
Gary, IN		1				
Great Falls, MT	1					
Hammond, IN		1				
Hartford, CT	1		1		AIP	INS
Indianapolis, IN	1					
Inglewood, CA	1					
Ithaca, NY	1					

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION DEVELOPMENT PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Jackson, MS		1				
Jacksonville, FL	1					
Jamaica (Queens) NY	1		1	1		R&S
Kansas City, MO	2			1		
Knoxville, TN	1					
La Habra, CA	1					
Lawrence, MA	1					
Little Rock, AK	1					
Los Angeles, CA						AIP
Louisville, KY	1					
Macon, GA		1				
Menlo Park, CA	1					
Miami, FL	1					
Milwaukee, WI	2					INS
Minneapolis, MN	2		1	1		INS
Montgomery Cty, OH		1				
Mt. Vernon, NY					AIP	
Nashville, TN	1		1			
Newark, NJ	1					
New Britain, CT	1					AIP
New Haven, CT						
New Orleans, LA	1					
Niagara Falls, NY	1					
Norwalk, CT	1					
Oakland, CA	1					
Oklahoma City, OK		1		1		
Orlando, FL		1				

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION DEVELOPMENT PROGRAMS*	
	Organized	In Development	In Expansion		Operational	In Development
Pasadena, CA	1					
Peoria, IL	1					
Philadelphia, PA	2			1	HOP	
Phoenix, AZ	1					
Pittsburgh, PA	1				HOP	
Pontiac, MI		1		1		
Providence, RI	1			1		
Pueblo, CO	1					
Quincy, IL		1				
Racine, WI	1					HOP
Reading, PA	1					
Rochester, NY	1					
Saginaw, MI	1					
St. Louis, MO	1					INS
St. Paul, MN	1		1			
St. Petersburg, FL		1				
Salt Lake City, UT	1					
San Antonio, TX	1					
Santa Ana, CA	1			1		
San Bernadino, CA		1				
Savannah, GA	1					
Shreveport, LA	1					
South Bend, IN	1					
South Portland, ME	1					
Springfield, MA	1					
Springfield, OH	1					
Staten Island, NY		1				
Syracuse, NY	1					

CITY	NEIGHBORHOOD HOUSING SERVICES PROGRAMS			NEIGHBORHOOD PRESERVATION PROJECTS	NEIGHBORHOOD PRESERVATION DEVELOPMENT PROGRAMS *	
	Organized	In Development	In Expansion		Operational	In Development
Tacoma, WA	1					
Tampa, FL	1		1			
Toledo, OH	2					
Trenton, NJ	1					
Tucson, AZ	1					
Tulsa, OK	1					
Union County, NJ						
Linden	1					
Plainfield	1					
Rahway	1					
Roselle	1					
Utica, NY	1					
Vallejo, CA		1				
Washington, D.C.	2			1		AIP
Waterbury, CT	1					
Waterloo, IA	1					
West Palm Beach, FL		1				
Wilmington, NC	1					
New Jersey NHS Foundation						SNF
Total	87 cities 109 neighborhoods	25	8	15	8	18

APPENDIX C

NEIGHBORHOOD REINVESTMENT CORPORATION
Sources of Funds
Fiscal Years 1979, 1980 and 1981

(in thousands of dollars)

SOURCES	FY 1979	FY 1980	FY 1981
Federal Appropriation		$12,000	$13,426
Housing and Urban Development Grant	$ 8,500		
Federal Home Loan Bank System	821	1,081	1,171
Other Income			
Reimbursement for Local Development	885	1,155	1,155
Interest Income		800	503
TOTAL	$10,206	$15,036	$16,255

APPENDIX D

NEIGHBORHOOD REINVESTMENT CORPORATION
Allocation By Activity - All Sources of Funds
Fiscal Years 1979, 1980 and 1981

(In thousands of dollars)

DIVISIONS	FY 1979	FY 1980	FY 1981
Neighborhood Preservation Projects	$ 753	$ 1,307	$ 1,455
Neighborhood Program Development	1,004	1,355	1,440
Neighborhood Housing Services	4,910	5,805	6,401
Program Support and Training	1,513	2,715	3,152
Administration	2,026	3,054	3,304
Unallocated		800	503
TOTAL	$10,206	$15,036	$16,255

APPENDIX E

ESTIMATE OF THE LEVERAGED IMPACT
OF
NEIGHBORHOOD HOUSING SERVICES PROGRAMS*
THROUGH FISCAL YEAR 1980

Support for Local NHS Program Activity	
Contributions to developmental costs (primarily by local government)	$ 4,000,000
Contributions to NHS operating budgets (primarily by financial institutions)	25,000,000
Contributions to NHS revolving loan funds (local government, Neighborhood Reinvestment Corporation, foundations, other industry)	31,000,000
Purchase of NHS loans (by Neighborhood Housing Services of America)	2,000,000
City expenditures for code inspections	6,000,000
TOTAL	$ 68,000,000
Reinvestment in NHS Neighborhoods**	
Loans made through NHS loan funds	$ 14,000,000
Bank loans made by referral from NHS	29,000,000
Loans made by city/state loan programs	13,000,000
New mortgages written in NHS neighborhoods	103,000,000
Other rehabilitation financed	40,000,000
Capital improvements to NHS neighborhoods	39,000,000
TOTAL	$238,000,000
Federal Investment	
Federal funds expended or committed to date (Urban Reinvestment Task Force demonstration grants 1974-79 of $23,625,000, and FY 80 appropriation of $12,000,000)	$ 35,625,000

* This estimate is based on a projection of NHS programs in 102 cities, serving 130 neighborhoods operating by the end of fiscal year 1980.

** Reinvestment activity figures are based on projections from data provided by 60 operational NHS programs at the end of FY 1979. These figures include only reinvestment generated through direct contact with the NHS. A substantial amount of reinvestment is also financed by personal savings and by loans obtained without the benefit of the NHS as confidence in the neighborhood rises.

Mr. BOLAND. Thank you very much.

I noticed in Appendix E, that you indicate at least $250 million has been generated through the Neighborhood Housing Service program and it will climb to $300 million at the end of the year. Is that correct?

Mr. WHITESIDE. At the end of the year these figures will be effective.

RELATIONSHIP BETWEEN NHS AND NSA

Mr. BOLAND. How do you interface with the NSA programs, the Neighborhood Strategies Program area of HUD? Because a number of the abandoned apartment projects that are presently involved in the neighborhood strategies concept could very well be in neighborhoods where you have some concern. How do you interface with that program?

Mr. WHITESIDE. In varying ways in different cities. In a number of cities the NHS and NSA are coterminus, or overlap with one another, and it becomes a very effective joint targeting of resources. In other cities, the local site selection committee has decided to make NHS a supplement to those activities, so they have deliberately determined to go outside the NSA boundaries, to assist more neighborhood residents.

The apartment improvement program will clearly be targeted in NSA areas in many cities, and as in NHS, it is a matter of local preference how that works.

SECTION 8 ASSISTANCE

Mr. BOLAND. In the NHS program, can you indicate the number of families that are being subsidized under the Section 8 program?

Mr. WHITESIDE. They have given us a second setaside this year. The total I believe now is about 2,000 units. Is that correct?

Mr. KNOX. Seventeen hundred units.

Mr. BOLAND. What did you ask for in 1980?

Mr. KNOX. We had asked for about 900 this year and received 700.

Mr. WHITESIDE. We are targeting those at the rate of roughly 50 per city, and they are available to the NHS to deal with hardship situations where a tenant's unit has been improved because of the rehabilitation activity, and the tenant would otherwise be forced out of the unit because of a rent increase. The Section 8 enables them to stay in their unit.

REIMBURSEMENT FOR CONSULTANTS

Mr. BOLAND. One of the areas I want to get into before I leave is the one with reference to consultants. As you know, Section 408 of Public Law 96-103—the HUD-Independent Agencies Appropriation Act for 1980—states, "None of the funds provided in this Act may be used directly or through grants, to pay or to provide reimbursement for payment of the salary of a consultant (whether retained by the Federal government or a grantee) at more than the daily equivalent of the maximum rate paid for GS-18, unless specifically authorized by law."

I particularly want to draw your attention to the phrase "whether retained by the Federal government or a grantee." That means that you violated the law in fiscal year 1979 and earlier years by using HUD grants to pay above the GS-18 rate. That is correct, isn't it?

Mr. WHITESIDE. I thought it was when you asked me that question last year, Mr. Chairman but, on researching the matter very carefully, I determined that it had not been the case, or if it had, it was in very few instances.

Mr. BOLAND. This is a matter that we will explore with HUD when they come before us in the near future. What we want to know now is whether the Corporation ceased paying consultants' at rates above GS-18 when this provision was called to the Corporation's attention. And specifically, has the Corporation paid any consultant more than the GS–18 daily rate since October 1, 1979?

Mr. WHITESIDE. No, we have not. We have negotiated new contracts with all of them. The misunderstanding that I had of the question last year related to total reimbursement we were paying for services, often services of more than one individual. We are well within the $193 limit at this point.

LIMITATIONS ON TRAVEL BUDGET

Mr. BOLAND. Let me ask you a question now with reference to travel. Last year, the Subcommittee called your attention to Section 401 of the Appropriation Act. Let me quote from page 423 of the 1980 hearings. I asked:

"Are you familiar with Section 401 of the HUD-Independent Agencies Appropriations Act of 1979? That section limits the expenses of travel to the amounts included in the budget unless otherwise specified. I presume that our 1980 bill will also carry the same language. And I presume the Corporation will carefully monitor its traveling expenses to be sure there is no violation of the provision."

Your response was:

"Yes, we have been informed of this and reviewed the budget with that in mind and believe we will have no difficulty."

Normally, the budget appendix is the document consulted to determine estimates for travel. Due to establishment of the Corporation late in the budget cycle, the 1980 budget appendix contained no object classifications for the Corporation. Page 443 of last year's hearings, however, indicate the corporation's 1980 travel estimate was $1,250,600. Page 13 of this year's justification indicates 1980 travel, including all sources of funds, will be $1,713,000. When the Corporation was asked to delineate the Federal funds from other sources, the Federal travel figure supplied was $1,560,000—or $309,000 above the amount limited by Section 401.

How do you explain this apparent intention to violate Section 401?

Mr. WHITESIDE. We don't think there is a violation, Mr. Chairman. The reason for the difference, of course, is that $2.5 million was added to our budget in conference without instruction. As I mentioned——

Mr. BOLAND. But it would not make any difference whether it was added in conference or where it was added. It was contained in the bill that makes money available to the Corporation. That is correct, isn't it?

Mr. WHITESIDE. Yes.

Mr. BOLAND. It seems to me that you should live within the restrictions that are placed upon expenditures by that particular appropriation bill.

USE OF ADDITIONAL APPROPRIATED FUNDS FOR PROGRAM DEVELOPMENT RELATED TRAVEL

Mr. WHITESIDE. Our interpretation of what Congress intended in giving us the additional funds was that we were to spend it for the purposes of the Corporation, and as I mentioned, we had spread that across our activities, including some in travel.

There is an additional point I should raise, and that is that the particular statute you refer to refers to employee travel. Our employee travel is well within that amount. Our travel line includes both staff and non-staff travel.

Mr. BOLAND. Where was most of this travel spent? We are going to be sure next year that you will comply with this statute. You are not the only agency that comes before this Committee, and we will not permit you to violate this particular section. So you had better resign yourself to the fact that you will adhere to Section 401 of the appropriation bill.

I think this Committee determines whether or not a violation occurs and not the Corporation.

General Counsel, isn't it clear to you that there was a violation of the statute here?

Ms. MCCABE. Mr. Chairman, we have not exceeded in terms of expenditures the amount in the original budget submission. And I would beg the Committee's indulgence to review our proposed expenditure under the enhanced budget in light of the fact that I think you would have serious questions if this Corporation were given an additional $2.5 million and came in with a budget, revised budget, that showed no increased allocation for travel, because as you know, Mr. Chairman, we are not in the "grantsmanship" business where we can simply say, "Well, we got an additional $2.5 million, let's throw another couple of applications on and make a few more grants."

We are in the field, or in the community, where we are not just writing checks, but we are building programs, supporting them, and monitoring them, and with additional output, we simply must have additional hands-on activity. And I think since we have not spent beyond the original budget amount it might be a good time for us to review with the Committee our proposed allocation of the additional $2.5 million, and seek the Committee's approval for what we propose to be allocated to travel, both staff and nonstaff. As Mr. Whiteside pointed out, the figure we submitted was for both, and in the future.

Mr. BOLAND. Just let me indicate again that the section of the bill that I am quoting from was in last year's appropriation bill. And it will be in the 1981 appropriation bill. That section limits

the expenses of travel to the amounts included in the budget unless otherwise specified. Thank you very much.

EFFORTS OF NEIGHBORHOOD REINVESTMENT

Mr. COUGHLIN. [presiding] Let me join in welcoming you before this Committee. One of the concerns that we have as a Committee, and I have as an individual, is that we have good quality housing programs. I want to commend you because, at least from our experience, the efforts you have made have gone toward that kind of quality and that kind of local input and local investment. This is tremendously important.

I have just too many instances in my own home area, not necessarily in my district, but in the Philadelphia area, of really bad housing efforts on the part of the Federal government, many of which have been abandoned now. When we are spending Federal dollars it is so important that we end up with a quality product. I would rather have fewer quality products than more bummers, and I commend you on your efforts in that connection.

IMPACT OF INFLATION ON NEIGHBORHOOD HOUSING SERVICES PROGRAMS

This week the prime rate went up to 19 percent and a prominent Washington, D.C. savings and loan association announced a mortgage interest rate of 17 percent. Housing starts fell 6.3 percent last month, according to the Wall Street Journal. What effect does this have on the operations of the Neighborhood Reinvestment Corporation?

Mr. WHITESIDE. It is having a number of impacts. On the individual NHSs that we have developed, it has caused the activity of people who are "bankable," who would go to a normal lender for a loan to improve their homes, to slow down considerably. On the other hand, the economic climate has increased the desperation of many of the poorer people in the neighborhoods, so the activity with the unbankable clients has been intensified. We are concerned particularly under these circumstances that our secondary market be adequate to meet the needs of the local programs when their small revolving loan funds are exhausted, and this is one of the reasons that we are putting a greater stress on the support and training function this year.

Mr. COUGHLIN. With housing starts falling and prices high, I guess there is more of a push to rehabilitate old housing than switching to new housing; is that not correct?

Mr. WHITESIDE. Yes.

Mr. COUGHLIN. Do you see that reflected in the approaches to your organization?

Mr. WHITESIDE. Yes, that is certainly true.

REVISED PROGRAMMATIC OUTPUT DUE TO ADDITIONAL APPROPRIATIONS

Mr. COUGHLIN. I notice on page 4 of the justification material that work began on 40 new Neighborhood Housing Service programs. Last year the 1980 plan was 30 new NHS programs. I

presume the increase is due to the Congressional add-on, is that correct?

Mr. WHITESIDE. That is correct, however, under last year's 1980 plan we also expected to assist 7 NHS programs in expanding to additional neighborhoods which would have resulted in 37 NHS starts. I would like to note that the Congressional add-on has enabled us to develop a total of 10 new neighborhood programs altogether; 2 Homeownership Promotion programs, 5 Insurance Industry Full Partnership programs, 1 Home Maintenance program and 3 Neighborhood Housing Services as well as increasing our support services.

May I make an additional comment here, and relate it back to our previous comment, the discussion about our travel budget? Namely that to increase our development of neighborhood programs from 54 to 64 necessitated a great deal of field work by individuals who would not have otherwise been operating in the field. What I would like to do, to wrap up that discussion, is request an opportunity to meet with the staff of the Committee, and determine what it takes to bring our operations into compliance with the law, taking into account our understanding that the intent of Congress in giving us the additional funds was to produce additional output, and finding a way to make that satisfactory to the committee.

Mr. COUGHLIN. The Committee staff will be happy to do that. What it would take would be a change in the Supplemental Appropriation Act to give the corporation additional authority for travel.

Mr. WHITESIDE. We would be pleased to work with you on that and to submit such a request.

Mr. COUGHLIN. Briefly tell the Committee exactly how the additional funds will be used in 1980, giving special attention to administrative increases.

Mr. WHITESIDE. Are you speaking of the fiscal year 1980 budget?

Mr. COUGHLIN. Yes, the $2.5 million, in 1980 funds.

Mr. WHITESIDE. We can submit a breakdown for the record. To summarize the way we broke it down, let me say that of the extra $2.5 million, 28 percent went for salary and employee benefits, 12 percent for travel, 9 percent for professional services, 3 percent for conferences and workshops, 2 percent for rent, 5 percent for telephone, postage and delivery, 2 percent for printing, films, and supplies, 5 percent for general and administrative (in response to your request, that is $117,000), and 33 percent for grants and grant commitments.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION ALLOCATION OF FISCAL YEAR 1980 BUDGET INCREASE

(In thousands)

	Fiscal year 1980		Increase
	Final budget	Original request	
Expense categories—account descriptions:			
Salaries and employee benefits	$4,411	$3,699	$712
Travel	1,560	1,251	309

NEIGHBORHOOD REINVESTMENT CORPORATION ALLOCATION OF FISCAL YEAR 1980 BUDGET INCREASE—Continued

[In thousands]

	Fiscal year 1980		Increase
	Final budget	Original request	
Expense categories—Account descriptions—Continued			
Professional services	$795	$564	$231
Conferences and workshops	366	280	86
Rent	126	83	43
Telephone, postage, and delivery	266	148	118
Printing, films, and supplies	185	131	54
Other general and administrative	313	196	117
Grants and grant commitments	3,978	3,148	830
Total	12,000	9,500	2,500
Divisional allocation:			
Neighborhood preservation projects	1,253	941	312
Neighborhood preservation development	1,212	1,010	202
Neighborhood housing services	4,771	3,932	839
Support and training	2,663	1,806	857
Administration	2,101	1,811	290
Total	12,000	9,500	2,500

Mr. COUGHLIN. Would you also provide for the record a list showing existing NHS programs and new ones planned in 1980 and 1981.

Mr. WHITESIDE. There is such a list in the appendix, and I think that is about as specific as we can be, because the new ones planned are responses to applications, and we cannot get very far out on that. So all of the programs that we know for certain are or will be in development are shown in the appendix.

ROLE AND SIZE OF NEIGHBORHOOD REINVESTMENT STAFF

Mr. COUGHLIN. One of the most appealing things about the Neighborhood Reinvestment Corporation was that you could achieve such a large degree of success in revitalizing neighborhoods with such a small staff. As I compare the organizational charts of this year and last year I note the addition of a Director of Neighborhood Preservation Projects and in-house General Counsel. Did you not have a Neighborhood Preservation Projects Office last year?

Mr. WHITESIDE. Yes, we did.

Mr. COUGHLIN. Is it more cost-effective to do your legal work in-house?

Mr. WHITESIDE. Yes, it is, and it also gives us a General Counsel with a sense of intimate familiarity with our operations, and it is much more satisfactory.

Mr. COUGHLIN. Who did your legal work before?

Mr. WHITESIDE. We had an outside counsel, Thomas Gherardi, of the firm of Deane, Snowdon, Shutler, Garrish, and Gherardi.

Mr. COUGHLIN. How much staff growth have you had since last year?

Mr. WHITESIDE. Mr. Bryant——

Mr. BRYANT. For fiscal year 1980 we are at a staffing level of 189 full-time positions. In fiscal year 1979 we had 137 full-time staff.

Mr. COUGHLIN. And how much growth do you anticipate?

Mr. BRYANT. We have only indicated a growth of two positions in the printed fiscal year 1981 Budget. The Board of Directors will, of course, be acting with respect to unallocated funds.

NEIGHBORHOOD PRESERVATION PROJECTS

Mr. COUGHLIN. The bottom of page 5 states that "Neighborhood Preservation Projects Division (NPP) supports locally developed projects which create new program tools to address unmet needs within NHS neighborhoods." Is it correct to describe Neighborhood Housing Services as directed primarily to single-family residences while Neighborhood Preservation Projects are part of other areas?

Mr. WHITESIDE. Very generally. I would say NHS focuses on one-to-four-family homes, and the projects that we are working on now and those that we have succeeded in developing to the point of transferring to other localities are focused on other problem areas, yes.

Mr. COUGHLIN. Is local funding a requirement for a Neighborhood Preservation Project?

Mr. WHITESIDE. Yes. Normally in the Neighborhood Preservation Projects stage when we are evaluating the project, we will make a very small grant, averaging perhaps $50,000, and they may be funded at a level of half a million or $1 million in overall funding, so our grant is a tiny portion of the total activity.

Mr. COUGHLIN. Do you require funding?

Mr. WHITESIDE. I would say that there are a few projects that are developed by NHSs where the primary source of additional funding would be supplied by us; for instance, the Baltimore homeownership promotion activity where they turn tenants into homeowners. I think the additional funding for those two additional staff members came primarily from our grant.

Mr. COUGHLIN. For the record can you list the location and amount of all Neighborhood Preservation Projects?

Mr. WHITESIDE. Certainly.

[The information follows:]

Currently funded NPP programs—Revised March 19, 1980

	Amounts
1977 grant:	
Jamaica NHS Queens home maintenance training program, New York	$32,000
Subtotal	32,000
1978 grants:	
Boston Mission Hill NHS congregate housing program, Massachusetts	45,000
Eugene municipal rent supplement program, Oregon	40,000
Savannah neighborhood action program, Georgia	50,000
Minneapolis southside NHS neighborhood crime prevention program, Minnesota	50,000
Heart of Chicago NHS in-fill housing program, Illinois	100,000

Currently funded NPP programs—Revised March 19, 1980—Continued

	Amounts
1978 grants continued—	
Milwaukee duplex as-a-starter home program, Wisconsin	30,000
Baltimore City 26(h) program, Maryland	50,000
Subtotal	365,000
1979 grants:	
Pueblo NHS rehab training program, Colorado	66,000
Providence SWAP (Stop wasting abandoned properties), Rhode Island	28,000
Baltimore NHS antidisplacement program, Maryland	46,000
Jubilee housing neighborhood preservation program, Washington, D.C.	50,000
NHS of Kansas City crime prevention program, Missouri	69,000
Oakland NHS self-help housing program, California	75,599
Chicago West Englewood NHS pilot program, Illinois	25,000
Boston Mission Hill amendment, Massachusetts	20,000
Subtotal	379,599
1979 commercial grants:	
Portland St. Johns business district stabilization program, Oregon	50,000
Baltimore York Road planning area committee revitalization program, Maryland	50,000
Philadelphia Citywide Development Corp., Pennsylvania	52,900
Subtotal	152,900
1980 grants:	
Providence Elmwood NHS energy conservation program, Rhode Island	32,650
Philadelphia Allegheny West NHS front yard improvement program, Pennsylvania	24,740
Subtotal	57,390

NEIGHBORHOOD CONSERVATION SERVICES

Mr. COUGHLIN. Pages 6 and 7 list some program areas which have reached the model development stage and have been passed on to the Neighborhood Preservation Development Division for pilot replication. Can you describe the first item listed, "Neighborhood Conservation Services", and indicate how it differs from a conventional NHS?

Mr. WHITESIDE. Yes. That program is designed to tackle the same neighborhood problems as NHS tackles, but in a community usually too small to develop a typical NHS. For instance, one of the projects now under development is in Emeryville, California, a community of 4,500 population. There are simply not enough locally headquartered financial institutions to provide an NHS with a private operating budget for that community so the Neighborhood Conservation Services is operated as a municipal corporation, with the same partnership in the makeup of that corporation board, but funded by the city government.

NEIGHBORHOOD HOUSING SERVICES FOUNDATION

Mr. COUGHLIN. One of the things that you have stressed and that is certainly very appealing to us is the non-governmental nature of the Corporation and its work. As the organization gets larger and receives more and more funds from the Federal government, it may be harder to retain that non-governmental flavor, but I hope

you are successful in that regard. However, I am somewhat concerned with the Statewide NHS Foundation mentioned on page 6. One of the most appealing aspects of NHS programs was the amount of local involvement of time and resources. The statewide NHS Foundation concept, while not limiting the industry's total contribution, would lessen the local share of the contribution. Doesn't this tend to undermine one of the basic tenets of the program?

Mr. WHITESIDE. On the contrary, this was the only way we could find to get a local contribution. The problem we had in developing programs in California, the site of the first statewide NHS Foundation, and now in New Jersey, is that financial institutions operating in scores and scores of cities throughout the State were concerned that once this got started that they might be supporting NHS programs on a very large scale, so they were reluctant to support further programs without a voice in the rate of development. This compromise, in its net effect, enabled us to get a firm commitment to go forward with nine programs thus far in California, and all of those programs receive approximately three-quarters of their funding from the California foundation, and the balance of it from smaller local financial institutions.

Mr. COUGHLIN. Can you explain the Statewide NHS Foundation concept?

Mr. WHITESIDE. What it does is to affect States where the large statewide banks and savings and loans have branches operating in communities throughout the State. Rather than asking them to contribute from each branch in which NHS is involved, they make one contribution to the Statewide Foundation and the Statewide Foundation then funnels those contributions to each NHS. There is absolutely no diminution of their support. In fact their support is enhanced. Mary Lee Widener has been involved in the development of the program in California——

Ms. WIDENER. I think it is important to say that savings and loans and banks in California are quite large and many of them have hundreds of branches. They felt that if they created a program where individual branches made contributions, they might get inundated with 200, 300, 400 requests for similar support from other cities. They felt they had to have a way to decide what cities they would be in, how many and to keep the level of requests on a manageable level. I think that asking them to make what they felt was a commitment to finance 200 NHSs was not in line, and the compromise to go for 9 initially meant that we could have programs in nine cities! They are now considering expanding that number to go to a second commitment of cities, but in a way that avoids the potential of having to respond to several hundred requests at one time.

HUD AREA MANAGEMENT PROGRAM

Mr. COUGHLIN. Can you relate your efforts on the HUD Area Management Broker Program to the Department's efforts under its own Loan Management Program?

Mr. WHITESIDE. I do not think I can make that relational statement. I can talk about what we are doing. I am not sure about

what HUD is doing independently. They appoint an area management broker, usually a real estate broker, to manage their inventory of properties in an area. We have succeeded along with the NHS, the Ford Foundation and the city of Chicago in getting them to designate the NHS as the area management broker for the HUD-owned properties in the NHS neighborhood. It is operating very effectively. A number of officials at HUD are interested in working with us to transfer this to other neighborhoods where it could be done appropriately. It seems to be a very effective way of keeping those vacant buildings from being a greater blighting influence on the neighborhood, by staying right on top of them and making sure they are rented or, if they are vacant, that they are boarded, that their lawns are picked up, and that you do not let them be as blighting an influence on the neighborhood as they might be if a real estate agent were responsible for them.

Mr. COUGHLIN. For the record, provide a list of the cities involved and the various programs mentioned on page 7 of your statement?

Mr. WHITESIDE. Yes, we can.

[The information follows:]

NEIGHBORHOOD REINVESTMENT, NEIGHBORHOOD PRESERVATION DEVELOPMENT

Apartment improvement program (AIP)

Organized programs.—Yonkers, N.Y., Hartford, Conn., Mt. Vernon, N.Y.

Programs in development.—Los Angeles, Calif., NW Bronx, N.Y., Dallas, Tex., East Orange, N.J., Newark, N.J., Washington, D.C.

Home ownership promotion (HOP)

Organized programs.—Baltimore, Md., Bridgeport, Conn., Philadelphia, Pa., Pittsburgh, Pa.

Programs in development.—Reading, Pa., Charleston, S.C., Rochester, N.Y., Denver, Colo.

Rehabilitation and sale program

Organized programs.—Boston, Mass., Baltimore, Md.

Programs in development.—Jamaica, N.Y., Columbus, Ohio, Springfield, Mass.

Neighborhood conservation services

Organized programs.—Berkeley, Calif., Barberton, Ohio, Evansville, Ind.

Programs in development.—Emeryville, Calif.

Home maintenance program

Organized programs.—Jamaica, N.Y.

Programs in development.—(None at present).

Insurance full partnership (IFP)

Organized programs.—Chicago, Ill.

Programs in development.—Milwaukee Wis., Minneapolis/St. Paul, Minn., Bridgeport, Conn., Hartford, Conn., Cleveland, Ohio, Kansas City, Miss.

NEIGHBORHOOD REINVESTMENT PUBLICATIONS

Mr. COUGHLIN. Page 9 lists communications accomplishments. Would you provide the Committee, for their files, copies of your annual report, and ensure that the Committee is on the mailing list for future newsletters and other information?

Mr. WHITESIDE. Certainly.

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[1] Projected April 1980 starts.

ADMINISTRATIVE STAFF

Mr. COUGHLIN. How many of the additional new people that you put on for 1980 are for administration?

Mr. BRYANT. I cannot give you the exact number.

Mr. WHITESIDE. We can give it to you for the record.

Mr. COUGHLIN. Last year on page 397 of the 1980 hearing volume, you said that a substantial amount of your effort has gone to strengthening your administrative processes "to deal with new growth and dealing with the expenses that have come with the new corporate character of our operation."

I think it is important for the Committee to understand that. If you could elaborate on that for the record.

[The information follows:]

Neighborhood Reinvestment Corporation
New Positions - Administration - FY 1980

POSITION TITLE	LEVEL	EXPLANATION
Assistant Director, Personnel	XVI	To provide necessary management of Personnel Department, currently staffed by one professional and two clerical positions.
Administrative Assistant, Executive Services	XII	To provide liaison between Executive Services and other management staff.
Accounting Supervisor, Finance	XII	To provide supervision to accounts payable.
Training Specialist, Staff Development	XII	To provide assistance for staff training and development programs, specializing in communications techniques, for new and existing staff.
Research Assistant, Program Evaluation	XI	To assist Manager, Program Evaluation in obtaining, maintaining and analyzing program information.
Accounting Specialist, Finance	X	To provide clerical assistance in accounts payable and staff travel expense reimbursements.
Secretary, General Counsel	VII	To provide clerical support to new General Counsel position.
Secretary, Staff Development	VII	To provide clerical support to Staff Development Department.
Payroll Assistant, Finance	VII	To assist in preparation of payroll and related taxes for staff based in over 25 states.
Mail Clerk, Administrative Services	V	To sort and deliver incoming mail, post outgoing mail, run errands and assist Office Services Supervisor.

RURAL NEIGHBORHOOD PRESERVATION MODEL

Mr. COUGHLIN. Have you selected a location for the rural model program which we discussed last year on page 397 of the 1980 hearing volume?

Mr. WHITESIDE. Yes, we have been actively in discussion on this with a number of sites, and I would like to ask George Knight to comment more fully on it.

Mr. KNIGHT. We are having discussions presently in Whitman County, Washington, and with the State of North Carolina. Most advanced is in the State of Vermont, where the Federal Home Loan Bank of Boston is very interested, and we are proceeding to be holding later this spring a statewide workshop to address the whole issue. The three-county area that is of most interest to many people contains only one branch of a financial institution, so in order to establish the NHS, it is going to require marshaling resources from a wider base than the three counties, and there is considerable interest in the State in doing that.

LEVERAGING OF PRIVATE RESOURCES

Mr. COUGHLIN. Can you provide an update of the table on page 403 of the 1980 hearing volume. As the amount of Federal funding increases, is the leverage ratio of Federal funds to private funds changing?

Mr. WHITESIDE. Yes, that update is included in Appendix E of my statement.

IMPACT STUDY

Mr. COUGHLIN. The Office of Management and Budget requested the Corporation to perform an impact study of the local programs supported by the Corporation. What is the status of this study?

Mr. WHITESIDE. The study is ongoing. Mr. Bryant, would you respond?

Mr. BRYANT. The study is being conducted at the present time. There has been a design for the study which has been discussed with the Office of Management and Budget, and we have gotten their go-ahead based on that design, and there is temporary staff as opposed to outside consultants that have been retained by the Corporation to perform this study in an economical way, and we should begin to have preliminary results from that study this summer.

WASHINGTON OFFICE OF NEIGHBORHOOD REINVESTMENT

Mr. COUGHLIN. How many Washington, D.C. locations does the Corporation have now?

Mr. WHITESIDE. In terms of offices?

Mr. COUGHLIN. Yes.

Mr. WHITESIDE. We are all now consolidated into the Federal Home Loan Bank Board Building.

Mr. COUGHLIN. The consolidation has been accomplished?

Mr. WHITESIDE. Yes. We are still doing some consolidation between floors, but we are all in the building.

Mr. COUGHLIN. And can you provide for the record the cost of the consolidation move?

Mr. WHITESIDE. Certainly we can. I should mention that the total cost of our rent and other facilities in Washington is paid by the Federal Home Loan Bank as part of our other sources of funds.

[The information follows:]

The cost to move the staff from 1120 19th Street, N.W., to the Federal Home Loan Bank Board Building was $1,123.00. Additional costs are being incurred in the consolidation of our staff on the 6th Floor of the Bank Board; this consolidation will be completed in August of 1980.

CONTRIBUTIONS OF THE FEDERAL HOME LOAN BANK SYSTEM

Mr. COUGHLIN. I notice on page 12 of the justification that the contribution of the Federal Home Loan Bank System is increasing. I am pleased that the amount for 1980 has increased from the $806,000 estimated last year. What accounts for that change?

Mr. WHITESIDE. In large part it is because we have taken additional space in the Federal Home Loan Bank Board Building and we need to pay for that space and the additional furniture, telephone connections, etc.

Mr. COUGHLIN. So these funds are used for this, essentially?

Mr. WHITESIDE. Yes. Essentially the Federal Home Loan Banks' funds are for Washington administrative expense, and a small number of staff including all of our officers.

Mr. COUGHLIN. All your officers are paid for by——

Mr. WHITESIDE. By the Federal Home Loan Bank System.

Mr. COUGHLIN. How many officials of the Corporation are paid by the Bank System?

Mr. WHITESIDE. Seven.

BUDGET REQUEST

Mr. COUGHLIN. What was your 1981 request to OMB?

Mr. WHITESIDE. The minimum for 1981 was $11.9 million. The current was $13.7 million. The enhanced was $17.5 million.

Mr. COUGHLIN. Can you provide an update of the table indicating distribution of employees on page 418 of the 1980 hearing volume?

Mr. BRYANT. I believe that is in the Appendix. Are you referring to office location? If not, we will supply it. I believe it is in the justification on page 19.

Mr. COUGHLIN. What we would like to have is that broken out by categories as shown on page 418 of the 1980 volume.

Mr. BRYANT. Certainly.

[The information follows:]

DISTRIBUTION OF EMPLOYEES BY FUNCTION AND LOCATION*
FISCAL YEAR 1981 BUDGET PROJECTION

	NHS Program Development	Program Support & Training	Neighborhood Preservation Development	Neighborhood Preservation Projects	Administration	Total
Main Office						
Washington, D.C.	6			10	53	69
Regional Offices						
Boston, MA	8	6				14
Dallas, TX	7	6	1			14
San Francisco, CA	5	4	5			14
Field Offices						
Atlanta, GA	7	2				9
Chicago, IL		9				9
Cincinnati, OH	6					6
Denver, CO	1	2				3
Kansas City, MO	6					6
Middleton, CT	4		1	1		6
New York, NY	8		7			15
San Diego, CA	5					5
Seattle, WA	1					1
Washington, D.C.	4	11	5			20
Local Coordinators	33					33
	101	40	19	11	53	224
Percentage of Total Staff	45%	18%	8%	5%	24%	

* In FY 1980 we changed from a functional to a divisional allocation. Therefore, this format differs from that shown on page 418 of last year's testimony.

TRAVEL EXPENSE LIMITATIONS

Mr. COUGHLIN. As a follow-on question to those asked by the Chairman, although Section 401 specifically deals only with appropriations, the Committee expects the Corporation to treat its travel estimates from other income sources in the same manner. Does that cause any problems?

Mr. WHITESIDE. I do not fully understand what you mean.

Mr. COUGHLIN. We would expect you to treat the travel expenses limitations as covering income from other sources as well as appropriated funds. Does that cause you any problems?

Mr. WHITESIDE. I am not sure.

Mr. COUGHLIN. The Federal Home Loan Bank Board?

Mr. BRYANT. There is travel in both the Federal Home Loan Bank System funds for officers, and in the local development funds. I might just mention that the local development funds, those funds we receive for reimbursement of expenses from local communities is a projection, and it is highly dependent upon the level of activity over the coming year as to what those receipts are. It is money paid by the local community for expenses in developing that program.

Mr. WHITESIDE. For instance, there is a source-of-funds line which relates to these local developmental contracts. The total amount we expend out of that line in a year is a result of 40 individual negotiations with 40 individual cities, which will take place during the year. Many of them have not taken place yet, so it is simply a projection. Within those contracts there are funds provided for one employee, the local coordinator, in developing NHS and related travel funds. I am reaching to see how we can be responsive to the spirit of your request, and still deal with the reality of that kind of operation.

Mr. COUGHLIN. I think it is important that you meet with the Subcommittee staff and get this question straightened out, because the Committee can always draft a bill to include all income sources. It is important that this question be clarified.

On page 18, the fourth entry is Conferences and Workshops. The 1980 justifications stated, "This line item provides for a National NHS Conference, three regional resident's workshops, local development workshops and regional support workshops. It includes program materials, hotel and meeting rooms, meals, and transportation assistance."

Those last items represent travel expenses and should be treated accordingly, but the object classification appears to exclude any travel expenses related to workshops and conferences. Are you budgeting for travel expenses under conferences and workshops?

Mr. WHITESIDE. As I understand it, the statute refers to employee travel. Those conferences expenses are nonemployee travel. It seems to me we could ease this whole thing considerably by breaking down in the future between employee and nonemployee travel.

Mr. BRYANT. Actual travel for program participants is included in the travel line on page 18. We have summarized our line items here, and in our general ledger system it would be broken down between employee travel and other travel. Conferences and work-

shops collects costs other than travel related to those conferences and workshops.

However, the schedule on page 19, which includes all sources of funds, consolidates reimbursements for travel by local participants attending development workshops into this line item.

Mr. COUGHLIN. Is the cost of employees traveling to workshops included under travel or under the cost of workshops?

Mr. BRYANT. No; if it is employee travel, regardless of for what purpose it would be included in employee travel.

Mr. WHITESIDE. But I think it is important to note that Mr. Bryant just corrected me and said that all employee travel is included under travel. None of it is included in the conference and workshop line on page 18, but the difficulty of focusing on the travel that you are controlling, namely employee travel, is that we haven't differentiated in the material we have made available to you, and I would like to have an opportunity to do that.

DEVELOPMENTAL WORKSHOPS

Mr. COUGHLIN. How many local development workshops have been held in sites other than the cities involved?

Mr. WHITESIDE. All of them. Or rather, there is a series of workshops that take place during a 9-month-long developmental process. The major one, the first workshop, almost invariably takes place out of town.

Mr. COUGHLIN. Outside of the city?

Mr. WHITESIDE. Outside of the city. The purpose of that, if I may elaborate, is to get a group of individuals who get on the bus with some hostility towards one another, people from local government, from financial institutions and from the neighborhood, who have been trading accusations about redlining and things like that up until this point, to get them into an environment where they can break bread together, where they can get acquainted with one another, where they aren't going to be dealing with day-to-day concerns of loan closings, personal and family matters, and this kind of thing, to get them into a retreat kind of environment. It has been highly effective for us, and I might say the total cost of that is paid for by our local developmental agreements.

Mr. COUGHLIN. Can you provide for the record the cost of these conferences?

Mr. WHITESIDE. Sure.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION
Conferences and Workshops - Local Funds
Projected Average Costs - FY 1981

	Workshop 1	Workshop 2	Workshop 3	Workshop 4	Workshop 5	Ave. Cost Per Program	Total Projected Ave. Costs
Other Travel	$ 2,900	$	$ 2,750	$	$	$ 5,650	$ 186,450
Ground Transportation	800	250	400			1,450	47,850
Professional Services	900		500			1,400	46,200
Group Meals	2,000	200	2,000	200	200	4,600	151,800
Equipment Rental	50		50			100	3,300
Meeting Room	100		100			200	6,600
Printing	100		50			150	4,950
Miscellaneous	150	50	150	50	50	450	14,850
TOTAL	$ 7,000	$ 500	$ 6,000	$ 250	$ 250	$14,000	$ 462,000

NATIONAL NHS CONFERENCE

Mr. COUGHLIN. How many people attended the National NHS conference?

Mr. KNOX. 650.

Mr. COUGHLIN. What was the total cost of that conference?

Mr. BRYANT. I am not sure offhand.

Mr. COUGHLIN. Provide that for the record.

Mr. BRYANT. Yes, I will.

[The information follows:]

The total costs of the 1979 National NHS Conference was $109,027, registration fees collected was $6,885 resulting in a net cost of $102,142. The travel cost for employees attending the Conference is estimated at an additional $38,000.

Mr. COUGHLIN. What is the site of the 1980 conference?

Mr. KNOX. Dallas, Texas.

Mr. WHITESIDE. Again let me elaborate on that. We find this a very cost-effective way to share information between the hundred-plus neighborhoods involved in NHS, having a member from, hopefully, each of the partnership elements there, a resident, lender and city person, and one or more members of the staff of each NHS, to get into intensive working sessions, comparing experiences on dealing with particular problems. It's a working conference, and it has been a very effective one.

Mr. COUGHLIN. Are the conference expenses paid for by local funds or by appropriated funds?

Mr. WHITESIDE. Appropriated funds.

Mr. KNIGHT. Participants pay their own way. It is mixed.

Mr. WHITESIDE. Conference expenses are at two levels. The part of the conference expense that we fund comes from appropriated funds. There is a great deal of expense related to the conference that we don't fund, some of it paid by registration fees and others representing the nonreimbursed travel expenses that the vast majority of participants pay themselves, so our funding of that is just a small portion of it.

NATIONAL STAFF MEETING

Mr. COUGHLIN. What is the 1980 site of the National Staff Meeting?

Mr. WHITESIDE. It will be in Baltimore.

Mr. COUGHLIN. And does that use Federal or local funds?

Mr. WHITESIDE. That is Federal funds.

Mr. BRYANT. Both.

Mr. WHITESIDE. I am corrected. The local coordinators who come to that are paid out of the local developmental agreements.

Mr. COUGHLIN. What is the total cost of the meeting?

Mr. WHITESIDE. We would have to provide that for you.

[The information follows:]

NATIONAL STAFF MEETING

The cost of the National Staff Meeting is estimated to be approximately $45,000 in fiscal year 1980.

Mr. COUGHLIN. Why do you think it is necessary to get the entire staff together each year?

Mr. WHITESIDE. We are involved in a very difficult business, and our staff is scattered at any one time in 20 or 30 different locations. To provide training, to provide a sense of mission and a sense of unity, we find it valuable to bring them together, and also I might say it is a cost-effective way to do it, to get all the local coordinators together for once for training sessions, for instance, all individuals with other specialties together for training. This provides economies compared with trying to take the training out to them, wherever they are.

PROFESSIONAL SERVICES

Mr. COUGHLIN. Why have professional services increased from $564,000 in the 1980 submission to $745,000 in the revised 1980 plan to $974,000 in 1981?

Mr. WHITESIDE. A large part of that increase was for the increased monitoring expense of a greatly increased number of programs, but we will provide for the record a breakdown element by element in the professional services.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION, PROFESSIONAL SERVICES—FEDERAL FUNDS

	Fiscal year 1980 1980 budget		1981 budget
	Initial	Revised	
Monitoring and evaluation of NHS program/training and NHS supportive services	$403,000	$372,350	$564,729
Program development	36,800	84,800	95,500
Impact study (for OMB)		205,000	30,000
Accounting services	67,886	40,000	90,000
Legal fees	39,000	39,000	35,000
Wage and classification study		6,000	15,000
Audit fees	8,000	19,000	18,500
Publications		13,500	25,000
Staff development	9,500	15,100	100,000
Total	564,186	794,750	973,729

EMPLOYEE BENEFITS STRUCTURE

Mr. COUGHLIN. The 1980 House report strongly urged the Corporation to reexamine the employee benefit structure. Information recently supplied to the Committee indicates the 1980 budget assumes employee benefits nearly identical with 1980. This includes 9 percent for retirement, 8 percent for medical insurance, 5.8 percent for social security and other benefits, including parking, totaling 4.2 percent.

Did the Corporation study its benefit structure as the Committee suggested?

Mr. WHITESIDE. We did indeed. In fact, we are continuing the study. A consultant is about at the point of providing us with a set of recommendations on it. I might say that in relation to a number of the concerns, we responded to the Committee in detail with a

conviction that the approach we were taking was a cost-effective approach, and a very appropriate one.

You will recall that the purpose of creating the Neighborhood Reinvestment Corporation was to carry out an activity that could not easily be carried out within a federal structure. They are trying to be responsive to the sense that the Congress gave us in the act, that they wanted it to be a nonfederal activity.

There are some things that, by doing them differently than the Federal government does them, we are able to do more effectively. And I would like to respectfully submit that one of the reasons we are able to attract and retain a very talented and committed staff is contained in some of these nonfederal practices.

Mr. COUGHLIN. By the same token, of course, this Committee is charged with appropriating funds for your Corporation, and it is incumbent upon us to try and be sure that no extravagance is involved——

Mr. WHITESIDE. I am tying cost-effectiveness——

Mr. COUGHLIN [continuing]. And comports with what would happen in other government agencies, since you are using appropriated funds.

Mr. WHITESIDE. At the risk of not being respectful to all government agencies, I would like to say that we don't think government always is the best measure of the best way to do things.

Mr. COUGHLIN. Neither do I.

Mr. BRYANT. If I could just add in that context that based on our comparison with similarly situated organizations, as well as recognizing the full cost of benefits to the United States Government for its benefits, that we are well within those figures. We are not spending as much for our benefits as the government is. Our pension plan, which indicates a contribution of 9 percent, is fully funded, and it is kept at a fully funded basis, so there will never be any additional cost, which adds so heavily to the Federal pension plan, and increases its percentage of payroll substantially over the 25 percent.

Mr. COUGHLIN. For example, what savings could be achieved if the Corporation employees paid one third of their medical insurance costs?

Mr. BRYANT. I would have to make that calculation.

Mr. COUGHLIN. For the record, for each benefit category, provide the employee's share.

Mr. WHITESIDE. We can make those calculations, but I think it is important to expand on the answer and to make the point that the employees are doing an incredibly difficult job involving traveling four days a week year round for those who are in the field, and one of the things that has attracted them to this hard life is the particular benefit plan that we offer.

Mr. COUGHLIN. Also well compensated.

Mr. WHITESIDE. And they need to be. But the point is that the benefit plan although it is attractive to the employees is not more expensive to us than it is to government agencies, and I think if we can provide an attractive plan at a lesser expense than the government is paying, that this is very much in the spirit for which the Corporation was created.

Mr. COUGHLIN. Would you provide for the record for each benefit category, indicating the employee's share.

Mr. WHITESIDE. Certainly.

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION, EMPLOYEES BENEFITS—FEDERAL FUNDS, FISCAL YEAR 1981 BUDGET

Benefit category	Projected employer's share	Projected employees' share	Projected total cost
Retirement	$345,060		$345,060
Medical insurance	230,040		230,040
Social security	222,372	$222,372	444,744
Unemployment insurance	72,846		72,846
Life insurance	30,672		30,672
Disability	19,170		19,170
Workmen's compensation	27,605		27,605
Vision care	3,067		3,067
Total	$950,832	222,372	1,173,204
Adjustment if employees pay ⅓ of medical insurance	−76,680	76,680	
Adjusted total	874,152	299,052	1,173,204

Note: Parking which was provided was reduced in fiscal year 1980 and phased out altogether in fiscal year 1981.

REIMBURSEMENT FOR TRAVEL EXPENSES

Mr. COUGHLIN. The Committee's report also indicated concern with travel per diem procedures. What is the maximum amount the Corporation is currently providing employees for per diem?

Mr. WHITESIDE. We don't have a government-type per diem structure. We pay actual expense, with a limitation.

Mr. COUGHLIN. What is the limitation?

Mr. BRYANT. It is $18 for meals and up to a maxiumum of $35 for hotels.

Mr. WHITESIDE. With the ability in certain high-cost cities to exceed the $35.

TESTIMONY BY OUTSIDE WITNESSES ON NEIGHBORHOOD REINVESTMENT

Mr. COUGHLIN. Last April, a panel of people testified before the Subcommittee as outside witnesses in support of the Neighborhood Reinvestment Corporation. One of the individuals was associated with the Minneapolis Neighborhood Housing Service Program. Did the Neighborhood Reinvestment Corporation pay the expenses of this individual to travel to Washington to testify before the Subcommittee?

Mr. WHITESIDE. Clarissa Walker, the individual mentioned, is President of the Minneapolis Neighborhood Housing Services Program, and the NHS there was host to the 1979 NHS conference. She was in Washington and had planned to be in Washington to have planning discussions for the NHS conference, and since the hearing took place at the same time, we invited her to be the spokesman for the NHS at the hearing.

Mr. COUGHLIN. You actually did invite her to come and testify?

Mr. WHITESIDE. Yes.

Mr. COUGHLIN. When was the meeting for which she was to be in Washington scheduled?

Mr. WHITESIDE. It was on that same day.

Mr. COUGHLIN. How far in advance had it been scheduled to be on that same day?

Mr. WHITESIDE. I don't know exactly, but it was in advance of when the hearing had been set. We could have called on the President of the Washington, D.C., NHS, President of the Baltimore NHS at virtually no travel expense. The fact that she was here and was a very effective spokesman led us to suggest her as a witness to the Committee.

Mr. MCNEIRNEY. Could I just add from the point of view, of planning for the National Conference we have done that every year, bringing the people from the host city and people from other NHS cities to do the planning. At our national conferences, the local host program has a great deal of input, and the other programs participate in the planning for the conference. I think that is important to understand.

Mr. COUGHLIN. I think it is important for you to understand that these hearings are for agencies and interested witnesses. I guess it is a question in the Subcommittee's mind as to whether that testimony before the Subcommittee was incidental to the meeting or whether it was the other way around.

Mr. WHITESIDE. It was as I described it, yes, sir.

Mr. COUGHLIN. Are you familiar with Section 607(a) of Public Law 95-429, the Treasury, Postal Service and General Government Appropriations Act of 1979. I quote, "No part of any appropriation contained in this or any other Act, or of the funds available for expenditure by any corporation or agency, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress."

Are you familiar with that section? Payment of this individual's expenses would be a clear violation of that Act, wouldn't you agree?

Mr. WHITESIDE. If it were done for that purpose.

Mr. COUGHLIN. I think what we are saying is that she came here, her expenses were paid by the Corporation and she lobbied for the bill?

PURPOSE OF WITNESS TESTIMONY BEFORE COMMITTEE

Mr. WHITESIDE. She came here to do an NHS activity. I suppose with the light you are putting on it, with the benefit of that hindsight, I wouldn't want to have created that impression and would have invited someone different. I was not conscious of that possible construction, and she wasn't even lobbying for a bill; she was here to throw some further light for the Committee on how NHS worked. She didn't even know the amount that was being requested.

Mr. COUGHLIN. No matter how you looked at it, this is something that this cause difficulties. In this Member's mind in particular we frequently get into the use of taxpayers' funds to lobby taxpayers, and that is just a questionable procedure no matter how you look at it.

Mr. WHITESIDE. I can understand the appearance and it won't occur again.

Mr. COUGHLIN. For the record, could you provide the 1980 obligations to date by object class and provide unobligated and unexpended balances for the Corporation and the Task Force for fiscal year 1976, 1977, 1978, and 1979?

[The information follows:]

NEIGHBORHOOD REINVESTMENT CORPORATION—OBLIGATIONS OF FEDERAL FUNDS FOR THE 5 MONTHS ENDED FEBRUARY 29, 1980

	Budget	Total obligations
Salaries and employee benefits	$4,411	$1,464
Travel	1,560	517
Professional services	795	100
Conferences and workshops	366	147
Rent	126	52
Telephone, postage, and delivery	266	113
Printing, film, and supplies	185	83
Other general and administrative	313	126
Grants and grant commitments	3,978	1,034
Total	12,000	3,636

NEIGHBORHOOD REINVESTMENT CORPORATION, UNOBLIGATED/UNEXPENDED FEDERAL FUNDS—FOR FISCAL YEARS 1976–79

	1976	1977	1978	1979
Unobligated/unexpended based on audited expenses	$1,772,609	$1,767,453	$56,022	$151,364
Additional obligation [1]	0	0	—(56,022)	151,364
Net unobligated/unexpended	1,772,609	1,767,453	0	0

[1] The above table presents end-of-year unobligated and unexpended balances based on our audit reports for fiscal years 1976 through 1979. The table also shows an adjustment in fiscal year 1978 and 1979 which reflects the fact that projects initiated in those years had not yet reached the stage when the independent auditor considered the funds obligated, namely, the execution of a formal grant agreement. However, in order to prevent overcommitment of our grant funds, we consider the funds obligated when the developmental process has been started.

RELATIONSHIP BETWEEN COMMITTEE AND A PRIVATE CORPORATION

Mr. COUGHLIN. That will then conclude the hearings for today, and we appreciate your appearing here. Let me say that I understand the difficulties to some extent of being a private corporation funded by the government, and I realize this poses difficulties for you. It poses difficulties for us too, and it is obviously very important that you take what we are saying here as a constructive criticism.

We have to go before the full Congress and justify this expenditure of taxpayer funds. And if there are indeed questionable procedures that makes it harder for us to get your appropriation through the Congress. I hope you will take what we are saying in that light. It is not always easy, particularly where we have public funds going into a private institution, to get that done. I hope you will work with the Committee staff to straighten out these procedures.

Thank you very much. We appreciate your testimony. Your justifications will be placed in the record at this point. The Committee stands adjourned.

[The justification follows:]

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BUDGET JUSTIFICATION

FISCAL YEAR 1981

NEIGHBORHOOD REINVESTMENT CORPORATION

INTRODUCTION

The Neighborhood Reinvestment Corporation was created by the Neighborhood Reinvestment Corporation Act (Title VI of the Housing and Community Development Amendments of 1978, Public Law 95-557, October 31, 1978) to continue and expand the work of the Urban Reinvestment Task Force, which was a joint effort of five Federal financial supervisory agencies and the Department of Housing and Urban Development to promote reinvestment in neighborhoods. The Corporation's board of directors is composed of:

Jay Janis, Chairman
Chairman
Federal Home Loan Bank Board

Lawrence J. Connell, Vice Chairman
Chairman
National Credit Union Administration

Moon Landrieu
Secretary
U. S. Department of Housing and Urban Development

John G. Heimann
Comptroller of the Currency

J. Charles Partee
Member, Board of Governors
Federal Reserve System

Irvine H. Sprague
Chairman
Federal Deposit Insurance Corporation

The Corporation is committed to neighborhood revitalization for the benefit of current residents. This commitment is translated into reality by the Neighborhood Housing Services program which exerts a long-term stabilizing influence on a neighborhood lending environment, reversing neighborhood decline and reducing risk on conventional loans made in the neighborhood. The program achieves this effect by managing a comprehensive, coordinated reinvestment strategy. This strategy, made possible by a partnership of lenders, neighborhood residents and local government officials, systematically improves housing and upgrades public

amenities. For the strategy to have the desired long-term results, an improved quality of life must be perceived in the neighborhood. This perception reverses the weak demand factors which contribute to disinvestment and brings about a strengthened real estate market.

Program support and training activities are designed to provide assistance, on request, to NHS programs to ensure their continuing effectiveness. As the number of operating NHS programs increases, this support activity constitutes a growing proportion of the Corporation's activities.

It has been necessary to supplement the core NHS program to respond to needs in particular neighborhoods not addressed by the basic NHS model. A three-phase effort: (1) discovers promising strategies, (2) develops a replication process, and (3) brings the new program tools to assist NHS neighborhoods. Further, in order for NHS to be offered to neighborhoods which are more deteriorated, or different kinds of neighborhoods (more multi-family), or different environments (more rural), additional tools are needed.

The budget for the Neighborhood Reinvestment Corporation is shown for the five major activity areas - Neighborhood Housing Services Program Development, Program Support and Training, Neighborhood Preservation Projects, Neighborhood Preservation Development, and Administration. These five activities are described in detail below.

FISCAL YEAR 1981 BUDGET CATEGORIES

Neighborhood Housing Services Program Development

The major effort of the Corporation is to assist local communities in the development of local Neighborhood Housing Services (NHS) programs. During the eight-twelve month developmental process, Neighborhood Reinvestment staff work with community residents, representatives of local government and with financial institution executives to build a strong working partnership. Through a series of workshops, Neighborhood Reinvestment staff acquaints this local partnership with operational details of the program, and assists the local developmental committees with fund raising and neighborhood selection. Neighborhood Reinvestment also provides an initial capitalization grant of the revolving loan fund which serves residents who do not meet normal underwriting criteria. A similar developmental process and a grant is also provided to organized NHS programs requesting assistance in expanding to serve additional neighborhoods.

Program Support and Training

The Program Support and Training Division provides supportive services to local Neighborhood Housing Services programs to

ensure their continuing effectiveness. These services include provision of training, information, and technical assistance to NHS programs. Staff also provide intensive support for short periods of time to NHSs requiring assistance.

Grants to NHSA and contract payments to support its assistance in program monitoring and NHS staff education is also included in this activity. Further capitalization of the NHSA loan purchase pool and support of its operating costs will help to extend this resource to new NHS programs.

Neighborhood Preservation Projects

The Neighborhood Preservation Projects Division identifies, monitors, and evaluates other promising local neighborhood preservation strategies based on local, public-private partnerships. Those which show particular promise after the monitoring and evaluation stage will be developed as tools to treat specific problems in other neighborhoods. A small number of these projects are selected annually and provided with grants and technical assistance.

Neighborhood Preservation Development

Neighborhood Preservation Projects which, following a period of monitoring and evaluation, show special promise as mechanisms or strategies to reverse neighborhood decline are replicated by the Neighborhood Preservation Development Division in a number of other cities on a pilot basis to test developmental processes in difference housing markets and neighborhood environments.

Administration

Administrative functions are designed and organized to provide the necessary administrative and management systems to effectively operate and to manage growth of the organization. These functions include legal services, dissemination of information, staff development and training, financial management and accounting services, personnel services, administrative support and office services, and research and program evaluation.

ACCOMPLISHMENT OF GOALS

The major goals and accomplishments of the Corporation and its predecessor program, the Urban Reinvestment Task Force, through Fiscal Year 1980:

GOAL:

"...establishing neighborhood housing services programs in neighborhoods throughout the United States, super-

vising their progress, and providing them with grants and technical assistance."[1]

ACCOMPLISHMENTS:

Work began on 40 new NHS developments or expansions of existing programs. Work completed on NHS developments brought NHS programs to a total of approximately 102 cities, serving 130 neighborhoods.

Technical assistance provided NHS programs to ensure their continuing effectiveness:

- Expanded the Department of Support Services to provide a better ratio of personnel to NHS programs, established the Technical Services Department for intensive, on-site work, and established contact with each NHS program (approximately 130 neighborhoods) to offer services and anticipate needs.
- Held a national educational workshop for NHS Directors from over 115 neighborhoods, and seven regional workshops for neighborhood residents, rehabilitation specialists, and administrative/secretarial staff. These workshops served a total of over 575 participants.
- Conducted one national conference for NHS staff and board members.
- Conducted approximately 50 workshops for boards of directors and provided follow-up activities in each city to monitor the effect of the workshops.
- Monitored approximately 70 NHS programs through annual on-site review visits.
- Provided orientations for over 50 new NHS directors; conducted four formal training programs of 2-3 weeks duration for 70 NHS directors and Neighborhood Reinvestment staff.
- Planned, coordinated and supported fund-raising activities in approximately 30 cities.
- Monitored the utilization of over 1,800 units of Section 8 set-asides which have been distributed to nearly 40 NHS cities.
- Trained and placed sixteen rehabilitation specialists who completed a three-month course as interns.
- Trained over 25 rehabilitation specialists from the staffs of NHS programs and other neighborhood-based organizations.

[1]Title VI, Housing and Community Development Amendments of 1978, Public Law 95-557.

- Published revised versions of "how-to" manuals on loan processing and on construction.
- Answered hundred of requests for information on various resources, literature, sample documents, planning materials, and on governmental programs.

GOAL:

"...supporting Neighborhood Housing Services of America, a nonprofit corporation established to provide services to local neighborhood housing services programs, with support which may include technical assistance and grants to expand its national loan purchase pool and may contract with it for services which it can perform more efficiently than the corporation."[2]

ACCOMPLISHMENTS:

Neighborhood Housing Services of America continues to operate a secondary market for NHS revolving loan funds which serve "unbankable" homeowners, drawing down the balance of funds leveraged by Equitable Life Assurance Society of America's purchase of $1,000,000 in collateralized securities, and purchasing a total of $2,000,000 in loans from NHS programs from that resource as well as Neighborhood Reinvestment Corporation grants.

Under contract with the Corporation, NHSA conducts annual monitoring visits to NHS programs and carries out specific technical assistance, including:

- Review of 70 NHS programs.
- Pilot replication of Neighborhood Conservation Services program.
- Development of NHS staff education strategies.

GOAL:

"...identifying, monitoring, evaluating, and providing grants and technical assistance to selected neighborhood preservation projects which show promise as mechanisms for reversing neighborhood decline and improving the quality of neighborhood life."[3]

ACCOMPLISHMENTS:

Neighborhood Preservation Projects Division (NPP) supports locally-developed projects which create new program tools to address unmet needs within NHS neighborhoods.

[2]Title VI, Housing and Community Development Amendments of 1978, Public Law 95-557.

[3]Title VI, Housing and Community Development Amendments of 1978, Public Law 95-557.

1. Selection-The Division selects projects which meet the following criteria: address a substantial need; involve partnerships such as lenders, residents, merchants and local governments; can provide meaningful information for future replication in other neighborhoods; and are sponsored by organizations which demonstrate implementation capacity.

2. Monitoring and Evaluation-Projects are carefully monitored and given appropriate technical assistance to help meet objectives. Successful projects are evaluated to determine whether approaches can be transferred to other neighborhoods.

3. Model Development-A program model is developed to describe essential program elements, resource needs, nature of partnership commitments, organizational form, target neighborhoods and program results.

The following programs have reached the model development stage and have been passed on to the Neighborhood Preservation Development Division for pilot replication:

- Neighborhood Conservation Services

  A municipally operated variant of NHS for use in communities where a privately supported NHS is infeasible.

- Statewide NHS Foundation

  A funding mechanism for use in states where financial institution branching patterns require major lenders to support many NHS programs.

- Insurance Industry Full Partnership

  A vehicle for bringing the financial strength of an additional financial partner to NHS as well as providing voluntary insurance coverage in NHS neighborhoods where this is a need.

- Apartment Improvement Program (AIP)

  This program is suitable for physically and financially rehabilitating larger conventionally-financed apartment buildings. The program is operated by local governments in cooperation with a partnership of lenders, neighborhood residents, tenants and building owners.

- Home Ownership Promotion (HOP)

  The Home Ownership Promotion program markets vacant and absentee-owned one-four family properties and places a special emphasis on marketing them to current neighborhood tenants as an anti-displacement strategy.

- Rehabilitation and Sale (R&S)

  The Rehabilitation and Sale program builds capacity to effectively purchase vacant buildings, rehabilitate them, and with the aid of subsidy funds, puts them back on the market at a competitive price level.

- HUD Area Management Broker Program

  This program enables an NHS to manage an inventory of HUD foreclosed single family homes, preventing further deterioration, rehabilitating and selling them to owner occupants, and intervening with mortgagors and mortgagees to prevent further foreclosures.

- Home Maintenance Training Program

  This program is conducted jointly by an NHS and a community college to provide home maintenance and repair skills to neighborhood homeowners.

- Owner-Built Housing Program

  This is an urban version of the highly successful rural "self-help housing" program which utilizes the labor of a group of families to reduce construction costs as they participate in building their own homes on neighborhood lots.

- Commercial Revitalization Projects

  Four commercial revitalization projects were supported in cooperation with the Commercial Reinvestment Task Force.

- Urban Lender Training Program

  Three Urban Lender Training Programs were established in selected cities.

GOAL:

"...experimentally replicate neighborhood preservation projects which have demonstrated success, and after creating reliable developmental processes, bring the new programs to neighborhoods throughout the United States which in the judgment of the corporation can benefit therefrom, by providing assistance in organizing programs, providing grants in partial support of program costs, and providing technical assistance to ongoing programs."[4]

ACCOMPLISHMENTS:

The Neighborhood Preservation Development Division conducts pilot replication activities:

[4] Title VI, Housing and Community Development Amendments of 1978, Public Law 95-557.

1. Develop Workshop Process - Workshops acquaint representatives of the partnership with operational details of the program and assist them in fitting the general model to local conditions.

2. Select sites - This is done by assessing local interest and needs, the capabilities of the new program tool to answer those needs, and the willingness of the local partnership to experiment. The sites are normally NHS neighborhoods where the new tool will interact with the core NHS program. However, in some cases, non-NHS neighborhoods are used for pilot replication.

3. Test and Evaluate Process and Tool - The process is then executed in several pilot sites to test the educational process, to refine the product by determining the range of neighborhood environments in which the tool can be effective, and to evaluate overall effectiveness in meeting neighborhood needs.

4. Refine - Further testing and continued modification is conducted in additional sites.

5. Provide Assistance to Program - Staff are trained to carry out the process and to provide ongoing technical assistance including training workshops, technical counseling, updating relevant analysis and technical information of general interest.

Pilot replication has begun in:

- Apartment Improvement Program

  14 cities (approximately 7 programs operational)

- Home Ownership Promotion Program

  8 cities (approximately 7 programs operational)

- Rehabilitation and Sale Program

  4 cities (approximately 3 programs operational)

- Statewide NHS Foundation

  3 cities (approximately 2 programs operational)

- Insurance Industry Full Partnership

  16 cities (approximately 6 programs operational)

Support services are being provided to operational programs as needed.

GOAL:

To plan, organize, staff, direct, and control the financial and administrative services of the corporation, consistent with Board policy and established financial and management principles.

ACCOMPLISHMENTS:

- Finance- Consolidated all accounting services and reporting systems to provide timely and accurate information for budget planning and monitoring. Implemented an automated accounts payable system and integrated it with general ledger data processing service.
- Personnel-Updated position classification and compensation plan. Revised and updated personnel procedures.
- Communications-Provided accurate information on the Neighborhood Reinvestment Corporation to programs, staff, public interest groups, Congress, government agencies and the public through an annual report, newsletters, brochures and responding to individual inquiries.
- Legal-Created Office of General Counsel to provide legal services thereby reducing outside costs.
- Staff Development-Provided a comprehensive staff training and development program for a staff of 189 permanent and 33 temporary staff members in various occupational categories.
- Program Evaluation-Conducted an evaluation of NHS program impact and developed an ongoing management information system.

NEIGHBORHOOD REINVESTMENT CORPORATION'S

BUDGET REQUEST FOR

FISCAL YEAR 1981

Neighborhood Reinvestment's budget justification is based on schedules submitted to the Office of Management and Budget as a result of the budget process. However, in reviewing the printed budget in the Appendix to the Budget, we noted substantial printing errors in that document. While the request for appropriations is stated correctly at $13,426,000, some of the schedules and amounts in the supporting material are incorrectly stated. To correct this error, we have reproduced a corrected copy of the schedules on the following three pages. (OMB has recognized this error and has in its record the correct copy we submitted for the printing of the budget.)

NEIGHBORHOOD REINVESTMENT CORPORATION

Federal Funds

General and special funds:

(SALARIES AND EXPENSES) PAYMENT TO THE NEIGHBORHOOD REINVESTMENT CORPORATION

For payment to the Neighborhood Reinvestment Corporation for use in neighborhood reinvestment activities, as authorized by the Neighborhood Reinvestment Corporation Act (42 U.S.C. 8101-8107), ($12,000,000). (Department of Housing and Urban Development - Independent Agencies Appropriation Act, 1980; additional authorizing legislation has been proposed).

Program and Financing (in thousands of dollars)

Identification Code 95-1300-0-1-451	1979 actual	1980 est.	1981 est.
Program by activities:			
10.00 Payment to the Neighborhood Reinvestment Corporation (costs-obligations) (object class 41.0)	.....	12,000	13,426
Financing:			
40.00 Budget authority (appropriation)	.....	12,000	13,426
Relation of obligations to outlays:			
71.00 Obligations incurred, net	.....	12,000	13,426
90.00 Outlays	.....	12,000	13,426

The major activities of the Corporation have been assumed from the Urban Reinvestment Task Force. They include the establishment, support, and expansion of neighborhood housing services programs in urban neighborhoods; identifying, evaluating, and supporting neighborhood preservation projects which show promise for reversing neighborhood decline; replicating successful neighborhood preservation projects; and supporting a national loan purchase pool.

The Corporation receives both Federal and non-Federal funding to finance its program activities. The program and financing schedule above reflects only direct Federal appropriations to the Corporation. The following business-type tables reflect the total program activity of the Corporation and its predecessor, the Urban Reinvestment Task Force, and all sources of financing, both Federal and non-Federal.

Budget Activity

(In thousands of dollars)

	1979 Actual	1980 Est.	1981 Est.
Activities:			
1. Neighborhood Preservation Projects	753	1,307	1,455
2. Neighborhood Preservation Development	1,004	1,355	1,440
3. Neighborhood Housing Services	4,910	5,805	6,401
4. Support and Training	1,513	2,715	3,152
5. Executive Services/Finance and Administration	2,026	3,054	3,304
Total corporate obligations	10,206	14,236	15,752
Sources of financing:			
1. Federal appropration	.....	-12,000	-13,426
2. Payments from Federal Home Loan Bank System	-821	-1,081	-1,171
3. HUD Payment to Urban Reinvestment Task Force/Neighborhood Reinvestment Corporation	-8,500	.....	.....
4. Reimbursements for services provided	-885	-1,155	-1,155
Unused balance, start of year	.....	.....	.....
Net obligations incurred	.....	12,000	13,426
Obligated balances, start of year	.....	3,075	2,500
Obligated balances, end of year	.....	-2,500	-2,000
Net corporate outlay	.....	12,575	13,926

Revenue and Expense (in thousands of dollars)

	1979 Actual	1980 Est.	1981 Est.
Revenue	10,206	14,236	15,752
Expense	10,108	14,100	15,600
Net Revenue	98	136	152

Financial Condition (in thousands of dollars)

	1979 Actual	1980 Est.	1981 Est.
Assets:			
Fund balance	2,805	3,500	3,000
Accounts receivables	1,894	200	200
Property and equipment	149	200	230
Other assets	9	10	10
Total assets	4,857	3,910	3,440
Liabilities:			
Accounts payable	244	250	300
Other liabilities	4,136	3,047	2,375
Total liabilities	4,380	3,297	2,675

	1979 Actual	1980 Est.	1981 Est.
Analysis of change in corporate equity:			
Opening balance	379	477	613
Net change	98	136	152
Closing balance	477	613	765

Object Classification of Corporation Obligations (in thousands of dollars)

	1979 Actual	1980 Est.	1981 Est.
Personnel compensation:			
Permanent positions	3,095	4,703	5,126
Positions other than permanent	434	635	650
Total personnel compensation	3,529	5,338	5,776
Travel and transportation of persons	1,359	1,713	2,254
Communications, utilities, and other rent	603	882	1,034
Printing and reproduction	203	205	250
Other services	1,218	1,934	2,189
Equipment	54	126	157
Grants, subsidies and contributions	3,240	4,038	4,092
Total obligations	10,206	14,236	15,752

Personnel Summary

	1979 Actual	1980 Est.	1981 Est.
Non-Federal employees:			
Total number of permanent positions	137	189	191
Total compensable workyears	163	225	225
Full-time equivalent of other positions	(25)	(35)	(33)
Full-time equivalent of overtime and holiday hours	(1)	(1)	(1)
Average officers' salary	$41,875	$44,969	$47,564
Average salary	$16,273	$18,202	$19,728

Budget Schedules

There are budget schedules that follow explaining the source and use of funds for fiscal year 1981.

1. Neighborhood Reinvestment Corporation Revenue and Expenses for Fiscal Year 1981. In this schedule, a combined projection of all sources and application of funds is exhibited. The Corporation receives its primary funding through a Congressional appropriation. In addition, it receives support of some of its administrative costs in the form of contributed staff services and facilities provided through the Office of Neighborhood Reinvestment (ONR) of the Federal Home Loan Bank Board System. The FY 81 contribution from ONR includes: the salaries of the seven Neighborhood Reinvestment Corporation's officers and one other employee; related travel and telephone expenses; and rent and related costs of its Washington offices located in the Federal Home Loan Bank Board building.

   The Corporation receives funds from local government and other entities to pay the direct local costs of developing Neighborhood Housing Service programs. The amounts shown represent a projection of services provided in connection with these development activities. Neighborhood Reinvestment serves as the financial agent for the disbursement of these funds.

   An additional source of funding that was not included in our printed budget schedule is a projection of interest earned. The $503,000 shown has not been allocated for expenses pending consideration by the Board of Directors.

   Expenses are shown as they relate to sources of funds in nine object codes. A narrative line item justification is shown following the budget schedules.

2. Neighborhood Reinvestment Corporation's 1981 Budget Request Allocation by Activity: All Sources of Funds. This schedule shows the allocation of funds from all sources according to program activities in the following categories:

   a. Neighborhood Preservation Projects
   b. Neighborhood Preservation Development
   c. Neighborhood Housing Services
   d. Program Support and Training
   e. Administration

A description of these functions is contained in the beginning of this document.

3. Neighborhood Reinvestment Corporation's 1981 Budget Request Allocation by Activity: Federal Appropriation. The last schedule shows the allocation of funds for the $13,426,000 request for federal appropriations.

NEIGHBORHOOD REINVESTMENT CORPORATION

REVENUE AND EXPENSES - ALL SOURCES OF FUNDS

FISCAL YEAR 1981

(in thousands of dollars)

	Federal Approp.	Federal Home Loan Bank System	Local Sources	Other	Total
REVENUE:					
Federal Appropriation	$ 13,426				$ 13,426
Federal Home Loan Bank System		$ 1,171			1,171
Local Governments (for services rendered)			$ 1,155		1,155
Interest (projected earnings)				$ 503	503
TOTAL REVENUE	13,426	1,171	1,155	503	16,255
EXPENSES:					
Salaries and Employee Benefits	4,793	430	553		5,776
Travel	2,083	99	72		2,254
Professional Services	974				974
Conferences and Workshops	455		462		917
Rent	156	487	6		649
Telephone, Postage, Delivery	329	11	45		385
Printing, Films, Supplies	250				250
Other General and Administrative	294	144	17		455
Grants and Grant Comitments*	4,092				4,092
Unallocated **				503	503
TOTAL EXPENSES	$ 13,426	$ 1,171	$ 1,155	$ 503	$ 16,255
*Grants and Grant Commitments by type:					
NHSA	$ 700				
NPP	700				
NPD	368				
NHS and NHS Expansion	2,324				
TOTAL GRANTS	$ 4,092				
**Pending consideration by Board of Directors					

NEIGHBORHOOD REINVESTMENT CORPORATION -- FISCAL YEAR 1981

ALLOCATION BY ACTIVITY - ALL SOURCES OF FUNDS

(in thousands of dollars)

Expense Categories Account Description	Budget Request	Neighborhood Preservation Projects	Neighborhood Preservation Development	Neighborhood Housing Services	Program Support and Training	Administration	Unallocated
Salaries and employee benefits	$ 5,776	$ 319	$ 611	$ 2,302	$ 1,110	$ 1,434	
Travel	2,254	273	243	724	697	317	
Professional services	974	70	49	10	415	430	
Conferences and workshops	917	39	92	596	127	63	
Rent	649		22	115	25	487	
Telephone, postage and delivery	385	31	28	179	31	116	
Printing, films and supplies	250	6	17	40	37	150	
Other General and administrative	455	17	11	111	9	307	
Grants and grant commitments	4,092	700	368	2,324	700		
Unallocated **	503						$ 503
TOTAL EXPENSES	$ 16,255	$ 1,455	$ 1,441	$ 6,401	$ 3,151	$ 3,304	$ 503

**Pending consideration by Board of Directors

NEIGHBORHOOD REINVESTMENT CORPORATION - FISCAL YEAR 1981

ALLOCATION BY ACTIVITY - CONGRESSIONAL APPROPRIATION

(in thousands of dollars)

Expense Categories Account Description	Budget Requests	Neighborhood Preservation Projects	Neighborhood Preservation Development	Neighborhood Housing Services	Support and Training	Administration
Salaries and Employee Benefits	$ 4,793	$ 263	$ 611	$ 1,693	$ 1,053	$ 1,173
Travel	2,083	267	243	624	680	269
Professional Services	974	70	49	10	415	430
Conferences and Workshops	455	39	92	134	127	63
Rent	156		22	109	25	
Telephone, postage and delivery	329	30	28	129	29	113
Printing, films and supplies	250	6	17	40	37	150
Other General and Administrative	294	17	11	94	9	163
Grants and grant committments	4,092	700	368	2,324	700	
TOTAL EXPENSES	$ 13,426	$ 1,392	$ 1,441	$ 5,157	$ 3,075	$ 2,361
Grants and grant commitments by type:						
NHSA	$ 700				$ 700	
NPP	700	$ 700				
NPD	368		$ 368			
NHS and NHS Expansion	2,324			$ 2,324		
TOTAL	$ 4,092	$ 700	$ 368	$ 2,324	$ 700	

NOTES TO NEIGHBORHOOD REINVESTMENT CORPORATION
1981 BUDGET REQUEST

1. Salaries and Employee Benefits

This line item includes salaries and benefits for 191 permanent employees, and at least 33 local coordinators (temporary full-time personnel hired for development of NHS programs). Neighborhood Reinvestment Corporation staff are currently located in Washington, D.C. and twelve field offices. These field offices house field staff who are directly involved in developmental processes and support services across the nation. Additional field offices will be opened as necessary to effectively deliver field services and minimize travel costs. Office locations and number of permanent employees assigned are listed below:

Washington, D.C.	89
Program Development	15
Neighborhood Preservation Projects	10
Program Support and Training	11
Administration:	
Executive Services	9
General Counsel	3
Communications	4
Staff Development	4
Finance & Administration	33
Boston, MA	14
Dallas, TX	14
San Francisco, CA	14
Atlanta, GA	9
Chicago, IL	9
Cincinnati, OH	6
Denver, CO	3
Kansas City, MO	6
Middletown, CT	6
New York, NY	15
San Diego, CA	5
Seattle, WA	1

2. Travel

This line item provides business travel and related expenses of program development and support staff in their activities related to developing and providing support services to NHS organizations, and new program selection, monitoring and replication.

3. Professional Services

This line item includes contract services for: legal counsel, accounting services and audit; technical assistance provided by Neighborhood Housing Services of America, Inc.; and training facilities for the Executive Director and Rehabilitation Specialist Training Programs. Funds have also been budgeted for staff training and specialized technical services in the program development and support areas.

4. Conferences and Workshops

This line item provides funds for expenses related to the national conference, NHS staff and board training workshops, local developmental workshops and staff meetings held by Neighborhood Reinvestment.

5. Rent

This line item provides funds for leased Washington, D.C. and field office space. The locations budgeted for have been listed above. Whenever possible, such offices are leased or rented in Federal Home Loan Bank facilities. At present, the Washington, D.C., Atlanta, Boston, Cincinnati, New York and San Francisco offices are located in such facilities.

6. Telephone, Postage and Delivery

This line item provides for telephone installation, local and toll charges in Washington and field offices, and toll charges for traveling staff in connection with development, support and related activities. It also provides funds for Washington and field postage and delivery needs.

7. Printing, Films and Supplies

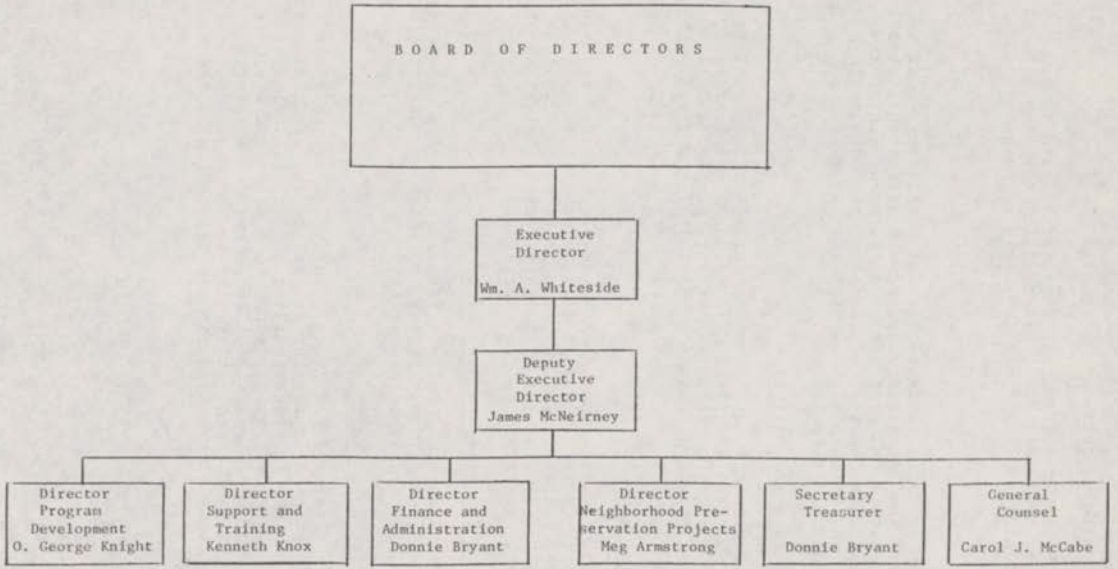
This line item provides funds for the development and printing of the Annual Report, Quarterly Newsletters, brochures on Neighborhood Reinvestment activities, forms, and letterhead. It also provides funds for the development of slide presentations on Neighborhood Reinvestment programs for local workshops.

8. Other General and Administrative Costs

This line item funds such costs as insurance, moving expenses, temporary clerical help, equipment rental, publication subscriptions, office supplies, and other miscellaneous expenses.

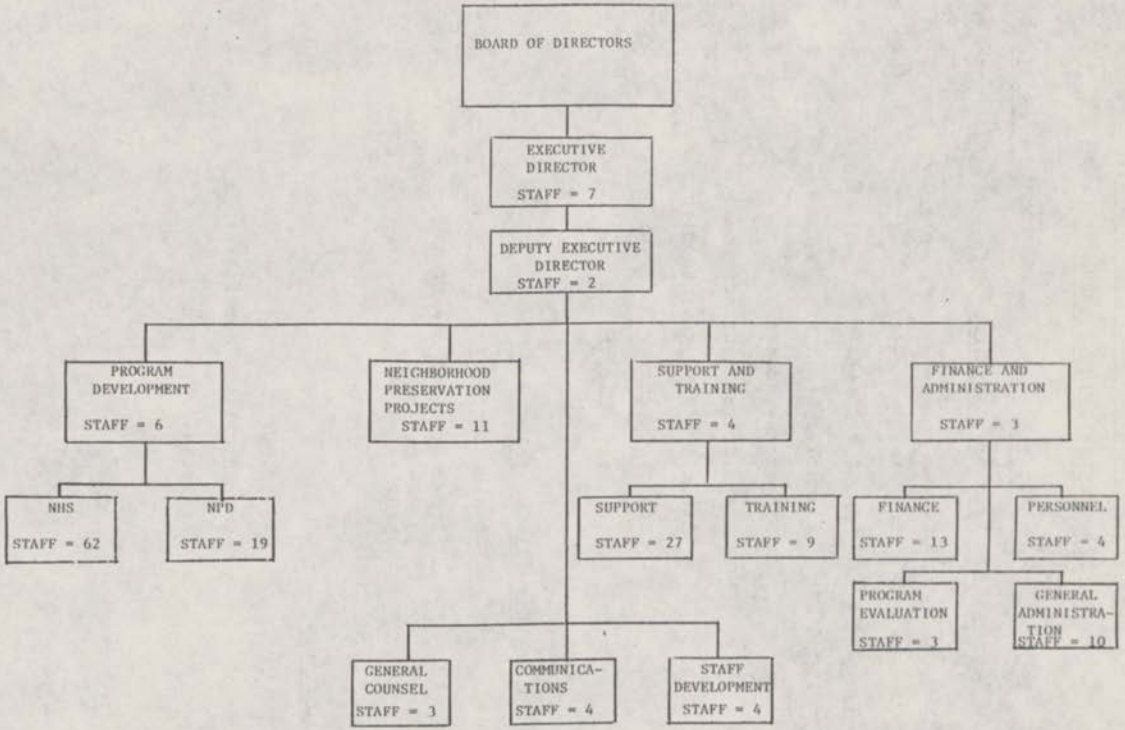
9. Grants and Grant Commitments

This line item funds the following grants: to Neighborhood Housing Services of America to further capitalize the national loan purchase pool and to fund related operating costs; to local governments and non-profit corporations to support, monitor and evaluate demonstration Neighborhood Preservation Projects; to new programs undergoing pilot replication; and, to assist new or expanding Neighborhood Housing Services programs in the capitalization of their revolving loan funds.



Neighborhood Reinvestment Corporation

The Board of Directors and Bylaw Officers of the Corporation



NEIGHBORHOOD REINVESTMENT CORPORATION
ORGANIZATION CHART WITH PRELIMINARY
STAFF DISTRIBUTION - FY 1981

JOB CLASSIFICATION BY ORGANIZATIONAL UNITS

NEIGHBORHOOD REINVESTMENT CORPORATION

LEVEL	JOB TITLE	NO. POSITIONS
	Executive Services	
Executive Director's Office		
VII	Secretary	2
IX	Senior Secretary	1
X	Executive Secretary	1
XII	Program Associate	1
XIII	Legislative/Insurance Liaison	1
XVI	Executive Assistant to Director	1
XX	Deputy Executive Director	1
XXI	Executive Director	1
Office of the General Counsel		
IX	Senior Secretary	1
XII	Legal Research Assistant	1
XIX	General Counsel	1
Communications		
VII	Secretary	1
XII	Communications Specialist	2
XVI	Assistant Director	1

LEVEL	JOB TITLE	NO. POSITIONS
Staff Development		
VII	Secretary	1
X	Staff Development Assistant	1
XV	Staff Development Officer	1
XVIII	Associate Director	1
	Finance and Administration	
IX	Senior Secretary	1
XVIII	Associate Director	1
XIX	Director	1
Finance		
VI	Accounting Clerk	2
VII	Secretary	1
VIII	Accounting Specialist	4
X	Senior Accounting Specialist	1
X	Payroll Assistant	1
XII	Accounts Payable Supervisor	1
XIII	Accountant	1
XIV	Senior Accountant	1
XVIII	Controller	1
Personnel		
VI	Personnel Clerk	1
VII	Secretary	1
XV	Personnel Officer	1
XVI	Assistant Director	1

LEVEL	JOB TITLE	NO. POSITIONS
Administration		
V	Files Assistant	1
V	Mail Clerk	1
V	Receptionist	1
VI	Word Processing Operator	3
X	Records Manager	1
X	Word Processing Supervisor	1
X	Office Services Supervisor	1
XVI	Assistant Director	1
Program Evaluation		
VII	Secretary	1
XIII	Administrative Analyst	1
XVII	Manager, Program Evaluation	1

LEVEL	JOB TITLE	NO. POSITIONS
	Program Development	
VII	Secretary	1
IX	Senior Secretary	1
XI	Field Staff Liaison	1
XII	Finance Assistant	1
XIII	Special Assistant - NHS Dev.	1
XIX	Director	1
	Neighborhood Housing Services Development	
VII	Secretary	8
VIII	Field Office Assistant	5
XIII	Field Representative	36
XVI	District Manager	10
XVIII	Associate Director	3
	Neighborhood Preservation Development	
VII	Secretary	3
XIII	Technical Advisor, Rehab & Sale	1
XIII	AIP Systems Analyst	1
XIII	Field Representative	8
XIV	Senior Field Representative	2
XVI	Assistant Director	2
XVI	AIP Support Manager	1
XVIII	Associate Director	1

LEVEL	JOB TITLE	NO. POSITIONS
	Support and Training	
VII	Secretary	2
XII	Administrative Assistant	1
XIX	Director	1
Support		
VII	Secretary	3
XV	Support Officer	10
XVI	Support Supervisor	3
Training		
VII	Secretary	2
X	Training Assistant	1
XII	Administrative Assistant	1
XIII	NHS Director Trainer	1
XIV	Assistant Training Director	3
XVI	NHS Training Director	1
Technical Services		
VII	Secretary	1
XV	Technical Services Officer	4
XVI	Assistant Director	1

LEVEL	JOB TITLE	NO. POSITIONS
Resources and Monitoring		
VII	Secretary	1
XII	Conference Assistant	1
XIII	Conference Coordinator	1
XIII	Program Monitoring Coordinator	1
XVIII	Associate Director	1

LEVEL	JOB TITLE	NO. POSITIONS
	Neighborhood Preservation Projects	
VII	Secretary	2
IX	Senior Secretary	1
XII	Program Analyst	1
XIII	Field Representative	1
XIII	Urban Lender Trainer	1
XV	Commercial Revitalization Spec.	1
XVI	Assistant Director	3
XIX	Director	1

NEIGHBORHOOD REINVESTMENT CORPORATION

COMPENSATION PLAN

January, 1980

RESPONSIBILITY LEVEL	SALARY RANGE
V	$ 9,000 - $12,175
VI	10,080 - 13,636
VII	10,685 - 14,454
VIII	11,967 - 16,188
IX	12,685 - 17,163
X	13,938 - 18,858
XI	15,332 - 20,747
XII	16,865 - 22,817
XIII	18,552 - 25,100
XIV	20,407 - 27,609
XV	22,448 - 30,370
XVI	24,692 - 33,407
XVII	27,153 - 36,737
XVIII	29,877 - 40,422
XIX	32,865 - 44,465
XX	36,152 - 48,912*
XXI	45,418 - 61,449*

* Maximum amount payable is $50,112

WEDNESDAY, MARCH 19, 1980.

THE AMERICAN BATTLE MONUMENTS COMMISSION

WITNESSES

MAJOR GENERAL A. J. ADAMS, U.S.A., SECRETARY
COLONEL FREDERICK C. BADGER, C.E., DIRECTOR OF ENGINEERING AND MAINTENANCE
COLONEL CLAYTON L. MORAN, FA, DIRECTOR OF PERSONNEL AND ADMINISTRATION
COLONEL WILLIAM E. RYAN, JR., AD, DIRECTOR OF OPERATIONS AND FINANCE

	Appropriation	Positions
1979 actual	$7,425,000	375
1980 estimate	[1] 8,200,000	[2] 384
1981 request	9,003,000	384
Increase	+803,000	([3])

[1] Includes supplemental request of $597,000 for increased paycosts and losses due to unfavorable exchange rates.
[2] Includes 7 permanent positions to operate the Corozal American Cemetery and conversion of 2 military positions to civil service positions.
[3] No change.

Mr. TRAXLER [presiding]. The committee will come to order. Welcome, General Adams. It is a pleasure to have you before us again. If you prefer, you may submit your statement for the record and give us a brief summary.

General ADAMS. Thank you.

TRIBUTE TO SENATOR POTTER

Before I give the summary, I would like to pay tribute to one of our late Commissioners, Senator Charles E. Potter, who died at Walter Reed Hospital in November. He was a decorated combat infantryman in the 28th Division during World War II. He lost both legs due to a land mine explosion during the Colmar campaign. Despite this physical handicap, he went on to represent in a distinguished fashion the State of Michigan in the Congress from 1947 to 1959, first in the House and then in the Senate.

In 1953, he was appointed to the American Battle Monuments Commission by the President and served continuously until his death. I would like to express my own personal sense of loss in his passing as a friend and as a colleague and give recognition to the loss by this Commission. He was one of our most dedicated and hard-working members. He will be sorely missed.

61-805 O - 80 -- 7

GENERAL STATEMENT

The Vietnam Courts of the Missing at our Honolulu Memorial were completed last summer. They are a most attractive and welcome addition to the Memorial.

Mr. TRAXLER. General, may I tell you that Senator Potter was from my State of Michigan. His home town, to my best recollection, was St. Ignace, which is a lovely city on the north side of the Straits of Mackinac, a very beautiful city. He was a fine gentleman. Please continue.

General ADAMS. The stone for the Saipan Monument is on order and should arrive in Saipan this year with erection late this year or early next year.

The construction contract for the AEF Memorial is out for bid; as a matter of fact, I received word today that an acceptable bid has been received and awarded.

Operation of the Corozal American Cemetery in the Panama Canal Zone was assumed by the Commission on October 1, 1979, as scheduled. Cemetery employees are very busy bringing its level of care and maintenance up to Commission standards.

Design of the Utah Beach Monument is under final review. The stone should be ordered this summer, with construction starting early next year.

Nine million and three thousand dollars is requested in fiscal year 1981 to administer, operate and maintain the Commission's facilities. This is $803,000 more than fiscal 1980. The additional funds will enable us to provide care and maintenance of these shrines at the "current level," or established standards.

Thank you, sir, for your attention. We will be pleased to answer any questions.

[The statement follows:]

Mr. Chairman and Members of the Subcommittee, it is a pleasure to appear before you once again. I know that you are familiar with our operations so I will make my opening statement as brief as possible. Before discussing our fiscal 1981 budget requirements, however, I would like to bring you up to date on the status of the Commission's commemorative projects.

Last summer, the Vietnam Courts of the Missing at the Honolulu Memorial were completed. They blend in with and complement perfectly the other courts. The memorial now honors individually by name Missing in Action of three wars, Vietnam, Korea and World War II.

Stone for the Saipan monument is in the process of being quarried, cut to size and inscribed. Its shipment to Saipan is planned this spring with erection of the monument scheduled for completion later this year. You will recall that the Commonwealth Covenant between the United States and the Northern Mariana Islands requires the erection on Saipan of a monument to the Americans who lost their lives in the liberation of those islands during World War II.

The contract for construction of the memorial to the American Expeditionary Forces of World War I presently is out for bid as part of the overall construction plan of the Pennsylvania Development Corporation. If the bid is satisfactory, construction will commence this spring.

The design of the Utah Beach Monument is under final review. We plan to order the stone for the monument this summer and begin construction early next year.

On October 1, 1979, we assumed control of the Corozal American Cemetery in the Panama Canal Zone. Mr. Frank DeGuisti, one of our most experienced superintendents from Europe, has been placed in charge. He, together with seven local national employees, are busy cleaning headstones; ordering replacements for those that are damaged or missing; renovating structures and utilities; and upgrading the graves area and plantings. Excellent progress is being made. Our goal is to raise the appearance, care and maintenance standards of the Corozal American Cemetery, in

five years, to that of our other cemeteries. This completes the report on our commemorative activities.

Last year was a difficult year for the Commission because of inflation and the continued decline of dollar exchange rates in the foreign countries where our installations are located. Cost of living pay raises for our foreign national employees and falling dollar exchange rates made it necessary for us to obtain a $1,185,000 pay supplemental to meet our personnel compensation and benefit requirements, an increase of almost 20 percent to our 1979 appropriation. Because of the shortage of funds, there was a real danger that we would exhaust our 1979 appropriation before the pay supplemental would become available. Therefore, early in April, I directed curtailment of all obligation of funds except for personnel compensation, fixed costs and projects of an emergency nature. The pay supplemental was enacted into law in the latter part of July but by that time, there was a noticeable decline in the appearance of our overseas shrines. Fortunately, we were able to correct the more glaring deficiencies in appearance by the end of September, but many contractual repairs took much longer.

A similar situation is facing us this fiscal year as the value of the dollar has continued to decline on foreign exchange markets. Last August, when we established the dollar exchange rates to be used in our fiscal 1981 budget request, wage board pay increases and lower exchange rates dictated a pay supplemental for this fiscal year of $597,000. Since then, the exchange rates for the dollar have continued to decline. As a consequence, it will be necessary to revise upward the fiscal 1980 pay supplemental contained in our 1981 budget request. The Office of Management and Budget is aware of this and has expressed its willingness to make an appropriate adjustment. We are scheduled to meet with that office to do so next month.

The Commission's fiscal 1981 appropriation request contains $9,003,000 for administration, operation and maintenance of our facilities, $803,000 more than fiscal 1980. This sum will satisfy our current level requirements. The personnel authorization on which the request is based is the reduced level established by OMB under the Leach Amendment for fiscal 1979 plus the eight personnel needed to operate and maintain the Corozal American Cemetery in the Canal Zone.

The $803,000 increase in funds requested over the Commission's fiscal 1980 appropriation breaks down as follows: $304,000 for personnel compensation and benefits; $136,000 for severance pay of long term local national employees in Italy who are retiring; $51,000 for transportation of supplies, materials, spare parts and equipment; $30,000 for increased utility costs; and $288,000 for contractual maintenance and for purchase of supplies, materials, equipment and spare parts. Offsetting these increases in part is a $6,000 decrease in the transportation of persons.

Mr. Chairman, this concludes my prepared statement. We will be happy to answer any questions that you and the other members of the subcommittee may care to ask. Thank you for your attention.

Mr. TRAXLER. Will you introduce the other members of the Commission?

General ADAMS. On my left is Colonel Moran. I am General Adams. This is Colonel Ryan and Colonel Badger.

Mr. TRAXLER. Welcome back, gentlemen.

As you stated in your opening remarks the American Battle Monuments Commission is requesting $9,003,000 and 384 positions in fiscal year 1981. This is an increase of $803,000 above 1980 when the $597,000 supplemental appropriations for increased pay costs and losses due to unfavorable exchange rates is included.

AEF MEMORIAL

In your fiscal year 1978 justification, you estimated the total cost of the American Expeditionary Forces Memorial to be $425,000. This Committee appropriated $300,000 in "no year" funds in fiscal year 1978 to erect the AEF Memorial. The American Legion had originally set aside $125,000, which would have brought the total available funds to $425,000—but withdrew from that offer when the monument was not completed for the Bicentennial celebrations. Has the American Legion reconsidered its offer?

General ADAMS. Not as of now, although Colonel Ryan informed me this morning that he feels the American Legion may change their mind.

Mr. TRAXLER. You will keep us posted.

Colonel RYAN. Yes, sir. When they wrote to us and cancelled out the support, they said it would not preclude us from coming back at a later time and asking reconsideration. So I hope they shall.

Mr. TRAXLER. What are the total funds available for the construction of the monument?

General ADAMS. Three hundred thousand dollars. As I understand it, the award was made today, or yesterday.

Colonel BADGER. It is within our budget.

Mr. TRAXLER. Within the $300,000?

Colonel BADGER. Yes, sir.

Mr. TRAXLER. I assume you are going to start construction this spring?

Colonel BADGER. Yes, sir, and it should be completed by December of this year.

Mr. TRAXLER. Do you anticipate any cost overruns on the monument?

Colonel BADGER. No, sir.

COROZAL AMERICAN CEMETERY

Mr. TRAXLER. In last year's hearings you stated that considerable time and effort—and dollars—will be required to improve the condition of the Corozal Cemetery in the Panama Canal Zone. You estimated that it would take approximately $180,000 per year over a five-year period to raise the standards to that of your other cemeteries.

Just short of six months ago, you assumed control of the American Cemetery. Can you give us an update of the present condition of the cemetery?

Colonel BADGER. Yes, sir. We are busy cleaning and straightening headstones, and ordering replacement headstones for those that are damaged or missing. I have a before-and-after photograph taken of a section of the cemetery, to give you an idea of how dirty the stones were and poorly maintained. We also have to upgrade the utilities and the level of the grass maintenance. It is in very poor condition at this time. So we are quite busy.

Mr. TRAXLER. On page 7 of your justification, you are requesting a $7,000 increase for construction and renovation of utilities and facilities. What are the projects?

Colonel BADGER. We plan to repair the water distribution system there, a sprinkler system. The present one does not work. We hope to be able to use the existing pipes and simply upgrade it for use during the dry season.

Mr. TRAXLER. You are requesting a six percent reduction in funding of the Latin cemeteries and memorials, $21,000 less than fiscal year 1980. Is that correct? Why the decrease?

Colonel BADGER. That is generally, sir, because we are not ordering as much equipment as we ordered in fiscal 1980. Of the $21,000 net reduction, there is a $26,000 reduction in procurement of equipment and some partially offsetting increases in other activities.

Mr. TRAXLER. What is your current estimate of the amount of funding that will be required to raise the standards to that of your other cemeteries?

Colonel BADGER. We feel about $180,000 a year over the next five years should be adequate. Of course, that will depend on inflation and a lot of things.

Colonel RYAN. We need to build a set of quarters there and a stone wall around the place to separate it from the rest of the area. Those two projects alone will be quite expensive.

Mr. TRAXLER. You are talking about $180,000 for five years, so that approaches some $900,000, I take it?

General ADAMS. Yes sir. Of the $180,000 per year, $120,000 will be for normal operations and maintenance and $60,000 for upgrading.

CURRENCY EXCHANGE RATES

Mr. TRAXLER. Last year you requested a $1,185,000 pay supplemental which was an increase of almost 20 percent over the 1979 appropriation. What percentage of that pay supplemental was due to the dollar's decline in the foreign exchange markets?

Colonel RYAN. About $635,000 of it was. $335,000 was for pay increases for our wage board personnel, our military and our Civil Service personnel and the remaining $215,000 was to offset dollar exchange losses in other object classes.

Mr. TRAXLER. This year we are again faced with the sharp foreign exchange gains against the dollar. The value of the dollar has continued to decline on foreign exchange markets. Although this is not universally true, it is as a general proposition. Will you provide for the record a comparison of the exchange rates today to that of last year at this time. And to that as of last August on which the 1981 budget was based?

Colonel RYAN. Yes, sir.

[The information follows:]

FOREIGN CURRENCIES

Exchange rates used in—	FF	BF(L)	NG(H)	IL	BL	TD
1979 budget, those on Aug. 1, 1977	4.98	36.63	2.49	880	0.585	0.425
1979 supplemental, those on Aug. 8, 1978	4.36	31.39	2.15	837	.516	.405
1979 supplemental (update), average Oct. 1, 1978 to Apr. 3, 1979	4.29	29.45	2.02	836	.500	.404
1980 budget, those on Aug. 8, 1978	4.36	31.39	2.15	837	.516	.405
1980 supplemental, average July 6, 1979 to Aug. 14, 1979	4.25	29.20	2.00	817	.441	.401
1980 supplemental (update), those on Nov. 7, 1979	4.19	28.76	1.98	821	.466	.401
1981 budget, average July 6, 1979 to Aug. 14, 1979	4.25	29.20	2.00	817	.441	.401
Average Feb. 1, 1980 to Feb. 21, 1980, preliminary supplemental (update)	4.07	28.23	1.91	807	.436	.398
Current, those on Mar. 19, 1980	4.37	30.28	2.05	873	.456	.403

Note: Recent strong efforts of the Congress and the President to trim the 1981 budget sufficiently to bring it into balance has resulted in a dramatic increase in exchange rates. In the past, such increases have not been sustained.

Mr. TRAXLER. How seriously has the prolonged adverse foreign exchange situation affected the operation and maintenance of the memorials and cemeteries under the Commission's jurisdiction?

General ADAMS. Sir, last April just about a year ago now, we were so short of funds, that I had to stop all obligations except for

pay, rent, communications, utilities, and emergencies. The stoppage remained in effect until July, when the supplemental was passed. By then, our grounds and structures had deteriorated considerably in appearance, repairs, and that sort of thing. We did get the supplemental, as you know, in July, and we were able to catch up somewhat by October.

Mr. TRAXLER. Your supplemental request for fiscal 1980 is a 50 percent reduction from what you requested in supplementals for fiscal year 1979. Even though you stated in your opening remarks that you plan to revise your request this month, there is still a significant difference in the two supplemental requests? Would your revised request total about $700,000?

Colonel RYAN. Yes, sir, based upon a detailed analysis last month, it should be around $712,000. Since the 22 of February, however, the dollar has risen sharply. If the rise is sustained for a significant period, we would have to adjust our estimate accordingly. But as of the 21 of February, we would need a little over $700,000.

Mr. TRAXLER. Will you provide for the record a breakdown of the supplementals for fiscal years 1979 and 1980.

[The information follows:]

SUPPLEMENTAL REQUIREMENTS

[In thousands]

	O.C.11	O.C.12	O.C.13	Other O.C.'s	Total
Fiscal 1979:					
Losses due to dollar exchange rates	466	169		215	850
Wageboard, military, and general schedule pay raises	275	60			335
Total	741	229		215	1185
Fiscal 1980:					
Losses due to dollar exchange rates [1]	173	61	8		242
Wageboard, military, and general schedule pay raises	293	62			355
Total	466	123	8		597

[1] Based on average exchange rates July 6, 1979–Aug. 14, 1979. Dollar exchange rates during fiscal 1980 have averaged significantly lower than those on which the estimate was based.

INITIAL BUDGET SUBMISSION

Mr. TRAXLER. I assume your budget request for 1981 was developed using ZBB procedures again. What were the minimum, current and enhanced levels for 1981 and how do they compare with your request to the Congress?

Last year, the 1980 request was described as "below minimum."

General ADAMS. We submitted four funding packages to the Office of Management and Budget for the operation and maintenance of our facilities during 1981: A minimum funding package of $8,527,000; a current requirements package of $376,000, a personnel supplement to the current requirements package of $179,000, and an enhanced funding package of $296,000, for a total of $9,378,000.

The minimum package would have provided maintenance of grounds and structures in a marginally operable condition but not acceptable condition. It presupposes some degradation of the Commission's maintenance effort as it anticipates that many repairs,

improvements and equipment purchases would be deferred as long as they would not have a serious long-term impact.

The current requirements funding package would raise minimum maintenance and repair to established standards. At this level, the majority of the needed repairs, improvements and procurement of supplies and equipment are funded.

The personnel supplement of this package would restore 14 of the 60 spaces cut from ABMC's personnel authorization since 1968. The enhanced package would enable us to reduce partially the backlog of repair, projects improvements, equipment replacement and purchase of materials for do-it-yourself projects.

Funding of the enhanced package over a period of approximately 10 years would restore overall maintenance and repair of grounds, structures and supply levels and equipment to established standards.

Two funding packages were submitted for the commemoration of the Armed Forces a current requirement of $50,000 and enhanced package of $50,000. These funds were to be used to construct a memorial in Guam, the first American territory in World War II to fall to the Japanese. Of the two packages, one for the procurement of stone and site preparation and one for erection of the monument.

BUDGET SUBMISSION TO THE CONGRESS

The Office of Management and Budget approved a fiscal 1981 budget of $9,003,000. It includes $8,627,000 for operation and maintenance, at the minimum level, $100,000 more than was requested, and $376,000 to raise the minimum level of maintenance to established standards.

OMB added $100,000 to the minimum level as it considered the foreign exchange rates used by us to be somewhat optimistic.

Mr. TRAXLER. Your request is current level?

General ADAMS. Yes, sir.

Colonel RYAN. We received our current level except for construction of memorials.

General ADAMS. We did not receive the $179,000 for the 14 additional spaces.

Colonel RYAN. The personnel supplement to the current level package that we requested.

Mr. TRAXLER. At page 7 of last year's hearings, I asked you to list the reductions you would take if you were funded at the recommended level. You said you had a whole list and I asked you to read them off for us. Will any of the items listed on that page ultimately be started or completed in fiscal year 1980—even though you were funded at the budget request?

General ADAMS. I am sure some were, but I can't answer specifically. Fred, can you?

Colonel BADGER. I cannot answer at this time.

Mr. TRAXLER. Why don't you submit that information for the record and indicate where the money came from if you did start any of these projects in 1980.

Colonel BADGER. Yes, sir.

[The information follows:]

Of the twelve current level projects that were deferred last year because of budgetary ceilings, two were performed in fiscal 1979 using cemetery labor, and contracts for three others were awarded using part of the $215,000 contained in the supplemental appropriation to offset exchange rate losses in other than personnel compensation and benefits. These were:

Cemetery—project:	*Cost*
Henri-Chapelle—Repair eagle pylons	(1)
Lorraine—Repair roads and paths	(1)
St. Mihiel—Repair roads and paths	$21.361
Manila—Patch and seal roads	42,500
Rhone—Paint interior of Visitors building	3,315

[1] Performed in-house.

The three projects listed below are scheduled to be performed in fiscal 1980:

Ardennes—Replace service building doors	$3,123
Somme—Improve workers lunch room	4,164
Brittany—Replace service gate	2,082

Mr. TRAXLER. Are any of these items you detailed for the record last year included in your 1981 request? What items would have the highest priority for fiscal year 1981? You may provide that for the record.

[The information follows:]

Concerning the four projects remaining, two have been deferred and the two listed below are scheduled to be performed in fiscal 1981:

Priority	Cemetery	Project	Cost
4	Sicily-Rome	Construct increment of boundary wall	$14,000
6	Epinal	Repair and seal roads	20,000

EFFECTS OF REDUCTIONS

Mr. TRAXLER. Do you have any particular concerns as a result of the reductions taken last year?

General ADAMS. Reduction in funds?

Mr. TRAXLER. Yes. It is never very pleasant——

General ADAMS. Well, yes, sir, as I indicated before, the standard of maintenance went down considerably prior to receipt of the supplemental. We were unable, for example, to hire casual labor in the summertime that we usually do during the growing season. We were unable to buy fertilizer, weed killers, insecticides and fungicides in time to use them properly. Painting of structures had to be deferred. Repairs to roads and paths had been deferred. Repointing of memorials had to be deferred and several repairs of structures, memorials and equipment; were deferred because of lack of parts and lack of funds to buy them. But the supplemental did help to a great extent, although, as you know, it is not very satisfactory to have to spend that much money in the last couple months of the year.

LEACH AMENDMENT

Mr. TRAXLER. The Civil Service Reform Act of 1978 was enacted into law October 13, 1978. Section 311 of that Act, referred to as the Leach amendment, establishes a temporary employment limitation. This limitation enacted for fiscal year 1979, 1980 and 1981,

limits the total number of civilian employees in the Executive Branch to that of September 30, 1977.

In fiscal year 1977, you were allotted 392 permanent positions yet your reduced level established by OMB under the Leach amendment for fiscal year 1979 was 375. Is that a correct?

Colonel RYAN. That is correct. However, during fiscal 1977 we were reduced by Presidential directive to 387 permanent positions.

Mr. TRAXLER. What impact has that amendment had on your work force? What effect has the President's decision to reduce the balance of payments and the American presence overseas had on the Commission?

General ADAMS. I would like to emphasize that we were below the 1977 levels when the Leach amendment was passed; nevertheless, we were reduced, as you indicated, and the reduction has resulted in five assistant superintendent positions being held vacant and at least nine local national employees, that we need we can't hire. However, I must add that the President has personally reviewed our, fiscal 1981 authorization for personnel and has personally reaffirmed the authorization in the budget.

Mr. TRAXLER. I understand there is a bill presently before the Congress to establish minimum manning levels for the Commission, will you give us some background on this bill?

General ADAMS. Yes, sir, I can. We provided a proposed report on the bill to the Chairman of the Veterans Affairs Committee, submitted it to the OMB for coordination and advice. It was pointed out that the President had personally taken another look at our authorization and reaffirmed it. So, therefore, we must abide by his decision and, willingly, I might add and will do the best we can with the authorization we have. You can understand that we cannot support the minimum limit as is now proposed.

Mr. TRAXLER. In the bill, you mean?

General ADAMS. In the bill; yes, sir.

Mr. TRAXLER. On page 8 of your justifications, you are requesting $228,000 for severance pay of eight foreign nationals in Italy. This is an increase of $136,000 over last year.

How many foreign nationals do you employ in Italy?

Colonel MORAN. Thirty-six.

Mr. TRAXLER. Will you provide for the record a list of the foreign nationals that are scheduled to retire over the next five years, and indicate at current salaries what severance pay would be required for each of those?

[The information follows:]

BENEFITS FOR FORMER PERSONNEL—SEVERANCE PAY

	1981	1982	1983	1984	1985
Local Nationals in Italy scheduled for mandatory retirement:					
#1	$38,312				
#2	35,507				
#3	31,128				
#4	55,460				
#5	39,815				
#6	47,900				
	248,122				
#7		$62,197			

BENEFITS FOR FORMER PERSONNEL—SEVERANCE PAY—Continued

	1981	1982	1983	1984	1985
Local Nationals in Italy scheduled for mandatory retirement—Continued					
#8		39,279			
#9		21,672			
#10				$42,094	
#11					$73,769
#12					88,003
#13					54,198
Totals	248,122	123,148		42,094	215,970

Note.—Severance pay is based upon the employees salary at the time of retirement. Above information does not include those employees who may voluntarily retire, those who may die or those who may retire because of ill health.

Mr. TRAXLER. On page 9 of your justifications, you are requesting $97,000 for transportation of things. This is an increase of $51,000 over 1980. Why do you need a 110 percent increase for transportation costs when your increases for equipment and supplies are largely inflationary costs? It doesn't look like you are buying many additional items that would have to be transported.

Colonel BADGER. We have projected quite a few retirements of our senior superintendents. The cost of shipping home their household goods and those of their replacements to the new station is quite large.

Mr. TRAXLER. These were the post-World War II hirees?

Colonel BADGER. Yes, sir.

Mr. TRAXLER. You are requesting $272,000 for purchase of equipment for 1981. Is the $99,170 worth of equipment you indicated on page 17, you didn't have funds for in 1980—is that a part of the $272,000 equipment request in 1981?

Colonel BADGER. That would be incorporated in our current budget request.

Colonel RYAN. Probably not part of it. You are looking at an enhanced figure there, and we are not at the enhanced level this time, but we are up to our current level requirements.

Mr. TRAXLER. The page indicates that it is a current level of equipment deferred.

Colonel RYAN. Then it would be included, sir.

Mr. TRAXLER. The 1981 equipment request of $272,000 is 35 percent above 1980's $196,000. Why is that?

General ADAMS. I think the reason is as I explained before; during the last few years, we were unable to buy all the equipment we needed and we are simply trying to catch up.

Mr. TRAXLER. The 1979 supplement was enacted in late July. Could you effectively obligate $1,185,000 in two months without lapsing any funds?

General ADAMS. It is cause for concern. As I have mentioned before, it is not really the way to run a business to try to spend that much money in the last couple months.

Mr. TRAXLER. Did any of that money lapse?

Colonel RYAN. No, sir.

Mr. TRAXLER. If the $300,000 is adequate for the start of the AEF memorial, what would the American Legion contribute? Would it be part of the $300,000 memorial profit or for something else?

Colonel RYAN. It would be for the statue of General Pershing. We have a rough estimate of cost.

Colonel BADGER. It looks like we could get it for about $80,000. We are not sure, and we haven't negotiated yet, and we don't have the funds, but between $80,000 and $100,000 should be adequate for an 8-foot statue, and we do have a good sculptor nominated and approved by the Fine Arts Commission.

Mr. TRAXLER. I want to thank you gentlemen. You have a very difficult task, and we are always proud of the good work you do. We know the survivors of our war dead are very grateful for your work. I have had many complementary reports from my constituents who have visited the memorials. Thank you very much.

General ADAMS. Thank you very much. We appreciate the opportunity to appear before you.

Mr. TRAXLER. Your justifications will be placed in the record at this point. The Committee stands adjourned.

[The justification follows:]

AMERICAN BATTLE MONUMENTS COMMISSION

Budget Request for Fiscal 1981

Submitted to the Appropriations Subcommittee for the Department of Housing and Urban Development and Independent Agencies, 96th Congress of the United States.

February 1980

AMERICAN BATTLE MONUMENTS COMMISSION

FISCAL 1981 BUDGET REQUEST

SALARIES AND EXPENSES

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GENERAL STATEMENT

The principal functions of the American Battle Monuments Commission (ABMC) are to commemorate the achievements and sacrifices of United States Armed Forces where they have served since April 6, 1917 through the erection and maintenance of suitable memorial shrines; to design, construct, administer and maintain permanent American military burial grounds in foreign countries; to control the design and construction on foreign soil of U.S. military monuments and markers by other U.S. citizens and organizations, both public and private; and to encourage U.S. government agencies and private individuals and organizations to maintain adequately the monuments and markers erected by them on foreign soil.

In the performance of these functions, ABMC administers, operates and maintains twenty-four permanent American military cemetery memorials and twelve separate monuments in ten foreign countries and three memorials in the United States. These cemeteries and memorials are the most beautiful and meticulously maintained shrines of their nature in the world. No others combine such fitness of design, beauty of landscaping and memorial features and immaculate care. Interred in the cemeteries are 124,906 U.S. War Dead -- 30,920 of World War I, 93,236 of World War II, and 750 of the Mexican War. Additionally, 4,631 American veterans and others are interred in the Mexico City and Corozal Cemeteries. The World War and Mexico City Cemeteries are closed to future burials except for the remains of U.S. War Dead still found from time to time in the World War I and II battle areas. In addition to the burials, these cemeteries, together with the three memorials on U.S. soil, commemorate by name on Tablets of the Missing the 94,089 U.S. servicemen and women who were Missing-in-Action or lost or buried at sea in their general region during the World Wars, and the Korean and Vietnam Conflicts.

On October 1, 1979, ABMC assumed responsibility for the operation, care and maintenance of the American sector of the Corozal Cemetery in the Panama Canal Zone, as directed in Executive Order 12,115. This sector, now called the Corozal American Cemetery, contains the remains of 986 American veterans and 2,832 others. These interments include approximately 1,500 American remains transferred from the Mount Hope Cemetery on the Atlantic side of the Canal. Presently, an American superintendent and seven local national employees are engaged in cleaning headstones; ordering and replacing damaged and missing headstones; renovating utilities, support structures, roads and paths; and upgrading lawns and other plantings. The goal is to complete most of the renovation and upgrading in five years.

Adequate care of these shrines to American Dead requires that a sizable program of repair and scheduled maintenance of facilities and equipment and grounds maintenance be conducted annually. This care includes upkeep of 129,000 graves and headstones; 40 memorial structures with an estimated replacement value of $172,000,000; 67 miles of asphalt roads and paths; 908 acres of flowering plants, fine lawns and meadows; shrubs and hedges with a surface area of 3,000,000 square feet; and 11,000 ornamental trees. All of the plantings including the lawns and meadows must be cut or shaped, fed and treated with insecticides and fungicides at regular intervals during the growing season.

In addition to its other activities, the Commission provides information and assistance on request to relatives and friends of the War Dead interred in or commemorated at its facilities. These services include providing or confirming burial and memorialization information; providing letters authorizing non-fee passports for members of the immediate family traveling overseas primarily to visit the cemetery; providing travel and accommodation information; placing floral decorations at a grave or memorial site utilizing funds furnished by the donor; providing donors with a color polaroid photograph of the floral decoration in place; furnishing a color lithograph of the cemetery or memorial where a serviceman or woman is buried or commemorated by name and a photograph of the appropriate headstone or Tablet of the Missing to relatives; and escorting relatives to the memorial or gravesite within the cemetery.

This appropriation request is submitted pursuant to the Act of March 4, 1923, 42 Stat. 1509, as amended (36 U.S.C. 138a).

LEAD OFF TABULAR STATEMENT
SALARIES AND EXPENSES

	Amount (in thousands)	Permanent Positions	Average Employment
1. Fiscal 1979 appropriation	7,425 1/	375	381
change from 1978	+ 962 2/	- 7 3/	- 6
2. Fiscal 1980 appropriation	8,200	384	390
change from 1979	+ 775 2/ 4/	+ 9 5/	+ 9
3. Fiscal 1981 appropriation request	9,003	384	390
change from 1980	+ 803 6/	n/c	n/c

1/ Includes $30,000 in "no year" funds to construct the Saipan Monument, $30,000 of which was obligated in fiscal 1979. Remaining $10,000 will be obligated in fiscal 1980. Total obligations in fiscal 1979 were $7,415,000.

2/ Increase offsets in part statutory and wage board pay increases, losses due to falling dollar exchange rates and inflation.

3/ 1 Civil Service competitive position was added for the new position of Superintendent, Corozal American Cemetery and 8 permanent positions were deleted as the Commission's assigned share of reductions under the Leach Amendment.

4/ Includes an anticipated pay supplemental of $597,000 to offset in part statutory and wage board pay increases and losses due to falling dollar exchange rates. Does not include $10,000 in previously appropriated "no year" funds to complete the Saipan Monument and $300,000 in previously appropriated "no year" funds to complete the AEF Memorial. Anticipate $8,510,000 will be obligated in fiscal 1980.

5/ 7 of the 9 additional permanent positions are to operate and maintain the newly acquired Corozal American Cemetery in the Panama Canal Zone. The two remaining positions are previously authorized military positions that were converted to Civil Service positions with the approval of OMB.

6/ Increase in funds should enable care of ABMC cemeteries and memorials during fiscal 1981 at established standards.

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INCREASES AND DECREASES BY ACTIVITY
(in thousands)

	Administration and U.S. Memorials	European Cemeteries and Memorials	Mediterranean Cemeteries and Memorials	Asian Cemeteries and Memorials	Latin Cemeteries and Memorials	Totals
1. Fiscal 1979 appropriation	407*	5,689	938	354	37	7,425*
changes from 1978	-311	+1,141	+ 114	+ 19	- 1	+ 962
2. Fiscal 1980 appropriation	409**	6,137	1,117	327	210	8,200**
changes from 1979	+ 2	+ 448	+ 179	- 27	173	+ 775
3. Fiscal 1981 appropriation	380	6,743	1,329	362	189	9,003
changes from 1980	- 29 1/	+ 606 2/	+ 212 3/	+ 35 4/	- 21 5/	+ 803

Justification:

1/ See Page 6
2/ See Page 6
3/ See Page 7
4/ See Page 7
5/ See Page 7

* Includes $40,000 in "no year" funds to construct the Saipan Monument, $30,000 of which was obligated in Fiscal 1979. Total obligations in fiscal 1979 were $7,415,000.

** Does not include $10,000 in previously appropriated "no year" funds to complete the Saipan Monument which will be obligated in fiscal 1980 or $300,000 in previously appropriated "no year" funds to erect the AEF Memorial which also will be obligated in fiscal 1980. Total obligations anticipated in fiscal 1980 are $8,510,000.

INCREASES AND DECREASES BY OBJECT CLASSIFICATION
(in thousands)

	11	12	13	21	22	23	24	25	26	31	Totals
1. Fiscal 1979 appropriation	4,365	1,400	36	54	95	247	17	447*	537	227	7,425*
changes from 1978	+ 558	+ 293	...	-18	+71	+ 37	+ 5	-233	+113	+136	+ 962
2. Fiscal 1980 appropriation	5,076	1,571	92	88	46	277	18	364**	472	196	8,200**
changes from 1979	+ 711	+ 171	+ 56	+34	-49	+ 30	+ 1	- 83	- 65	- 31	+ 775
3. Fiscal 1981 appropriation	5,304	1,647	228	82	97	307	18	459	589	272	9,003
changes from 1980	+ 228 1/	+ 76 2/	+136 3/	- 6	+51 4/	+ 30 5/	...	+ 95 6/	+117 7/	+ 76 8/	+ 803

Justification:

1/ See Page 8
2/ See Page 8
3/ See Page 8
4/ See Page 9
5/ See Page 9
6/ See Page 9
7/ See Page 9
8/ See Page 9

* Includes $40,000 in "no year" funds to construct the Saipan Monument, $30,000 of which was obligated in fiscal 1979. Total obligations in fiscal 1979 were $7,415,000.

** Does not include $10,000 in previously appropriated "no year" funds to complete the Saipan Monument which will be obligated in fiscal 1980 or $300,000 in previously appropriated "no year" funds to erect the AEF Memorial which also will be obligated in fiscal 1980. Total obligations anticipated in fiscal 1980 are $8,510,000.

CHANGES BY ACTIVITY

This appropriation request provides $9,003,000 for the operation and maintenance of permanent American military burial grounds and memorials in eleven countries during fiscal 1981, $803,000 more than the Commission's fiscal 1980 appropriation of $8,200,000. Of the increase, $304,000 are for full year costs of fiscal 1980 ingrade and wage board pay increases, 1981 ingrade increases and higher costs of compensation and personnel benefits due to falling dollar exchange rates; $136,000 are for severance pay of local national employees in Italy; $51,000 are for transportation of household goods of U.S. personnel on permanent changes of station and of supplies, materials, equipment and spare parts; $30,000 are for higher costs of rent, communications and utilities; $95,000 are for contractural maintenance beyond the capability of cemetery employees; $117,000 are for purchase of plantings and replenishing levels of horticultural and maintenance supplies, materials and spare parts; and $76,000 are for replacement of worn out and uneconomically repairable equipment, and procurement of needed equipment not presently on hand. A decrease in funds for transportation of persons of $6,000 is programmed:

1. Administration and U.S. Memorials. $380,000 are requested to administer Commission activities worldwide and maintain three memorials in the United States during fiscal 1981, $29,000 less than fiscal 1980. Increases of $4,000 in compensation and personnel benefits, $2,000 in transportation of persons, $2,000 in printing and reproduction, $1,000 in maintenance of U.S. memorials and $2,000 in the procurement of equipment are offset by a decrease of $40,000 in the construction of memorials The $409,000 in fiscal 1980 funds does not include $310,000 in previously appropriated "no year" funds to construct the AEF Memorial here in Washington and complete the Saipan Monument that will be obligated in fiscal 1980.

2. European Cemeteries and Memorials. $6,743,000 are requested for the operation and care of 18 World War I and II permanent American military cemetery memorials and 11 World War I and II monuments in France, Belgium, England, Luxembourg and the Netherlands during fiscal 1981, $606,000 more than fiscal 1980. Increases are $266,000 for compensation and personnel benefits; $9,000 for travel and transportation of persons; $40,000 for transportation of household goods of employees on permanent changes of station and for transportation of supplies, materials, equipment and spare parts; $23,000 for higher costs of communications and utilities; $91,000 for repairs to facilities beyond the capability of cemetery employees; $103,000 for plantings and replenishing levels of supplies, materials and spare parts; and $74,000 are for replacing worn out and uneconomically repairable equipment and procuring needed equipment not presently on hand.

3. Meditarranean Cemeteries and Memorials. $329,000 are requested for the operation and maintenance of three World War II cemetery memorials in Italy and North Africa and one World War I monument in the British Crown Colony of Gibraltar during fiscal 1981, $212,000 more than fiscal 1980. Increases are $25,000 for compensation and personnel benefits; $136,000 for severance pay of foreign nationals in Italy; $12,000 for transportation of household goods of employees on permanent changes of station and for transportation of supplies, materials equipment and spare parts; $5,000 for higher costs of communications and utilities; $23,000 for repairs to facilities beyond the capability of cemetery employees; $11,000 for plantings, supplies, materials and spare parts and $14,000 for replacement of worn out and uneconomically repairable equipment. A decrease in funds for transportation of persons of $14,000 is programmed in fiscal 1981 because of a lesser home leave requirement that year.

4. Asian Cemeteries and Memorials. $362,000 are requested for operation and maintenance of the Manila American Cemetery and Memorial during fiscal 1981, $35,000 more than fiscal 1980. Increases are $8,000 for compensation and personnel benefits, $2,000 for higher costs of communications and utilities; $11,000 for repairs to facilities beyond the capability of cemetery employees; $6,000 for plantings and replenishing levels of supplies, materials and spare parts; and $13,000 for replacement of worn out and economically repairable equipment. A decrease of $5,000 in transportation of persons is programmed as no home leave is scheduled in fiscal 1981.

5. Latin American Cemeteries and Memorials. $189,000 are requested for operation and maintenance of the cemetery memorial in Mexico City and Panama during fiscal 1981, $21,000 less than fiscal 1980. Increases are $1,000 for compensation and personnel benefits, $1,000 for transportation of persons as no home leave is scheduled in 1980; $1,000 for higher costs of communications and utilities; and $7,000 for construction and renovation of utilities and facilities at the Corozal American Cemetery in Panama. Offsetting decreases of $2,000 in transportation of supplies, materials, equipment and spare parts; $2,000 in purchase of plantings, supplies, materials and spare parts and $27,000 in equipment purchases are possible in fiscal 1981 because the initial procurement of equipment and spare parts for the Corozal American Cemetery in fiscal 1980 includes a number of items that are replaced only periodically.

CHANGES BY OBJECT CLASSIFICATION

This appropriation request provides $9,003,000 for the operation and maintenance of ABMC facilities in fiscal 1981, $803,000 more than fiscal 1980. It is anticipated that the appropriation will provide adequate funds to maintain Commission facilities in fiscal 1981 at established standards. A comparison of ABMC's fiscal 1981 appropriation request by object classification with its fiscal 1980 appropriation is shown below:

11 Personnel Compensation. $5,304,000 are requested for the compensation of 339 local national employees indidgenous to the foreign countries where ABMC installations are located, 45 U.S. civilian employees and 6 military personnel, $228,000 more than fiscal 1980. The additional funds will be used to defray full year costs of U.S. and local national civilian ingrade increases awarded during fiscal 1980 and U.S. civilian and local national fiscal 1981 ingrade increases.

12 Personnel Benefits. $1,647,000 are requested to defray costs of personnel benefits and allowances for U.S. and local national civilian employees during fiscal 1981, $76,000 more than fiscal 1980. These benefits and allowances are provided for either by U.S. federal law or by the laws and agreements with the foreign countries where ABMC installations are located. They are FICA (U.S. social security); group life; education, quarters, post and temporary living allowances; retirement; group health; indigenous social security; bonuses, family allowances; cost of living allowances; meal allowances and incentive awards. As benefits such as retirement and social security are tied to an employee's pay scale, their costs increase as salaries increase.

13 Benefits for Former Personnel. $228,000 are requested for severance pay of 8 long term ABMC local national employees in Italy, $136,000 more than fiscal 1980. Payment of 1 month's salary in severance pay for each year of service with an organization is required by Italian law, regardless of whether or not the individual concerned is scheduled to receive an annuity on termination of employment.

21 Travel and Transportation of Persons. $82,000 are requested for travel and transportation of ABMC personnel, $6,000 less than fiscal 1980. Of this amount, $31,000 are requested for home leave travel of 30 employees and dependents; $36,000 for travel of staff and field personnel in the administration, inspection, maintenance, repair and supply of ABMC facilities in eleven countries around the world; $5,000 are for permanent changes of station of ABMC employees; and $10,000 are for meetings and inspections by the eleven appointive members of the Commission who are charged with direct oversight of ABMC operations.

22 Transportation of Things. $97,000 are requested to ship supplies, materials, spare parts, vehicles and equipment purchased for ABMC use overseas; to transport these items from ports of entry to destinations; and to ship household effects of employees retiring or receiving permanent changes of station, $51,000 more than fiscal 1980. Increase reflects larger than usual shipments of household goods because of retirements and the larger purchases of supplies, materials, vehicles and equipment in fiscal 1981.

23 Rents, Communications and Utilities. $307,000 are requested for rental of office and garage space, postage, telephone service, water, gas, electricity and administrative support by the Department of State, $30,000 more than fiscal 1980. Increase is due to higher costs.

24 Printing and Reproduction. $18,000 are requested for printing and reproduction of photographs, lithographs, cemetery booklets, general information pamphlets, the annual report to the President, blueprints and other material, the same sum as fiscal 1980.

25 Other Services. $459,000 are requested for contractual maintenance and repair of facilities and utilities beyond the capability of cemetery employees, $95,000 more than fiscal 1980. This sum is adequate to maintain facilities at established standards and make a small reduction in backlog of projects.

26 Supplies and Materials. $589,000 are requested to purchase plantings; horticultural, repair and utilities, custodial and office supplies; petroleums, oils and lubricants; tires and tubes; spare and replacement parts for vehicles and equipment, $117,000 more than fiscal 1980. The additional funds will enable reestablishment stock levels and procurement of additional material to increase the number of "do it yourself" projects.

31 Equipment. $272,000 are requested to replace uneconomically repairable and wornout vehicles and equipment, and procure needed equipment not presently on hand, $76,000 more than fiscal 1980. The additional funds will enable accomplishment of programmed replacement of equipment for fiscal 1981 and some limited modernization.

ANNUAL BUDGETS

Cemetery/Office	Fiscal 1979	Fiscal 1980	Fiscal 1981
Aisne-Marne	295,927	275,017	294,632
Ardennes	373,378	422,580	472,083
Brittany	234,247	243,363	312,375
Brookwood	29,085	43,605	33,989
Cambridge	142,828	151,714	160,463
Corozal	-0-	169,866	146,806
Epinal	239,843	261,347	341,518
Flanders Field	168,523	183,075	193,516
Florence	278,401	352,243	448,350
Henri-Chapelle	412,699	453,663	502,360
Lorraine	390,141	435,267	457,657
Luxembourg	207,085	237,281	258,244
Manila	354,220	326,724	362,024
Meuse-Argonne	512,922	550,713	622,251
Mexico City	36,657	39,771	42,197
Netherlands	495,125	516,278	556,639
Normandy	430,207	450,268	475,954
North Africa	129,933	162,715	189,594
Oise-Aisne	204,997	224,072	243,245
Rhone	141,431	146,430	161,082
Sicily Rome	339,320	344,057	424,109
Somme	156,022	155,048	177,692
St. Mihiel	226,577	221,405	264,116
Suresnes	152,021	133,554	142,308
European Office	875,468	1,032,607	1,073,206
Mediterranean Office	190,656	258,004	266,634
Washington Office	397,271	409,333*	379,956
Total	7,414,984	8,200,000*	9,003,000

* Does not include $310,000 of previously appropriated "no year" funds that will be obligated in fiscal 1980.

PROPOSED APPROPRIATION LANGUAGE CHANGES

Request the following changes be made in the Commission's Appropriation language for Fiscal 1981:

a. Change purchase of "four" (for replacement only) to "one" passenger motor vehicle.

b. Change appropriation for Salaries and Expenses from "$7,603,000" to "$9,003,000.

ABMC INSTALLATIONS

Name and Location	No. of Burials	Missing Memorialized	No. of Acres	No. of Employees	Highest Grade
Ardennes American WWII Cemetery and Memorial, Neuville-en-Condroz, Belgium	5,323	462	90.5	16	GS-9
Audenarde Monument, Audenarde, Belgium (1)	...	...	0.4	...	...
Flanders Field American WWI Cemetery and Memorial, Waregem, Belgium	368	43	6.0	6	GS-7
Henri-Chapelle American WWII Cemetery and Memorial, Henri-Chapelle, Belgium	7,989	450	57.0	17	GS-9
Kemmel Monument, Ypres, Belgium (1)	...	...	0.2	...	...
Brookwood American WWI Cemetery and Memorial, Brookwood, England (4)	468	563	4.5	2	...
Cambridge American WWII Cemetery and Memorial, Cambridge, England	3,811	5,126	30.5	14	GS-10
Aisne-Marne American WWI Cemetery and Memorial, Belleau, Aisne, France	2,288	1,060	282.5	13	GS-8
Bellicourt Monument, St. Quentin, Aisne, France (2)	...	...	1.8	...	...
Brest Monument, Brest, Finistere, France (3)	...	...	1.0	1	...

Name and Location	No. of Burials	Missing Memorialized	No. of Acres	No. of Employees	Highest Grade
Brittany American WWII Cemetery and Memorial, St. James, Manche, France	4,410	497	27.5	11	GS-8
Cantigny Monument, Cantigny, Somme, France (2)	...	...	0.4	1	...
Chateau-Thierry Monument, Chateau-Thierry, Aisne, France (5)	...	...	28.0	1	...
Epinal American WWII Cemetery and Memorial, Epinal, Vosges, France	5,255	424	46.0	12	GS-8
Lorraine American WWII Cemetery and Memorial, St. Avold, Moselle, France	10,489	444	114.0	20	GS-10
Meuse-Argonne American WWI Cemetery and Memorial, Romagne-sous-Montfaucon, Meuse, France	14,246	954	130.5	27	GS-10
Montfaucon Monument, Montfaucon, Meuse, France (6)	...	...	9.0	1	...
Montsec Monument, Thiacourt, Meurthe and Moselle, France (7)	...	...	45.0	1	...
Normandy American WWII Cemetery and Memorial, St. Laurent, Calvados, France	9,386	1,557	172.3	21	GS-10
Oise-Aisne American WWI Cemetery and Memorial, Fere-en-Tardenois, Aisne, France	6,012	241	36.5	13	GS-8

Name and Location	No. of Burials	Missing Memorialized	No. of Acres	No. of Employees	Highest Grade
Pointe du Hoc Monument, Cricqueville-en-Bessin, Calvados, France (15)	...	...	31.0	...	...
Rhone American WWII Cemetery and Memorial, Draguignan, Var, France	861	293	12.0	8	GS-7
St. Mihiel American WWI Cemetery and Memorial, Thiaucourt, Meurthe, France	4,153	284	40.3	10	GS-8
Somme American WWI Cemetery and Memorial, Bony, Aisne, France	1,844	333	14.3	7	GS-7
Sommepy Monument, Sommepy, Marne, France (6)	...	...	15.0	...	...
Suresnes American WWI Cemetery and Memorial, Suresnes, Seine, France	1,565(12)	974	7.5	6	GS-8
Tours Monument, Tours, Indre-et-Loire, France (3)	...	...	0.5	...	...
Gibraltar Monument, Gibraltar (8)	...	...	0.1	...	...
Florence American WWII Cemetery and Memorial, Florence, Italy	4,402	1,409	70.0	16	GS-8
Sicily-Rome American WWII Cemetery and Memorial, Nettuno, Italy	7,862	3,094	75.0	17	GS-9
Luxembourg American WWII Cemetery and Memorial, Luxembourg	5,076	370	50.6	12	GS-9

Name and Location	No. of Burials	Missing Memorialized	No. of Acres	No. of Employees	Highest Grade
Mexico City National Cemetery, Mexico City, Mexico	1,563(13)	...	1.0	2	GS-7
Netherlands American WWII Cemetery and Memorial, Margraten, Netherlands	8,301	1,722	65.5	20	GS-10
Corozal American Cemetery, Canal Zone, Panama	3,818(14)	...	16.0	8	GS-9
Manila American WWII Cemetery and Memorial, Luzon, Philippines	17,206	36,280	152.0	42	GS-12
North Africa American WWII Cemetery and Memorial, Carthage, Tunisia	2,841	3,724	27.0	14	GS-8
East Coast Memorial, New York City, New York(9)	...	4,596	0.8	...	...
Honolulu Memorial, Honolulu, Hawaii(10)	...	28,776	1.0	...	...
West Coast Memorial, Presidio of San Francisco, California(11)	...	412	1.3	...	...
Subtotal	129,537	94,088	1,664.5	339	...
Mediterranean Office				7(1 mil)	Col
European Office				33(1 mil)	GS-15
Washington Office				11(4 mil)	MG
Subtotal				390	
Full time equivalent of other positions				6	
Total employees				396	

1. Satellited on Flanders Field Cemetery
2. Satellited on Somme Cemetery
3. Satellited on Brittany Cemetery
4. Satellited on Cambridge Cemetery
5. Satellited on Aisne-Marne Cemetery
6. Satellited on Meuse-Argonne Cemetery
7. Satellited on St. Mihiel Cemetery
8. Satellited on city of Gibraltar
9. Satellited on city of New York
10. Satellited on National Memorial Cemetery of the Pacific
11. Satellited on Presidio of San Francisco
12. Includes 24 Unknowns of World War II
13. Includes 813 non War Dead
14. Includes 986 U.S. veterans and 2,832 others
15. Satellited on Normandy Cemetery

VISITORS TO ABMC CEMETERIES AND MEMORIALS

FY 79

European Cemeteries:	
Aisne-Marne	42,471
Ardennes	93,430
Brittany	101,153
Brookwood	3,978
Cambridge	96,434
Epinal	67,950
Flanders Field	17,516
Henri-Chapelle	498,842
Lorraine	129,358
Luxembourg	224,329
Meuse-Argonne	61,172
Netherlands	612,011
Normandy	1,267,397
Oise-Aisne	7,762
Rhone	16,535
Somme	8,250
St. Mihiel	7,342
Suresnes	4,442
Subtotal	3,260,872

Mediterranean Cemeteries:	
Florence	37,356
North Africa	15,871
Sicily-Rome	209,990
Subtotal	263,217
Manila American Cemetery	564,580
Mexico City National Cemetery	153
Honolulu Memorial	2,250,000
East Coast Memorial	810,000
Grand Total	7,418,822

WEDNESDAY, MARCH 19, 1980.

CEMETERIAL EXPENSES, DEPARTMENT OF THE ARMY

WITNESSES

COL. ANN B. SMITH, DIRECTOR, CASUALTY AND MEMORIAL AFFAIRS, THE ADJUTANT GENERAL'S CENTER
LT. COL. ROBERT M. FAXON, MILITARY ASSISTANT TO ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)
RAYMOND J. COSTANZO, SUPERINTENDENT, ARLINGTON NATIONAL CEMETERY
PAUL TOWELL, BUDGET ANALYST, THE ADJUTANT GENERAL CENTER
JULIUS L. SMITH, ENGINEER TECHNICIAN, THE ADJUTANT GENERAL CENTER

	Appropriations	Positions	Average employment
1979 actual	$5,100,000	150	162
1980 estimate	8,326,000	150	162
1981 request	5,300,000	150	162
Decrease	—3,026,000	0	0

Mr. TRAXLER. The committee will come to order. We have with us today, Colonel Ann B. Smith of the Department of the Army on behalf of cemeterial expenses.

Colonel, I believe you have a statement which you would like to summarize.

Colonel SMITH. Yes, sir. I am happy to be here this year on behalf of the cemetery budget and representing the Secretary of the Army. I know you are very well aware of the importance of Arlington and the part it plays. I don't have to review that.

ACHIEVEMENTS

During 1979, we had approximately 13 interments a day, and for the year we had a total of 2,644 interments against a projected 2,700. So we came very close to our projection on interments.

We also projected some inurnments at the Columbarium. It has not been completed. It was originally due for completion in about May of last year; then in November, but because of some strikes both in the quarry business and the transportation business, we had delays. The Columbarium is now scheduled to be open in early May of this year. We know of about 200 remains that are waiting for it to open, and we are estimating about 600 inurnments a year.

The rehabilitation of the amphitheatre should start in September of 1980, with an anticipated completion date of March of 1982.

Those are the major construction projects for this fiscal year.

BUDGET REQUEST

For fiscal year 1981 we are requesting $5,300,000. This is a decrease of $3,152,000 from last year, because there is no construction included in the budget. This budget will provide $288,000 for administration, and the bulk of the money, $5,012,000, will be to support and maintain and operate the cemetery, to pay for 151 man-years, to run the contract services, buy supplies, equipment, vehicles, and utilities.

That is a summary, sir, and we would be happy to answer your questions.

[The complete statement follows:]

Mr. Chairman and Members of the Committee; Good morning. I am glad to have the opportunity to testify in support of the requested 1981 appropriation for Cemeterial Expenses, Department of the Army. I am appearing on behalf of the Secretary of the Army, who is responsible for Arlington National Cemetery and the Soldiers' Home National Cemetery. The monies provided through this appropriation will finance operations and maintenance, construction, and administration for both of these cemeteries.

Taken together, the Arlington and Soldiers' Home National Cemeteries comprise 628 acres. At Arlington, there are about 13 interments/inurnments a day. For Fiscal Year 1981, 3,450 interments/inurnments are projected. Of this total, 2,850 will be in-ground burials, and 600 cremated remains will be placed in niches in the Columbarium.

Arlington is also a unique memorial to America's war dead from the Revolution to Vietnam, and the final resting place of Presidents and other important public figures. Over 3 million people visit Arlington each year. The two most frequently-visited locations are the Tomb of the Unknown Soldier and President Kennedy's grave. Citizens from across the country also come to attend more than 400 non-funeral ceremonies held each year at Arlington on Memorial Day, Veterans Day and other occasions.

That, very briefly, is a glimpse of Arlington National Cemetery, and what goes on there. Now, before discussing the 1981 budget itself, let me review some of the achievements of this past year.

Most significant, perhaps, is that the first 5,000 niches of Arlington's Columbarium for cremated remains will be completed in April 1980. We expect to have about 600 inurnments a year.

Rehabilitation of the Memorial Amphitheater to accomplish necessary repairs to protect this national shrine from further deterioration and to provide modifications to better accommodate handicapped persons is scheduled for construction contract award in July 1980. This project should be completed in January 1982.

For Fiscal Year 1981, we are requesting a total of $5,300,000. This reflects a decrease in estimated obligations of $3,152,000 from that for fiscal year 1980. Most of this decrease is accounted for by the fact that, in contrast to the last year, no construction projects are programmed for 1981.

For administration of the Army's Cemeteries Program, we are asking $288,000. Administrative personnel monitor cemetery activities to ensure adherence to the Master Plan for construction at Arlington, and established policies and regulations. Budget formulation and justification are also a part of the administration function.

Our main responsibility, of course, is to ensure continued high-quality operation and maintenance of Arlington as both an active cemetery and this Nation's foremost memorial to our honored dead. For these ends, we are asking $5,012,000. This will allow first, for direct hiring of personnel to perform 151 man-years of services, i.e., interments/inurnments and a portion of cemetery maintenance; second, for contracting with an outside firm for security functions, and maintenance of cemetery grounds; and third, for procurement of operating supplies, equipment, vehicles and utilities.

Mr. Chairman, this concludes my opening remarks. We will be glad to answer any questions.

Mr. TRAXLER. Would you introduce your staff?

Colonel SMITH. Mr. Smith, is our Engineering Technician; Lieutenant Colonel Faxon, Military Assistant to the Assistant Secretary

of the Army for Civil Works; Mr. Costanzo, Superintendent of the Cemetery; and Mr. Towell, Budget Officer.

Mr. TRAXLER. Thank you for that presentation.

Your 1979 actual appropriation was $5,100,000, with 150 positions and average employment of 162. The 1980 estimate was $8,326,000, with 150 positions and average employment again of 162.

The Department of the Army, Cemeterial Expenses is requesting $5,300,000 and 150 positions in fiscal year 1981. This is a decrease of $3,026,000 below fiscal year 1980. There is no change in positions or average employment.

We are curious as to why you submitted a new justification one week before the original scheduled hearing date? Last year, the budget justifications for Cemetery Expenses, Army, did not agree with the schedules in the President's budget. We discussed this during the hearing. Subsequent to the hearing, your staff explained to the committee staff the reasons for the errors and pledged that they would not reoccur.

But this year the problem is even worse. You have made wholesale changes in the object classifications from the amounts reflected in the 1981 Appendix. When the 1981 Congressional budget was developed, you knew that you would have to absorb the cost of the October 1979 pay raise.

Why weren't the necessary changes made in the schedules before the budget was submitted to Congress?

Colonel SMITH. Sir, it was an administrative error in my office. We identified—Mr. Costanzo, at the cemetery, identified the difference in our review in October and November. This was not included in the corrections to the President's Budget. This is an error for which I must take the blame.

Mr. TRAXLER. That reminds me of a colonel catching me one time without my helmet on, and I looked him square in the eye and said, no excuse.

Well, we trust we won't have to discuss this matter next year.

Colonel SMITH. I trust so, too, sir.

OBJECT CLASSIFICATION 13

Mr. TRAXLER. On comparing the two justifications, we found some interesting changes in the figures. Turn to page 9 of the original justification—object classification 13, you are estimating $7,000 for fiscal years 1980 and 1981. Yet, this classification was dropped from the new submission. In the President's 1980 budget, the estimate is $4,000 in 1979 and $8,000 in 1980. Why do these figures vary so much from estimate to estimate?

Colonel SMITH. Mr. Costanzo, can you take that?

Mr. COSTANZO. I have included in my personnel benefits, object classification 12, any severance pay that will be required for employees we will be losing that year.

Mr. TRAXLER. We are looking at the original submission on page 9. If you will note, object classification 13, benefits for former personnel, you have $7,000. On the revised justifications, there is no classification for benefits for former personnel.

Mr. COSTANZO. That is correct. I have no need for any funds in that category in 1981. I do not anticipate losing any significant amount of employees. I have included in the object class 12, a small amount for the payment of terminal leave and for some temporary employees.

Mr. TRAXLER. We are glad you are not asking for $7,000 in your second submission, but I wonder how it got there in the original submission?

Mr. COSTANZO. I don't know, sir.

Mr. TRAXLER. For our record, provide a breakdown of object classification 13, for the past five years, indicating the estimates and the actual figures for each year.

[The information follows:]

OBJECT CLASSIFICATION 13.0 BENEFITS FOR FORMER EMPLOYEES

	Estimate	Actual
1975		
1976		
1977		
1978	$135,000	[1] $18,000
1979	10,000	7,000

[1] This was included in fiscal year 1978 for severance pay for those employees being terminated because of the change from inhouse operation of ground maintenance and security functions to contract.

REPROGRAMMING ACTIONS

Mr. TRAXLER. We note that changes also occurred in other object classifications such as supplies and materials, equipment, land and structures, and other services. As I understand it, these changes were necessary in order to supplement your personnel compensation costs. How did you go about reducing your estimate for other services?

Mr. COSTANZO. By assigning higher priority to those items required for our interment program and the elimination of safety hazards.

Mr. TRAXLER. Can you give us some illustration of those drops?

Mr. COSTANZO. Yes sir.

Colonel SMITH. On page 10, we broke down the other services classification.

Mr. COSTANZO. Repair to the old administration building, the security building. This required exterior masonry, replacement of the electrical service in the superintendent's quarters, repairs to the flagstone walks around the administration building, and repairs to the granite walks and reflecting pool around President Kennedy's grave site.

EQUIPMENT

Mr. TRAXLER. Funds for equipment listed under object classification 31, change from $275,000 in the 1981 original request to $128,000 in the 1981 new request. A difference of $147,000. What equipment had you planned to purchase in your original 1981 request? What equipment was eliminated in the new 1981 request?

Mr. COSTANZO. It is quite a lengthy list. May I submit that for the record?

Mr. TRAXLER. Please.

[The information follows:]

LIST OF EQUIPMENT ORIGINALLY REQUESTED IN FISCAL YEAR 1981 PROGRAM AND LATER DELETED

	Year purchased	Estimated replacement cost
Replacement equipment:		
Tractor M/F	1972	$6,000
Trailer, ¾ yard dump (2 each)	1969	1,000
Tractor with front end loader	1966	15,000
Pay loader, diesel, 135 hp	1969	30,000
Cement mixer, 1 cu. yd.	1969	1,500
Seed drill, model 8000	1969	2,000
Machine, giant blower, 8 hp (2 each)	1976	1,600
Drill bit Sharpener	1975	250
Jack stands	1972	150
Cement finishing tools	1971	500
Compactor, vibro place	1968	1,500
Snow throwers, 8 hp (3 each)	1971	12,000
Lime spreader, No. 105 (3 each)	1974	12,000
Additional equipment:		
Stone crusher, diesel, 250 hp		40,000
Display cases for trophy room		7,500
Bronze stantions for Tomb of Unknown Soldier		12,000
Storm sewer cleaner No. 64		4,000
Total		147,000

Mr. TRAXLER. What equipment was deleted from last year's estimate of $188,000? You may do that for the record, also.

Mr. COSTANZO. Dropping it from 188,000 to 150,000?

Mr. TRAXLER. Yes.

[The information follows:]

List of equipment deleted from fiscal year 1980 program

Sedan, 5-passenger (additional)	$5,000
Backhoe, Ford	18,000
Utility cart, 2 at $3,500	7,000
Lathe drum H.D.	3,300
Handi Talkie, 2 at $550	1,100
Interment file cabinet	1,000
Administration file cabinet, 2 at $500	1,000
Radio, 2-way, 2 at $800	1,600
Total	38,000

Mr. TRAXLER. Why is the request in the President's budget for equipment not at least $35,000 less than the 1980 request of $188,000, in light of the language in the Committee Report?

Mr. COSTANZO. It is. It is $38,000 less.

Mr. TRAXLER. In the Committee Report accompanying your 1980 appropriation bill, we stated on page 17 of that report that the recommended amount assumes the savings of $35,000 will be realized in the 1980 request for equipment.

Mr. TOWELL. Sir, in the President's budget it was $188,000.

Mr. COSTANZO. We reduced that to one hundred fifty, so that is $38,000 less.

Mr. TRAXLER. But in your original submission, under classification 31, you listed $157,000 under equipment for fiscal year 1980. Are you saying that the original submission was in error?

Mr. COSTANZO. That is correct.

Mr. TRAXLER. During last year's hearings, on page 55 of the testimony, you provided an answer for the record regarding change in account estimates from year to year. You stated that the 1980 requirement is less than the estimated 1979 requirement, and I quote, "This is due primarily to the reduced requirement for ground maintenance equipment resulting from contracting out of this function. There will be even further significant reductions in equipment requirements over the next few years."

Are you continuing to contract for ground maintenance?

Mr. COSTANZO. Yes, sir.

Mr. TRAXLER. If you anticipate reductions in equipment requirement over the next few years—why was your original estimate $275,000 for 1981, an increase of $118,000 over the estimate for 1980?

Mr. COSTANZO. The increase covers requirements for the purchase of interment equipment not ground maintenance equipment. There will continue to be a requirement for the replacement of interment and other equipment used in other than ground maintenance functions.

Mr. TRAXLER. Would you provide for the record a breakdown of ground maintenance equipment for 1979, 1980, and 1981?

For future justifications, the staff will discuss setting up separate columns for Actual, Original Budget Estimate, and Current Estimate for all schedules. This will assist us in following your justifications from year to year.

[The information follows:]

Fiscal Year 1979 Replacement Equipment

Truck, Cargo	8 ea	33,030
Van	5 ea	32,113
Truck w/cab	2 ea	17,000
Station Wagon	1 ea	4,462
Polaroid Camera	1 ea	165
Chain Saw	1 ea	225
Drill	2 ea	255
Calculator	1 ea	70
Funeral Tent	3 ea	1,966
Truck Jack	1 ea	396
Mower	1 ea	895
Hoist	1 ea	809
Caster	1 ea	248
Guard Shelter	1 ea	2,610
Mat Rubber	1 ea	393
Bunton Trimmer	3 ea	667
Tractor w/Rotary Cut	1 ea	5,038
Mower Rotary	1 ea	160
Asphalt Smoother	1 ea	100
Roto Tiller	1 ea	451
Dishwasher	1 ea	269
Typewriter	1 ea	654
Scaffolds Press Stand	1 ea	2,438

Chain Saw	2 ea	470
Camera 35 mm	1 ea	179
Billy Goat Vacuum	2 ea	778
Hedge Trimmer	2 ea	260
Fire Hose	50 lg	3,530
Washer, Hi-Pressure	1 ea	1,800
Wet/Dry Kari Vac	2 ea	450
Tent, Oval-Funeral	2 ea	1,240
Artificial Grass-Funeral	20 sets	6,390
Giant Blow	2 ea	718
Tractor	1 ea	7,415
Generator	1 ea	307
Radios for Cemetery Net, 20 Handi Talkie, 13 mobile, 7 remote stations and 1 Base station		42,000
	TOTAL:	$169,951

Fiscal Year 1979 Additional Equipment

Spreader, Salt and Sand	1 ea		4,660
Calculator	2 ea		510
Snow Thrower	2 ea		1,418
Prime Mower	1 ea		1,759
Welding Set	1 ea		227
Fertilizer Spreader	1 ea		720
Rammer-Tamper	2 ea		3,194
Prime Mower	1 ea		1,759
Utility Tractor	1 ea		5,114
Sprayer, paint	1 ea		1,228
Time/Date Machine	1 ea		235
Pump, water, cent.	1 ea		1,335
Power washer	1 ea		1,647
Tree Feeder	1 ea		795
Sprayer, hand	1 ea		130
Display case	2 ea		4,360
Grave Cribbers	30 ea		795
GMT Tractor	1 ea		7,415
Spreader, Fert.	1 ea		1,360
Cabinet Card File	1 ea		725
Reader Printer	1 ea		1,845
		TOTAL	$42,000

Equipment Requirements FY-1980

Vehicle Replacement

Equipment Item	Year Bought	Cost
Ford Falcon Sedan	1970	$ 5,000
Cadillac Hearse	1972	16,000

Replacement of Interment Equipment

Forklift	1972	10,000
Tent, Canvas 4@ $437.50 ea.	1975	1,750
Lowering Devise 2@ $700.00 ea.	1965	1,400
Aluminum Grave Planks 20 @ $65.00 ea.	1974	1,300
Tractor, Truckster 2@ $4,000.00 ea.	1976	8,000
Chair Covers 80 @ $12.50 ea.	1976	1,000
Lowering Devise Straps 20 @ $5.00.00 set	1976	700
Crank Handles 10 @ $10.00 ea.	1976	100
Cemetery Flower Vases 40 @ $25.00 ea.	1975	1,000
Umbrella 10 @ $25.00 ea.	1975	250
Cemetery Rep Uniform 4 sets @ $375.00 ea.	1976	1,500

Additional Equipment (Interment)

Forklift	$10,000
Mini-Haul Prime Mover	15,000

Replacement of Maintenance Equipment

Soldiers' Home National Cemetery		
Tractor	1975	$ 3,500
Trimmer 18" 2 @ $250.00 ea	1975	500
Trimmer 12"	1975	370
Mower 21"	1975	220
Generator 1500 W	1972	500
Arlington National Cemetery		
Vacuum Cleaner	1974	300
Utility Trailer	1969	3,000
Backhoe	1973	18,000
Engine Analyzer	1973	1,600
Chainsaw	1976	200
Spreader	1975	1,000
Snow Plows 2 @ $1,000 ea.	1961	2,000
Jack Hammer	1971	600
Water Pump	1971	1,210

Additional Maintenance Equipment

Soldiers Home National Cemetery	
Headstone Pressure Washer	1,800
Arlington National Cemetery	
Tire Changer, Truck, Hydraulic	3,300
Wheel and Bearing Pulley	1,600

Replacement of Office and Lodge Equipment

Typewriter	1964	800
Chair, Desk Rotary	1964	100

Desk, Double	1964	200
Table, Office	1960	200
Stencil Cutting Machine	1959	1,600
Chargers, Single Units 2 @ $85.00 ea.	1970	170
Bookshelves	1955	500
Air Conditioners 2 @ $500.00 ea.	1960	1,500
Information Processor	1951	14,330

Additional Office and Lodge Equipment

Calculator 2 @ $250.00	500

Other Additional Equipment

Flag Containers, Plastic	3,000
Metric Tool Set 2 @ $1,600	3,200
Meter Miser 3 @ $200.00	600
Sprayer, 5 gal. 6 @ $25.00 ea.	150
Jack, Heavy Duty, 2,000 lbs.	500
Tamper w/atchs	1,900
Safety Equipment and Awards	650
Micro-Fish Equipment	1,000
Irrigation Pipe 20' section 100 sections @ $20.00 ea.	2,000
Trash Receptacles 10 @ $50.00 ea.	500
Universal Accessory Kit #900	200
Section Markers (Soldiers' Home N/C) 26 @ $50.00 ea.	1,300
Safety Shoes 80 pairs @ $25.00 ea.	2,000
Trophy Case	900
TOTAL ALL CATEGORIES	$150,000

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Equipment Requirements

3100 Equipment	
Replacement Vehicles:	
1974 Chevrolet Sedan	5,000
1974 International Pickup Truck 3/4 Ton	6,000
Replacement Interment Equipment:	
Backhoe, Ford 1972	21,000
Mound Covers 6x15 poly vinyl 30 ea @$43.33	1,300
Board Scaffold 20 ea @$85.00	1,700
Tent Covers 15x20 6 ea @$383.00	2,300
Lowering Device 12 ea @$758.33	9,100
Replacement Equipment (Maintenance)	
Cement Mixer, electric 1964	2,500
Hydroseeder 500 gal. 1971	12,000
Side Dump Carts 3/4 yd 1970 6 ea	9,000
Seed drill w/tractor tow 8 ft. width 1969	3,000
Tractor with front end loader 1966	15,000
Compressor, air 100 CFM 1968	8,500
Tractor, 14 H.P. 1966	6,000
Additional Equipment:	
Vehicle Sedan 5-passenger	5,000

Maintenance Equipment		
Transmission Jack Heavy Duty		1,700
Arc Welding Machine		2,500
Sand Blasting Machine		4,500
Metric Tool Kit Mechanics		4,000
Lime & Fertilizer Spreader 3 ea		3,000
Mo-Mat, plastic 4x8 10 ea		4,800
	TOTAL:	128,000

AVERAGE SALARIES

Mr. TRAXLER. Turn to page 14, under average salary of ungraded positions. You are reflecting $14,950 for 1980 and 1981. In your new budget request you estimate $16,000 for 1980 and 1981.

What accounts for the large increase in your new submission for ungraded positions?

Mr. COSTANZO. The only answer I can give you is that the $16,837 is for GS and the $16,000 for wage grade reflects the current pay scales. I can't answer why the $14,950 or the $16,285 appeared in the original.

Mr. TRAXLER. Is this increase caused by inflation?

Mr. COSTANZO. No. These are actual pay scales of those employees under the general schedule pay scale that we have currently onboard.

Mr. TRAXLER. The original request indicated $14,950 for 1980 and 1981, and the new request indicates $16,000. That is about a thousand-dollar jump. Does this indicate that your original submission was just in plain error?

Mr. COSTANZO. I think so; yes, sir. I will have to check and supply it for the record.

[The information follows:]

The original request reflected requirements prior to the October 1979 pay increases.

COMPLETION OF COLUMBARIUM

Mr. TRAXLER. You told us in your opening remarks that the first 5,000 niches of Arlington's Columbarium for cremated remains will be completed in May 1980.

Colonel SMITH. We plan to dedicate the building early in May.

Mr. TRAXLER. What caused the delay from your original estimate last year of November 1979?

Colonel SMITH. Strikes. A strike in the quarry business and the transportation strike. The original delay was because the Fine Arts Commission would not accept the concrete-sided building, and we had to face the building with lime-stone; so that caused a delay and increased the price. The later delays were because of strikes and slightly because of the weather. Mostly strikes.

Mr. TRAXLER. Do you have any future plans for the Columbarium beyond what you have already indicated?

Colonel SMITH. What do you mean, sir?

Mr. TRAXLER. Are there going to be any additions to the Columbarium?

Colonel SMITH. In the future there are to be more.

Mr. TRAXLER. Expansions?

Colonel SMITH. Yes, there are a total of eight five thousand niche units and one ten thousand niche unit in the master plan.

Mr. TRAXLER. When would you think the first addition would have to be considered?

Mr. SMITH. We have no experience as to the utilization of the first one.

Mr. COSTANZO. We are going to be averaging 600 inurnments a year. The initial Columbarium will accommodate 5,000. Ultimately, it will be expanded to 50,000 in different increments. So I would

think that within three or four years, we will need to be back looking for our second increment.

Mr. TRAXLER. Are there any construction funds for this in the 1981 request?

Colonel SMITH. No, sir; they were in our original submission. There were funds for the second Columbarium, but there is no construction in the 1981 budget.

BICYCLIST AND JOGGERS

Mr. COUGHLIN. Mr. Chairman, I have to leave, to go back to my other Subcommittee in a moment, and I have one question I wanted to ask.

Mr. TRAXLER. Proceed.

Mr. COUGHLIN. I understand that joggers were barred from Arlington National Cemetery last April and that the prohibition also applies to bicycles except those along specific routes. Is there a particular reason for that?

Colonel SMITH. The main reason is to maintain the dignity of the cemetery, because we found the bicyclists and joggers were going wherever they chose. It was impossible to control where they were going, and they were often interfering with funerals. As it is an active cemetery, it is very important that dignity be maintained.

Mr. COUGHLIN. Would it be possible to cordon off areas where funerals are taking place?

Colonel SMITH. Mr. Costanzo?

Mr. COSTANZO. It would be very difficult, because funerals are occurring all over the cemetery. There are 600 acres, and we cannot predict too far in advance the areas that would be required for burials. We can predict one day ahead where the funerals will be for the next day, but we would have maybe 14 different sections blocked off, including the roads leading to them. This would be an impractical task and, in addition, once the joggers are in the cemetery, we would have no control over them to prevent running across the grass and graves.

I might add we have provided a bicycle route for the serious commuters through the cemetery.

Mr. COUGHLIN. I am trying to think of some way it can be used to benefit both the living and the dead. And maybe even prolong a few lives.

Mr. COSTANZO. I might add that Arlington County has built a bicycling path and jogging path around the cemetery wall to get them from the Memorial Bridge and to the Fort Myer area, and it is convenient there.

Mr. COUGHLIN. What do you do when you catch a jogger?

Mr. COSTANZO. We just ask them to leave.

I might also add that we do have a regulation that has been long-standing in all national cemeteries, not only Arlington, that they are not to be used as a place for recreation or sports. We have a jogging path at Fort Myer that is open to the public to use, and there are adequate areas for them to jog.

Mr. COUGHLIN. I certainly can see prohibiting them from jogging across the gravesites, but I keep wondering about using the roads there. We have them jogging all over the Capitol grounds here, and

I haven't noticed any particular destruction to the dignity of the place.

Mr. COSTANZO. I think the public views the cemetery as a national shrine, and a place that is not compatible with sporting activities.

Colonel FAXON. I work for the Assistant Secretary of the Army, Mr. Michael Blumenfeld, and I was present when the particular bicycle restriction was imposed. We did meet with the bicycle interests at the cemetery and discussed the reasons we were trying to have them stay in a certain area through the cemetery. We did not close the cemetery to bicyclists principally to allow commuters to continue to go through the cemetery to places of work.

We have letters in our files, many letters, on both joggers and bicyclists, and we have indications from even our guards who attempted to cordon off roads for funerals, where youngsters on bikes will cut by the caisson and through funeral processions. These incidents are not isolated. We did meet with interested parties, and we think we have appeased most of the people, the serious commuters, who wish to go through the cemetery. Now a route has been completed by Arlington County directly around the periphery of the cemetery specifically for bikers.

Mr. COUGHLIN. Thank you, Mr. Chairman.

ZERO-BASE BUDGET

Mr. TRAXLER. Your budget for 1981 was developed by you using ZBB procedures, is that correct?

Colonel SMITH. Yes, sir.

Mr. TRAXLER. What were the minimum, current and enhanced levels and how do they compare with your request to Congress? You can submit that for the record.

[The information follows:]

Zero-base budget

Minimum	$5,300,000
Basic	5,480,000
Enhanced	8,456,000

CONSTRUCTION PROJECTS

Mr. TRAXLER. What was the total construction request to OMB for 1981?

Colonel SMITH. Two million eight hundred forty-one thousand dollars.

Mr. TRAXLER. Provide for the record, a list of the construction projects, and indicate whether or not these have been requested previously, also provide the year and earlier request.

Colonel SMITH. Yes, sir.

[The information follows:]

Fiscal year 1981 construction funding request for Arlington National Cemetery submitted to OMB.

Projects:	*Amount*
Permanent visitors center and parking facility (preliminary design and engineering investigation)	$420,000
General repair of roads, phase III	920,000
New warehouse facility (design)	126,000

Projects—Continued	Amount
Landscape Columbarium area	300,000
Replacement of west boundary wall (design)	30,000
Lands development project 90 (preliminary design and engineering investigation)	183,000
Columbarium, 5000 niche modular unit (construction)	862,000
Total	2,841,000

PAST FUNDING REQUEST FOR CONSTRUCTION—IN PRIORITY ORDER

1. Permanent Visitors Center and Parking Facility (preliminary design and engineering investigation).

To replace an 11 year old temporary visitors center and parking area which is inadequate, poorly located, and will require considerable repair if not replaced.

Fiscal year:	
1975	[1] $750,000
1976	177,000
1977	400,000
1978	400,000
1979	400,000
1980	400,000

[1] Permanent underground visitors center and parking garage.

2. Repair of Cemetery Roads, Phase III (Construction).

To rebuild and resurface, as necessary, due to wear and tear, age, and damage due to exposure to seasonal changes.

Fiscal year:	
1977	[1] $200,000
1979	[1] 240,000
1980	240,000

[1] Approved

3. New Warehouse Facility (design)

To replace deteriorated, inadequate, and unserviceable facilities thereby improving the working conditions and efficiency of operations.

Fiscal year:	
1976	$75,000
1977	75,000
1978	75,000
1979	90,000
1980	90,000

4. Landscape Columbarium Area:

To Landscape 14 acres of land that will eventually encompass eight 5,000 niche modules and one 10,000 niche module for cremated remains. This work will enhance the aesthetic effect, and will reduce damage due to soil erosion.

Fiscal year 1980	[1] $92,000

[1] Partial rehabilitation of the Columbarium area.

5. Land Development Project 90 (preliminary design).

To develop the remaining 40 acres of land bringin g 24,000 additional grevesites to the cemetery. Work includes construction of roads, paving, curbing water, distribution system, establishment of turf, gravesite monumentation, construction of 1,500 feet of boundary wall and fence, and land scaping.

Fiscal year:	
1976	[1] $140,000
1980	175,000

[1] Demolition of the five remaining buildings on Fort Myer South Post.

6. Columbarium—5,000 Niche Unit (construction).

The construction of the north court to complete the first increment of the Columbarium (10,000 Niches) as planned, and approved by the Commission of Fine Arts.

Fiscal year 1980	$750,000

INTERMENTS AT ARLINGTON CEMETERY

Mr. TRAXLER. Also provide for the record an updated year-by-year estimated schedule for interments over the next 40 years.
[The information follows:]

Estimated interments for Arlington National Cemetery, fiscal year 1980–2021

Information given below does not include inurnments to be made in the Columbarium.

Fiscal year:	*Interments*
1980	2,750
1981	2,793
1982	2,893
1983	2,992
1984	3,091
1985	3,192
1986	3,325
1987	3,464
1988	3,609
1989	3,760
1990	3,918
1991	3,969
1992	4,022
1993	4,076
1994	4,130
1995	4,270
1996	4,354
1997	4,441
1998	4,529
1999	4,619
2000	4,713
2001	4,819
2002	4,932
2003	5,059
2004	5,200
2005	5,351
2006	5,510
2007	5,673
2008	5,806
2009	5,926
2010	6,033
2011	6,129
2012	6,209
2013	6,284
2014	6,361
2015	6,445
2016	6,529
2017	6,618
2018	6,710
2019	6,805
2020	6,903
2021	7,002

The above projections are based on the following:

a. Veterans Administration. Projection of Deaths, Wartime and Peacetime Veterans, 1978–2000. Beyond the year 2000 the projections are by Army using the same ratio of yearly increase as used by the Veterans Administration.

b. Arlington National Cemetery will receive .66% of the total Veteran Death. This is based on actual past experience.

c. Continuation of the existing Veteran population and of the standing peacetime military strengths. Therefore, a war or major conflict which would increase the size of the Armed Forces would obviously increase the projection of deaths each year.

Mr. TRAXLER. Last year's justifications, on page 72, under language changes for fiscal year 1980, you proposed the purchase of two passenger motor vehicles of which one was for replacement only. Have you purchased these vehicles?

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Mr. COSTANZO. Only the replacement was approved. The additional vehiclce was deleted. We have ordered the replacement. Since the additional one was deleted, we are again requesting it in the 1981 submission.

Mr. TRAXLER. Why are you requesting the additional vehicle for 1981? Has there been a significant increase in operations over last year?

Mr. COSTANZO. Yes, it is attributed to the opening of the Columbarium. We are going to pick up 600 additional cases each year. The families must be escorted through the cemetery, and we need a vehicle for that purpose.

Mr. TRAXLER. The President's budget estimate for fiscal year 1980 was $7,943,000 which included $1,000,000 for the partial rehabilitation of the Memorial Amphitheatre and $1,582,000 for six other construction projects. The agency had originally proposed $3,000,000 for the entire amphitheatre rehabilitation in 1980. The phased construction plan recommended by the Administration would cost an additional $555,000 and prohibit ceremonies in the amphitheatre for three years.

Congress provided some $8,326,000, including $3,000,000 for the entire cost of the amphitheatre rehabilitation. No funds were included for the other, lower priority construction projects.

In your opening remarks you stated that the rehabilitation of the Memorial Amphitheatre is scheduled for construction contract award in July 1980 and will be completed in April 1982. What is the status of this project, and have you had any design modifications?

Mr. SMITH. The design is about 75 percent completed, and there have been no design modifications since last year.

Mr. TRAXLER. Has the contract gone out for bid?

Mr. SMITH. No, sir. The contract will go out for bids the latter part of August, awarded in September 1980.

Mr. TRAXLER. When do you anticipate construction will actually start?

Mr. SMITH. September 1980.

Mr. TRAXLER. Taking the rate of inflation into account, will you have to scale down the planned renovation?

Mr. SMITH. No, sir. So far, our cost estimate is in line with what the Congress has approved for construction.

Mr. TRAXLER. Are you telling us that you will be able to live within the $3 million?

Mr. SMITH. Yes, we will.

Mr. TRAXLER. That is certainly an affirmative answer.

Colonel FAXON. It appears that way now, sir.

Mr. TRAXLER. Thank you very much for coming in today. We will place your justifications in the record at this point. The Committee stands adjourned.

[The justifications follow:]

DEPARTMENT OF THE ARMY

THE ADJUTANT GENERAL'S OFFICE

BUDGET JUSTIFICATION, FISCAL YEAR 1981

CEMETERIAL EXPENSES, DEPARTMENT OF THE ARMY

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GENERAL STATEMENT

Responsibility for the operation of Arlington and Soldiers' Home National Cemeteries is vested in the Secretary of the Army.

As of 30 September 1979, Arlington and Soldiers' Home National Cemeteries contain the remains of 190,392 persons and comprise a total of approximately 628 acres. There were 2,644 interments in FY 1979; 2,750 interments and 600 inurnments are estimated for FY 1980 and 2,850 interments and 600 inurnments for FY 1981.

In addition to normal cemetery operations, Arlington National Cemetery requires a continuing program of construction. The program provides for land development for gravesites and for the construction of new and/or renovation of existing buildings and facilities.

The funds requested under this appropriation are expended pursuant to the Act of July 24, 1876, 19 Stat 99, as amended, and Act of July 1, 1948, 62 Stat 1215, as amended.

LEAD-OFF TABULAR STATEMENT
($ in Thousands)

Brought forward to FY 1979:	
Unobligated balance end of FY 1978	$ 109
Appropriation, FY 1979	5,100
Obligations, FY 1979	5,083
Unobligated balance available end of FY 1979	126
Funds carried forward to FY 1980:	
Unobligated balance end of FY 1979	$ 126
Appropriation, FY 1980	8,326
Obligations, FY 1980	8,452
Appropriation Request:	
Appropriation Request, FY 1981	$ 5,300
Decrease in estimated obligations, FY 1981 (8,452 to 5,300)	3,152
Decrease in appropriation request, FY 1981 (8,326 to 5,300)	3,026

RECONCILIATION OF OBLIGATIONS AND APPROPRIATIONS
($ in Thousands)

		Operation and Maintenance	Administration	Construction	Totals
A.	FY 1979 Obligations	$4,576	$262	$ 245	$5,083
B.	FY 1979 Appropriation	4,578	282	240	5,100
C.	FY 1980 Obligations	5,062	285	3,105	8,452
D.	FY 1980 Appropriation	5,041	285	3,000	8,326
E.	FY 1981 Obligations	5,012	288		5,300
F.	FY 1981 Appropriation	5,012	288		5,300
G.	FY 1981 Increase or Decrease:				
	Appropriation (Line D to F)	- 29 1/	+ 3 2/	-3,000 3/	-3,026
	Obligations (Line C to E)	- 50	+ 3	-3,105	-3,152

Justification:

1/ See Page 4

2/ See Page 5

3/ See Page 6

JUSTIFICATION

1/ An amount of $5,012,000 is requested for Operation and Maintenance of Arlington and Soldiers' Home National Cemeteries.

Appropriation decrease	$29,000
Obligation decrease	$50,000

Plan of work: To apply 151 manyears to cemeterial operation and maintenance and to procure necessary operating supplies and equipment. To replace equipment and vehicles which are no longer serviceable or economically repairable. Provision is also made to accommodate and accomplish 3,450 interments/inurnments. The program also includes the maintenance of 174,058 occupied gravesites, an increase of 1,450 over FY 1980 within approximately 628 acres. Funds will be utilized for pay and benefits, travel, transportation, communications, utilities, contractual maintenance of buildings, grounds, equipment, security, and operating supplies and equipment.

2/ An amount of $288,000 is requested for Adminstration.

Appropriation increase	$3,000
Obligation increase	$3,000

Plan of work:

To provide staff and technical supervision of Arlington and the Soldiers' Home National Cemeteries. Funds will provide for pay, benefits and travel expenses of personnel and other administrative expenses.

3/ No funds are requested for Construction at Arlington National Cemetery.

Appropriation decrease	$3,000,000
Obligation decrease	$3,105,000

Funding Need: Since FY 1968 Congress has appropriated a total of $23,895,000 in support of the Arlington National Cemetery construction projects. The greater part of these funds were used for projects in connection with the Arlington National Cemetery Master Plan as approved by Congress. Of the $23,895,000 appropriated to date, $20,790,000 has been obligated and $3,105,000 are programed for obligation during FY 1980.

LANGUAGE CHANGES

There are two proposed changes in the 1981 appropriation language:

The purchase of two passenger motor vehicles of which one shall be for replacement only.

Decrease in the amount to be appropriated from $8,326,000 to $5,300,000.

VEHICLE DATA

Replacement Type	Meets Replacement Criteria		
	Mileage	Age	Other
1 Sedan			X
1 3/4 Ton Pick-up			X
Additional			
1 Sedan			

OBJECT CLASSIFICATION
($ in Thousands)

		Estimate FY 1980	FY 1981	Increase/ Decrease
11	Personnel compensation	$2,588	$2,591	$ +3
12.0	Personnel benefits	257	257	
13.0	Benefits for former personnel	7	7	
21.0	Travel and transportation of persons	4	4	
22.0	Transportation of things	4	4	
23.1	Standard level user charges	16	16	
23.2	Communications, utilities and other rent	135	130	-5
25.0	Other services	1,733	1,622	-111
26.0	Supplies and materials	332	350	+18
31.0	Equipment	157	275	+118
32.0	Land and structures	3,219	44	-3,175
	Total direct obligations	$8,452	$5,300	$-3,152

OTHER SERVICES, OBJECT CLASS 25
($ in Thousands)

	FISCAL YEARS	
	1980	1981
Maintenance of Equipment	$ 19	$ 20
Maintenance of Building and Grounds	354	87
Security Contract	315	350
Ground Maintenance Contract	800	900
Headstone setting and realignment	100	100
Tree and Shrub Maintenance	40	60
Support agreement w/MDW	100	100
Maintenance of office equipment in headquarters	5	5
TOTAL	$1,733	$1,622

PROGRAM AND FINANCING
($ in Thousands)

		FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
Program by Activities:				
1.	Operation and maintenance	$4,576	$5,062	$5,012
2.	Administration	262	285	288
3.	Construction, Arlington Naitonal Cemetery	245	3,105	
10.00	Total Obligations	5,083	8,452	5,300
Financing:				
21.00	Unobligated balance available start of year	- 109	- 126	
24.00	Unobligated balance available end of year	126		
	Budget Authority	5,100	8,326	5,300
40.00	Appropriation	5,100	8,326	5,300
Relation of obligations to Outlays				
71.00	Obligations incurred	5,083	8,452	5,300
72.00	Obligations balance, start of year	3,503	3,028	4,480
74.00	Obligations balance, end of year	3,028	4,480	4,580
90.00	Outlays	5,558	7,000	5,200

DETAIL OF PERMANENT POSITIONS

GRADES AND RANGES	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
GS-15 $40,832 to $50,100	1	1	1
GS-14 $34,713 to $45,126	1	1	1
GS-12 $24,703 to $32,110	6	6	6
GS-09 $17,035 to $24,147	5	5	5
GS-08 $15,423 to $20,049	1	1	1
GS-07 $13,925 to $18,101	9	9	9
GS-06 $12,531 to $16,293	3	3	3
GS-05 $11,243 to $14,618	8	8	8
GS-04 $10,049 to $13,064	12	12	12
GS-03 $ 8,952 to $11,634	2	2	2
Ungraded	102	102	102
Subtotal	150	150	150
Unfilled positions, 30 September (-) end of year	11	0	0
Total permanent employment	139	150	150

NUMBER OF CIVILIAN PERSONNEL AND MANYEARS AT END OF YEAR

	FY 1979 Actual		FY 1980 Estimate		FY 1981 Estimate	
	Full Time in Permanent Positions	Total	Full Time in Permanent Positions	Total	Full Time in Permanent Positions	Total
0861 Operation & Maintenance	130	134	139	140	139	140
0864 Administration	9	9	11	11	11	11
Total employment included in budget estimates	139	143	150	151	150	151
			Manyears			
BP 0861	125	146	139	151	139	151
0864	10	10	11	11	11	11
Total Manyears	135	156	150	162	150	162

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PERSONNEL SUMMARY

	FY 1979 Actual	FY 1980 Estimate	FY 1981 Estimate
Total number of permanent positions	139	150	150
Full time equivalent of other positions (M/Y)	21	12	12
Total compensable work-years	156	162	162
Average GS grade	6.85	6.85	6.85
Average GS salary	$16,106	$16,285	$16,285
Average salary of ungraded positions	$14,876	$14,950	$14,950

STATUS OF ARLINGTON AND SOLDIERS' HOME NATIONAL CEMETERIES
AS OF 30 SEPTEMBER 1979

	Gravesites Available	Gravesites Used	Gravesites Reserved	Projected Closing Date
Arlington National Cemetery, Arlington, Virginia --	44,129	157,893	15,904	2021
The Soldiers' Home National Cemetery, Washington, D. C. ----------	210	13,385	26	1986

TUESDAY APRIL 1, 1980.

NATIONAL CREDIT UNION ADMINISTRATION CENTRAL LIQUIDITY FACILITY

WITNESSES

LAWRENCE CONNELL, CHAIRMAN, NCUA BOARD
LEONARD LAPIDUS, PRESIDENT, CENTRAL LIQUIDITY FACILITY
JOHN SANDER, BUDGET OFFICER, NCUA

LIMITATIONS

	1980	1981	Difference
Limitations on borrowing authority (cumulative)	$300,000,000	$6,000,000	+$300,000,000
Limitations on loans		$4,400,000,000	+$4,400,000,000
Limitation on administrative expenses	$1,756,000	$1,936,000	+$180,000
Permanent positions	20	20	

Mr. TRAXLER. The Committee will come to order. We want to welcome Lawrence Connell, Chairman of the National Credit Union Administration's Central Liquidity Facility. Also here today is Leonard Lapidus, the newly appointed President of the Central Liquidity Facility, and John Sander, Budget Officer for NCUA. We will place the biographical sketch of Leonard Lapidus in the record at this point.

[The biography follows:]

LEONARD LAPIDUS

Leonard Lapidus is President of the Central Liquidity Facility of the National Credit Union Administration. He was appointed to that post in September 1979.

Mr. Lapidus was New York State's Acting Superintendent of Banks from November 1976 to July 1977, after having served for 13 months as First Deputy Superintendent.

Prior to his joining the Banking Department, he was Vice President at the Federal Reserve Bank of New York.

An economist by profession, Mr. Lapidus served with the New York Federal Reserve Bank for 13 years. In 1967 he was named manager of the Banking Studies Department. A year later he was named an Assistant Vice President with additional responsibility for the Bank Reports and Analysis Department.

These departments are engaged in numerous activities including analyzing bank merger and holding company acquisitions, preparations of special studies and research on banking structure and competition, preparation of position papers on important legislative developments in banking and the administration of banking regulations.

He was appointed Vice President at the Bank in 1972.

Prior to his appointment to the CLF, he directed a study of state and federal regulation of commercial banks commissioned by the Federal Deposit Insurance Corporation. The study was released in August of this year and will soon be published by the FDIC.

Mr. Lapidus is the author of a number of papers, including "Thoughts on Investment Strategy for Thrift Institutions", and "Commercial Banks and Thrift Institutions: The Differing Portfolio Powers", both published in 1975. He directed a study, "Public Policy Towards Mutual Savings Banks in New York State: Proposals for Change", which was jointly published in 1974 by the Federal Reserve Bank and the

New York State Banking Department. In addition, he has been a frequent speaker on banking and financial topics.

Mr. Lapidus earned his Master of Arts degree and his Ph. D. degree in economics from New York University's Graduate School of Arts and Science. He was graduated magna cum laude from City College of New York in 1951 with a Bachelor of Science degree in social science.

Mr. TRAXLER. The Central Liquidity Facility appears today in support of its 1981 budget request. That request consists of (1) a $600,000,000 cumulative limitation on borrowing authority, (2) a $1,936,000 limitation on administrative expenses, and (3) a $4,400,000,000 limitation on loans. The limitation on loans is new—it was not requested last year.

We will be pleased to hear your general statement at this time.

GENERAL STATEMENT

Mr. CONNELL. Mr. Chairman, members of the Subcommittee, I am pleased to be here today to discuss the fiscal year 1981 appropriation request for the operation of the National Credit Union Central Liquidity Facility. Accompanying me are Mr. Leonard Lapidus, the president of the Central Liquidity Facility, on my far right, and Mr. John Sander, the budget officer for the National Credit Union Administration, next to me.

The facility opened for business on October 1, 1979, as we had planned, and after five months is serving over 3,000 credit union members with $21 billion of credit union assets, representing about one-third of the assets in the credit union community. A large number of these credit unions joined the CLF just prior to the end of the charter membership period on February 23, 1980. Indeed, about three-fifths of the membership and serviced assets were gained during February. When capital is fully subscribed, the CLF will have about $50 million of paid-in capital with an equal amount on call. We had estimated, and continue to expect, that by the end of fiscal year 1980, the CLF will be servicing one-half to two thirds of the assets of credit unions, suggesting paid-in capital of $75 to $100 million.

The CLF has outstanding $30 million in loans to credit unions, all of it in short-term adjustment credit resulting largely from disintermediation. Loan demand has not grown strongly, reflecting in part the slow growth of membership through January and in part that credit unions prepared reasonably well to meet outflows in January. But it is expected to expand. First, the NCUA Board recently adopted a policy on protracted adjustment credit that will likely result in near-term credit extensions of some $100 million. And, Mr. Chairman, I think our latest estimate is $200 million. Second, the recent sharp rise in interest rates will bring increased pressures on credit unions which will be most keenly felt in April, after credit unions pay the second-quarter dividends. Finally, the NCUA Board qualified five centrals for agent membership in February. These five represent about $9 billion of the $21 billion of assets of natural person credit unions with access to the CLF, so as they become operational the effective demand for CLF loan services will expand sharply. In any case, we expect the CLF will grow and use the $300 million of borrowing authority during the course of this fiscal year.

It is anticipated that in fiscal year 1981 credit unions borrowing from the CLF will range as high as $300 million for short-term adjustment and seasonal credit. An additional $300 million will be needed to provide for credit union long-term emergency borrowings. Thus, the total requested borrowing authority for fiscal year 1981 is $600 million, though the average outstandings should be well below that level. These estimates are based on the expectation that with the growth of membership during fiscal year 1980, loan demand will increase in fiscal year 1981 above the fiscal year 1980 levels. In addition, during fiscal year 1980 the CLF will develop its seasonal and protracted adjustment credit programs. These programs will provide longer-term credit to credit unions which should establish a base level of lending.

I will be happy to answer any questions members of the Subcommittee may have.

PURPOSE OF NCUA

Mr. TRAXLER. What is the mission of your Agency?

Mr. CONNELL. The National Credit Union Administration charters Federal credit unions, examines and supervises them, and insures the deposits and shares much like the FDIC for banks and the Federal Savings and Loan Insurance Corp. for savings and loans.

Mr. TRAXLER. Do you audit the State as well?

Mr. CONNELL. Not normally. We are the only Federal agency which accepts the reports from State authorities. However, we do go in in exceptional circumstances, often when the State supervisor wants us to be a supportive vehicle in getting a board of directors to behave correctly.

CREDIT RESTRICTION

Mr. TRAXLER. Recent policy decisions by the Administration and the Federal Reserve have attempted to restrict credit. What is the current status of the Federal credit unions? Are they alive and surviving or hurting for cash?

Mr. CONNELL. I would call it a problem of hurting for cash because of the 12-percent usury rate lifted yesterday by the legislation signed by the President. Before that happened, credit unions could only charge 12 percent for loans and they had to pay for large deposits in excess of 15 percent. So they could not afford to retain the deposits. Their growth rate in 1979 is only 2.4 percent as compared to almost 17 percent in the year before and 20 percent annual growth rate for 7 years before that. In the month of January, outstanding loans decreased by a billion dollars in credit unions. We had also a rather large outflow of shares. So, the liquidity, and the lending ability of credit unions, has declined considerably.

We took some actions last year to help improve credit union liquidity. In fact, we had them pending during these hearings. When we testified last year, the credit unions had a loan-to-deposit rate of 97 percent. We then put in a liquid 5 percent liquidity reserve requirement. Just before the regulation was established, credit unions had a 98-percent loan-to-deposit ratio. We did not want the credit unions to be out of money when the CLF began operations with only a $300 million lending capacity. We began a

supervisory policy of requiring liquidity and educating credit unions in asset-liability management. This plus the usury rate pressure caught on and now the loan-to-share ratio is less than 94 percent. So the actual liquidity has improved over this period of time.

Mr. TRAXLER. What would have happened had you not instituted that policy?

Mr. CONNELL. We would have come in for a supplemental in the middle of October. I did not want to start off on the wrong foot if I could help it. We made the statement we wanted it to open with a whimper, and it has.

Mr. TRAXLER. The short-term interest rates on Federal notes have dropped more than 2 points in the last two days. What does that tell us?

Mr. CONNELL. Mr. Lapidus and I were discussing that on the way over. He stays in touch with developments in the money market and I would like to ask him to respond to that question.

Mr. LAPIDUS. The drop in short term interest rates in the Treasury markets reflects a "flight to safety" by investors. At times like these investors want to be invested "short" and in risk free instruments.

Short rates in the private market have not dropped, and the long end of the treasury market has not rallied as much. You will probably not see any improvement in these rates until the market has calmed down a little bit and some confidence has returned.

Mr. TRAXLER. Did the drop in the silver market affect this?

Mr. LAPIDUS. Yes; that is one of the things that led to the additional uncertainty of the market, the crack in the silver market led to a very sharp drop in the stock exchange as well as the demand for treasury bills. I think it is fairly clear that those events are connected.

STATE OF ECONOMY

Mr. TRAXLER. In my State, we have an 11.5 percent unemployment rate and the prospects are that it will go higher. We do not think we need a recession. We know we have one. Indeed, as the rest of the country begins to fall off in planned recession, we will be going even higher.

The planned recession has been a long time coming. With prime rates where they are today, there are a lot of people who think what we will have is not a kind of a tapering off of the economy but a falloff. It will see us drop precipitously into a long-term economic decline.

Mr. CONNELL. As production declines sharply because of many factors, including the interest rate pressure, this would have a direct impact on credit unions.

Again, the Facility is designed to address some of these problems. For instance, when there was a strike at one of the machinery manufacturers in the Midwest, we loaned some $10 million and we were able to help the credit union over that time as their members withdrew their savings.

Most recently, we have seen the closing of a half dozen Firestone plants. Between now and when the plants close, we will be analyz-

ing to see if we can find a way for the credit unions to continue operations even if the plants close. We might be able to convert those credit unions to a community-type credit union and finance them if they needed a period of time to tide over the employees during adjustment. If we do that, then we have perfomed a service.

INTEREST RATES AND LENDING

Mr. TRAXLER. Mr. Lapidus, can the Fed maintain those high interest rates in the face of declining rates for credit?

Mr. LAPIDUS. I do not think so. I think their idea is to limit credit demands. As credit demands taper off, you will find rates in private markets will drop as well.

Mr. TRAXLER. What types of loans are the credit unions making now?

Mr. CONNELL. Credit unions now are only making loans on shares. Because of the 12-percent usury rate they cannot afford to make loans.

Mr. TRAXLER. What will happen?

Mr. CONNELL. They will extend lending for emergency needs. They will not be able to do much in other areas of loans because under the credit restraint program they would have to put a 15-percent reserve aside.

Mr. TRAXLER. Give me an example.

Mr. CONNELL. Open-end credit, could be used for almost anything. It could be a travel loan; even a tax-payment loan would fit into that category. But any increase in open end credit requires a 15 percent sterile set aside.

Mr. TRAXLER. Where do you see your interest charges going? For instance, what is the market rate now on a new car loan?

Mr. CONNELL. At least close to 15 percent. I have noticed that many of the consumer loan rates are moving up—unsecured—well above 18 in many places. A great deal of credit union credit is in that unsecured occasional-type need. Those that are making automobile loans are requiring much larger down payments than in the past. Credit unions were particularly liberal in the down payment aspect. I am not sure whether that was all good or bad; a 48-month loan with no down payment to me is a very liberal policy.

Mr. TRAXLER. The commercial lending institutions had very liberal provisions relating to automobile loans, too.

Mr. CONNELL. But not as liberal as credit unions.

Mr. TRAXLER. No down payment?

Mr. CONNELL. Yes.

Mr. TRAXLER. Well, we certainly like cheap money when it comes to purchasing automobiles.

Mr. CONNELL. We noticed the credit unions serving employees in firms making recreational vehicles and trucks are suffering cutbacks and we see a need for funds in those areas.

BORROWING AUTHORITY

Mr. TRAXLER. Based on the current economic conditions, is the $600 million cumulative limitation on Central Liquidity Facility borrowing authority requested for fiscal year 1981 sufficient?

Mr. CONNELL. Yes. That is about our best estimate at this point.

Quite frankly, Mr. Chairman, I do not know how we can predict what is going to happen in the financial markets. So, we are trying to do it as best we can with the experience we have and looking at bank lines to credit unions and that type of circumstance. But we believe the $600 million credit is reasonable. In this early stage, it is our best estimate. We could very well need more.

Mr. TRAXLER. I suppose the same answer would hold true on the $300 million amount for loans for fiscal year 1980?

Mr. CONNELL. That is correct.

Mr. TRAXLER. Is the request for a $4,400,000,000 limitation on loans in 1981 part of the Administration's attempt to control credit? Explain. There was no request for language of this nature in the 1980 request.

Mr. CONNELL. Yes. In fact, the whole business of our being under a borrowing appropriation in the first place is not sensible; and the use of gross extensions of credit control is wrong—We were one of the first to come under the credit control concept which has to do with the turnover of loans. If you put a "cap" in that area, it encourages people to stay in debt to the central liquidity facility. The faster you turn over your loans, the faster that figure multiplies. We have a very difficult time reconciling that conceptually with a central banking operation.

LEGISLATION

Mr. TRAXLER. Last July 26, Mr. Connell, you wrote me a letter regarding the $300,000,000 appropriation for an emergency Treasury draw contained in the House version of the 1980 appropriation bill. You expressed concern about the possible outflow of funds from credit unions as a result of the U.S. Court of Appeals decision to terminate share draft accounts on January 1, 1980, unless Congressional action is taken. Congress did not appropriate any funds for the emergency draw nor did it authorize share draft accounts for credit unions.

What has been the effect on the share draft court of appeals decision? How has it affected credit unions in the absence of the authorization which only recently was signed by the President? We know you have the extension, but what adverse effect, if any, has occurred during this period?

Mr. CONNELL. It was not particularly adverse because the extension was liberal and the way in which it was drafted, we were able to approve programs. It may have discouraged a few credit unions from going into share drafts, but all that has passed now. And with the signing of the bill yesterday by the President, share draft service is now open and the credit unions can go ahead with confidence.

Mr. TRAXLER. We are advised that there are several problems with the authorizing legislation for the CLF. How about the problem with the CLF being subject to taxation? I do not remember this being a problem last year. Is there one?

Mr. CONNELL. There is one. We have an amendment in the process to clean up that issue. I believe we are awaiting comments from Treasury on that. It seems to be moving along and we

hope it can be cleared up this year. In the meantime, we reserve for taxes anyway.

Mr. LAPIDUS. We pay taxes.

Mr. CONNELL. Yes; we have been paying.

Mr. LAPIDUS. They tell us the IRS Code is unrelenting.

Mr. CONNELL. There does not seem to be too much sense in taxing a government agency under appropriation anyway.

Mr. TRAXLER. What about the language that contracts be provided for in advance in appropriations acts. So you still believe this is a problem?

Mr. CONNELL. That also was cleared up yesterday.

CLF LENDING

Mr. TRAXLER. The enabling legislation provided for three types of liquidity needs: short-term emergency-type credit, seasonal, and protracted.

Percentage-wise, how does the anticipated borrowing activity break down between the three types of loans?

Mr. CONNELL. This year it has all been short-term, no seasonal, no protracted credit. We are anticipating between $100 and $200 million in the next month in protracted credit.

Mr. TRAXLER. What would that be used for?

Mr. CONNELL. Essentially, a number of credit unions have liquidity needs because they were locked into long-term investments. Probably it is the biggest problem we have. Credit unions overinvested in government securities, at low interest rates and have financed them at very high rates. A number of credit unions developed problems.

Mr. TRAXLER. What is the current CLF interest rate on loans to credit unions?

Mr. CONNELL. Sixteen and a half percent.

Mr. TRAXLER. Are the interest rates for all loans the same, and if not, why?

Mr. CONNELL. Currently, because all our loans are for short-term adjustment credit. For the protracted-type loans, the rate would be close to the rate whatever in effect for government securities of comparable maturity, since we borrow from the Treasury. If we borrow on a 4-year basis, we pay the 4-year rate and mark it up, so it will be——

Mr. LAPIDUS. The Federal Financing Bank charges an eighth over its cost; then we would add a markup to cover our expenses. In protracted credit, where we are not competing with those who ordinarily lend to credit unions, our rates would be close to our costs. In areas where we do compete, we try to keep our rates a little above the central rate. We do not want to interfere with the normal financing credit unions get but rather keep ourselves as marginal lenders.

ADMINISTRATIVE EXPENSES

Mr. TRAXLER. On page 4 of the justification is a statement that as of the end of January only 9 of the 20 authorized positions for the Central Liquidity Facility have been filled. How many of the 20 positions are currently filled?

Mr. CONNELL. Thirteen. I should also mention one of the additional duties we will be taking on in the Central Liquidity Facility which is to act as a conduit in the Federal Reserve Credit Control program performing an oversight task. There are some 2,000 credit unions that might be affected by that action.

Mr. TRAXLER. Do you anticipate all positions will be filled by the end of the fiscal year?

Mr. CONNELL. Yes, we think so, mainly, because of the last thing we mentioned in terms of additional duties.

Mr. TRAXLER. Because some positions are vacant, we assume you will not use all of the $1,756,000 limitation on administrative expenses. Is that correct?

Mr. CONNELL. 1.3 million is what we are estimating.

Mr. TRAXLER. Are those 20 positions incidentally under civil service?

Mr. CONNELL. Yes, sir, schedule B's.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. I have four witnesses at a 2 o'clock hearing, who are from my home district and are appearing before my other Subcommittee.

I regret very much that I have to leave, but I will certainly read all the testimony with great interest. Thank you for all you have done during the past year with a program I have been very interested in.

Mr. TRAXLER. On page 7 of the justification, under NCUA Staff Support, the legend indicates that many of the CLF's support functions will be carried out by NCUA offices.

Is CLF reimbursing the NCUA for these support activities? If not, why? Should not they be counted as CLF administrative expenses?

Mr. CONNELL. I believe we are reimbursing.

Mr. SANDER. $300,000 is estimated for fiscal year 1981 for overhead office use for the CLF.

Mr. TRAXLER. Do you think they are included in the limitation?

Mr. CONNELL. They are included.

Mr. TRAXLER. On page 8 you show $100,000 for equipment in 1981. However, the table on page 11 which shows the various administrative expenses does not include an entry for equipment.

Do you plan to spend $100,000 for equipment in 1981 for the CLF? If so, why is it not counted as an administrative expense and included in the limitation?

Mr. CONNELL. One of the reasons it was not in 1980, from what we understood at that time, it was not an administrative expense restriction for that year.

Mr. TRAXLER. So, we are looking at 1981 now.

Mr. CONNELL. That is right.

Mr. SANDER. Our justification last year did not anticipate this. Therefore, it was a capitalized item.

Mr. TRAXLER. But for 1981, should it not be included as an expense?

Mr. SANDER. We followed the same format as last year. This matter was not anticipated but it could be included.

SPACE RENTAL EXPENSES

Mr. TRAXLER. Also on page 8 you are requesting $248,000 in 1981 for communications, utilities, and other rent. This represents nearly a 100-percent increase over the 1980 cost estimates.

Mr. CONNELL. At this point, some of it would involve the printing of educational materials; also the rent itself is higher as we moved into our quarters at 1776 G Street. Last year when we were preparing the budget we were at a different location, before we got evicted.

Mr. TRAXLER. How much space do you have now?

Mr. CONNELL. Over 50,000 square feet.

Mr. TRAXLER. How much space did you have at M Street?

Mr. CONNELL. We were at two different locations. For most of the year, we were at three locations. We got evicted from one floor at "M" street and went down to quarters on 14th Street. So we had lower costs because of the dislocation. GSA took care of us because of the inconvenience of losing our space.

Mr. TRAXLER. What are you paying for space per square foot?

Mr. CONNELL. $12.82 per square foot. The standard rate for GSA in that area is $18 per square foot.

LIQUIDITY RESERVE

Mr. TRAXLER. In conclusion, going back to the question of your liquidity requirement, could or should that requirement be increased, and if it were, would this not reduce the requirement for your central liquidity facility?

Mr. CONNELL. It could in a way. On the other hand, if they did not meet the liquidity requirement they might have to borrow to meet it anyway, although we do not encourage that. A tradeoff would mean a decrease in lending by credit unions. We took a lot of flak for imposing the liquidity requirement, but we feel it important to begin to educate credit unions in asset-liability management. But even that, if it went to 10 percent, the outflow could be very severe.

Mr. TRAXLER. I do not have any further questions. Thank you very much, gentlemen. We look forward to seeing you again next year. Your justifications will be inserted in the record at this point. The Committee stands adjourned.

[The justification follows:]

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National Credit Union Administration

Central Liquidity Facility

The concept of a Central Liquidity Facility (CLF) - or central bank - for credit unions is not new. Legislative attempts began with the introduction of the Federal Credit Union Act in 1934. However, recent market trends led to Congressional action in 1978 with the passage of P.L. 95-630. These trends include longer consumer loan maturities, longer term second mortgage loans, increased unsecured lines of credit, credit card activity, and the passage of P.L. 95-22 which granted credit unions the power to make long-term mortgages. Additional factors are an increase in credit union holdings of longer term government securities and a dramatic increase in large interest sensitive accounts in credit unions.

Indeed, the public is becoming increasingly sensitive to alternative savings and investment vehicles, and these vehicles are being fashioned to appeal to savers of small means.

Some money market funds require as little as $500 to open an account and even less to maintain such accounts. Depository institutions offer money market certificates in $10,000 denominations and many offer loophole certificates, an investment/borrowing arrangement, which requires as little as a $3,000 investment to enjoy net returns well above regular share account and longer term certificate rates. Finally, in recent months the bank, thrift, and credit union regulatory authorities have authorized 30 month certificates with rates tied to the rates on government securities of comparable maturity. These instruments are not regulated as to minimum denominations and typically depository institutions are issuing them for $500, with some going as low as $100.

There has been a steady erosion in credit union liquidity. Credit union ratios measuring liquid assets show liquid assets to total shares in 1971 to be 15.8 with a steady declining trend to approximately 8% through the end of 1978 and 1979. NCUA in 1979 established liquidity requirements for federally insured credit unions to establish a liquidity float to help credit unions withstand liquidity shocks. Nonetheless, given the heightened vulnerability of credit unions to liquidity crisis and lower level of liquidity reserves to meet drains, there is a growing need for CLF protection.

The National Credit Union Central Liquidity Facility became operational on October 1, 1979. The FY 80 budget authorizes a staff for the CLF of 20. This central bank for credit unions will help the existing private credit union system meet the liquidity needs of the nation's 21,950 credit unions whose assets as of December 31, 1979, were approximately $66 billion.

By the end of the first quarter of operation, the CLF was serving almost 500 credit unions which contributed $14.9 million in paid-in capital. Member borrowings at the end of the quarter were about $41.2 million, and earnings on paid-in capital amounted to 13.36%. The NCUA Board declared a base dividend of 8 percent and 2 percent bonus, or a total dividend of 10 percent for the quarter.

Membership growth was less than expected, because most corporate centrals were waiting to see whether Congress would amend the statute to allow Agent members to make a paid-in capital contribution for only those members interested in participating in CLF services instead of for all members. Corporates were also deterred because with CLF rates above the 12 percent usury ceiling, even as Agent members they would be barred from passing through the higher rates on CLF loans. They also awaited Congressional action to relieve Agent members of the loss by allowing such a pass-through. Both of these amendments are contained in the Senate passed version of H.R. 4986. As of the end of December, only a single corporate had joined as an Agent member. Natural person credit unions which are members of centrals were also deterred from joining on the advice of many of the centrals to wait for Congressional action on the two issues.

There were signs of a pick-up in membership as the second quarter of its operation began. The statute established a six-month charter membership period, ending on February 23, 1980., after which new members would have to wait six months in order to be eligible for loans. A number of centrals decided to join in January and others "released" their members from the advice to defer decision. When the centrals which have announced their intentions to become CLF members in fact join, the Facility will be able to provide loan services to credit unions whose assets amount to $15 billion, about one-quarter of the total assets of the movement.

CLF earnings in the quarter were better than expected despite the slow growth of membership and loan volume. The Facility enjoyed favorable spreads between the cost of borrowing at the Federal Financing Bank and loan rates to credit unions. The advantageous spreads reflected in part the typical pattern of periods of credit stringency when as rates rise generally, the rates on government debt rises much less than those on private debt, owing to the keener taste of investors for safety at such times. Also contributing to the good result was the decision by CLF management to maintain close control over staffing. At the end of January only nine of the 20 authorized positions had been filled and additions to staff were to be made only as the growth of loan volume and membership warrant.

With the revived growth of membership it is likely that by the end of FY 1980, the CLF will be servicing one-half to two-thirds of the assets of credit unions, suggesting paid-in capital of $75 to $100 million. With every prospect that the economy in 1980 will be aggravated by inflation and recession, credit unions will likely continue to be beset by liquidity problems. Thus, loan volumes should climb from their present levels and vary between $100 and $300 million for the balance of the year.

It is anticipated that in FY 1981 credit unions borrowing from the CLF will range as high as $300 million for short-term adjustment and seasonal credit. An additional $300 million will be needed to provide for credit union long-term emergency borrowings. Thus, the total requested borrowing authority for FY 1981 is $600 million, though the average outstandings should be well below that level. These estimates are based on the expectation that with the growth of membership during FY 1980, loan demand will increase in FY 1981 above the FY 1980 levels. In addition, during FY 1980 the CLF will develop its seasonal and protracted adjustment credit programs. These programs will provide longer term credit to credit unions which should establish a base level of lending.

Loan demand, in general, and particularly demand for short-term adjustment credit, will depend on economic conditions. The continuation of inflation is

certain, and interest rates are likely to remain at high levels thereby placing persistent pressures on credit union liquidity. Inflationary surprises or sharp short-term rises in interest rates cannot be predicted, but their occurrence in FY 1981 could precipitate more critical run-offs of credit union shares or a squeeze on earnings requiring higher levels of protracted adjustment credit. Alternatively, many economists are predicting a recession to begin some time in FY 1980. Typically the impact of recession has its effects on financial institutions with a delay so that CLF accommodations to industrial credit unions may expand in FY 1981. The difficulty of predicting the liquidity needs and the need to provide funds very quickly to credit unions suggests that the $500 million draw on the Secretary of Treasury provided by the statute may one day have to be appropriated. We will assess our experiences in FY 1980 and 1981 and may request the appropriation in FY 1982 if that appears to accord with sound policy.

At least one rough indication of the potential demand for CLF accommodation is the fact that natural person credit unions had outstanding an estimated $750 million of lines of credit with financial institutions outside the credit union movement itself. Since CLF lending rates are generally structured to be more attractive than provided by commercial banks and others, the CLF effectively is subject to draws at least equal to the aggregate of these lines. One would have to add to this, credit needs not evidenced by lines of credit, including credit needs -- such as for protracted adjustment -- which would not normally be funded by private markets.

Financial Planning for CLF

The CLF is established as a corporation with a voluntary membership. It depends for its continued viability on attracting and holding members on the basis of effective loan services and on maintaining earnings and dividends on CLF stock broadly competitive with returns available to its members from other comparable investments. To that degree, the CLF is much like a private corporation and has, in all practical effect, a capital earnings requirement.

During periods of high interest rates when credit union loan demand will ordinarily be high and the spreads between Treasury securities rates and private market rates will typically be large, the CLF should enjoy attractive earnings. Indeed, the results of the first quarter reflect that; the CLF, despite very modest growth, earned 13.36% in its stock and declared a 10% dividend.

However, if inflation were to abate and liquidity pressures to recede, demand for short-term adjustment credit and protracted adjustment credit would decline. In such circumstances, as the capital to loan ratio declined, the CLF might have difficulty earning a competitive return from credit union loans alone.

The CLF, it is estimated, will have to maintain footings of at least $300-400 million to meet its earnings requirement at its full table of organization of 20 employees, given current salary level and other operating costs. Accordingly, if credit union loan demand declines, the CLF would have to maintain an investment portfolio equal to the difference between its loans to credit unions and its break even level to cover its costs and earn a competitive return. Thus, the decision of the CLF to operate an investment position will be determined by its prospective earnings and the CLF may be required to undertake such activities at any time, though at present the prospects for credit union loan demand in the current and prospective fiscal year are good.

In that connection, the CLF will have to borrow in private markets. Needless to say, borrowing from the Federal Financial Bank is preferred owing to the favorable rates which such borrowing affords. However, it would not be appropriate for the CLF to use Treasury funds to maintain its investments, so that private market access is necessary for the long-term viability of the Facility. In this connection, the appropriation of the $500,000,000 draw on the Secretary of the Treasury, which is provided for in the statute, would have the important, but incidental benefit of enhancing the borrowing capabilities of the Facility and contribute to its success.

Administrative Expenditures for FY 81

During FY 80 administrative expenditures were primarily devoted to the "startup" of CLF. This included the initial hiring of staff, systems development of critical activities (lending and membership) and purchases of furniture and equipment.

The emphasis for the FY 81 administrative expenditure budget is that of program development. Such program development includes, but is not limited to:

(a) Agent Training - Corporate credit unions who assume the role as loan officer for the CLF in serving the needs of its natural person credit union members will need training and development to insure a uniform lending program. The CLF's goal in this program is to develop standards and procedures. Corporate credit union staff along with CLF staff will be in a constant process of developing operational procedures and making revisions until credit union needs are being met in an efficient and uniform manner. Current and potential CLF Agents total approximately 12 around the country.

(b) Seasonal Loan Program - During the opening months of the CLF the majority of loans requested were concentrated in the short-term adjustment and emergency type loans. As the nation's economy begins a general improvement, seasonal needs should offer an opportunity to the Facility to develop a seasonal loan program. A significant portion of staff time, literature and contact works with the credit union industry will be required to phase in this new program.

Finance Program - For the first two years the Facility will finance a significant portion of its lending through the Federal Financing Bank. During FY 82, and perhaps before, the Facility will begin to issue its own debt instruments. This effort, similar to the establishment of a seasonal loan program, will involve a marketing and development effort by staff.

Due to the structure of the CLF there is a capital earnings requirement. As emergency loan demand levels out or decreases, there may be a need for additional earnings. Raising funds in the private sector allow the CLF to establish an investment portfolio to assist in meeting the earnings requirement. This will require the recruiting of a small staff to manage the portfolio within staffing authorization.

Consulting and Data Processing - As new programs develop and the CLF begins to invest its funds in Government and U.S. Agency securities as well as issue its own debt instruments, a significant effort will be needed to develop and implement an automated Cash Management and Finance System. This, combined with the existing systems (lending, membership and accounting), will conclude major systems development. Development, testing, training and implementation, is anticipated in FY 81.

NCUA Staff Support - In view of the limited size of the authorized CLF staff (20), many of its support functions will be carried out by other NCUA offices. Such functions could include timely audits of CLF Agents, a review of how CLF loan proceeds were used by the borrower, by field examiners. This would be CLF's effort to determine the credit union's use of funds was consistent with the loan application. Other areas of staff support include legal, economic research, personnel, procurement and similar administrative support. The use of other functions within NCUA permits CLF staff to remain nominal in size and execute its functions in an efficient manner.

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National Credit Union Administration

Central Liquidity Facility

Explanation of Obligations by Object Class

Personnel Compensation $571,000. Represents the estimated salary costs for 20 permanent full-time employees on duty to start FY 81.

Personnel Benefits $57,000. Includes health benefits, government life insurance, miscellaneous cash awards and change of station real estate differential.

Travel and Transportation $85,000. Represents travel for CLF staff as well as CLF Agents, state supervisors and state insurance corporations involved with CLF development. Since CLF membership is voluntary, and CLF operations are centralized, a significant amount of promotional and educational travel is anticipated.

Transportation of Things $90,000. The bulk of these funds represent anticipated change-of-station expenses for new staff in the lending and finance functions.

Communications, Utilities and Other Rent $248,000. Represents estimated rental charges for space as well as computer terminals and EDP equipment usage.

Printing and Reproduction $200,000. Represents costs primarily associated with promotional/educational materials regarding loan programs and financing programs. In addition to the above items, it will also include basic forms, staff manuals and general circulars to members.

Other Services $565,000. Primarily represents consulting and data processing services for the development and implementation of new loan program (seasonal loans), as well as a cash management/investment system.

Supplies and Materials $120,000. Represents computer paper, visual aids, educational supplies and miscellaneous supplies for CLF, Agents and sponsors of training seminars.

Equipment $100,000. These funds primarily represent EDP equipment and basic office equipment.

Investments and Loans $2,200,000,000. This amount represents the total of short-term, seasonal and protracted credit provided credit unions during FY 81.

Interest and Dividends $46,381,000. These funds represent the cost of capital (borrowings from the Federal Financing Bank) and dividends paid to members of the Facility.

APPENDIX A

Central Liquidity Facility

Appropriations Language

The amount which may be borrowed, from the public or any other source except the Secretary of the Treasury, by the Central Liquidity Facility as authorized by the National Credit Union Central Liquidity Facility Act (12 U.S.C. 1795), shall not exceed [$300,000,000] $600,000,000: Provided, That administrative expenses of the Central Liquidity Facility in fiscal year 1980 shall not exceed [$1,756,000] $1,936,000. During 1981 and within the resources and authority available, gross obligations for the principal amount of direct loans shall not exceed $4,400,000,000. (Department of Housing and Urban Development -- Independent Agencies Appropriation Act, 1980.)

NOTE: Due to administrative error, the words "in fiscal year 1980" were included in the appropriations language for 1981. This phrase should have been bracketed [ ] to indicate exclusion.

NATIONAL CREDIT UNION ADMINISTRATION
Central Liquidity Facility
Financial Condition
(in thousands of dollars)

	1980 Estimate	1981 Estimate
Assets:		
Cash	485	1568
U.S. Securities (PAR)	100,000	100,000
Loans Receivable (Net)	300,000	300,000
Equipment	100	200
Total Assets	400,585	401,768
Liabilities:		
Borrowings	300,000	300,000
Total Liabilities	300,000	300,000
Stockholders Equity:		
Stock Subscriptions from Credit Unions	100,000	100,000
Retained Earnings	---	585
Net Income	585	1183
Total Equity (end of year)	100,585	101,768
Total Liabilities and Stock Holder's Equity	400,585	401,768

NATIONAL CREDIT UNION ADMINISTRATION
Central Liquidity Facility
Income and Expense
(in thousands of dollars)

		1980 Estimate		1981 Estimate
INCOME:				
Interest on Investments		9,000		9,000
Interest on Loans to Credit Unions		20,250		40,500
TOTAL INCOME		29,250		49,500
EXPENSES:				
Administrative Expenses:				
Personnel Compensation	504		571	
Personnel Benefits	50		57	
Travel & Transportation of Persons	55		85	
Transportation of Things	--		90	
Comm., Utilities, & other Rent	125		248	
Printing and Reproduction	75		200	
Other Services	947		565	
Supplies	--		120	
Total Administrative Expenses		1,756		1,936
Interest on Borrowings from FFB.	18,250		36,500	
Dividends on Stock Subscriptions	8,659		9,881	
Total Interest & Dividend Expense		26,909		46,381
TOTAL EXPENSES		28,665		48,317
NET INCOME		585		1,183

NATIONAL CREDIT UNION ADMINISTRATION
Central Liquidity Facility
Status of Direct Loans
(in thousands of dollars)

	1980 Estimate	1981 Estimate
Position with Respect to Limitation On Direct Loans:		
Limitation on Obligations: Appropriation	----	4,400,000
Obligations Incurred, Gross	-1,800,000	-2,200,000
Cumulative Balance of Direct Loans Outstanding:		
Beginning of year	----	300,000
Disbursements	1,800,000	2,200,000
Repayments, Prepayments, Loan Sales	-1,500,000	-2,200,000
Outstanding, end of year	300,000	300,000

NATIONAL CREDIT UNION ADMINISTRATION
Central Liquidity Facility
Program and Financing
(in thousands of dollars)

Identification code 25-4470-0-3-371	1980 Estimate	1981 Estimate
Program by Activities:		
1. Administrative Expenses	1,756	1,936
2. Interest on Borrowings	18,250	36,500
3. Dividends on Capital Stock	8,659	9,881
Total Operating Costs Funded	28,665	48,317
Capital Investment:		
1. Investment in Equipment	100	100
2. Loans to Credit Unions	1,800,000	2,200,000
Total Capital Investment, Funded	1,800,100	2,200,100
10.00 Total Program Costs, Funded-Obligations	1,828,765	2,248,417

NATIONAL CREDIT UNION ADMINISTRATION
Central Liquidity Facility
Financing and Outlays
(in thousands of dollars)

Identification code 25-4470-0-3-371		1980 Estimate	1981 Estimate
10.00	Total Program Costs, Funded-Obligations	1,828,765	2,248,417
	Financing:		
	Offsetting collections from:		
11.00	Federal funds:		
	Interest on Treasury Securities	-9,000	-9,000
14.00	Non-Federal sources:		
	Interest on Loans	-20,250	-40,500
	Capital Stock	-100,000	---
	Loan Repayments	-1,500,000	-2,200,000
	Unobligated balance available, start of year:		
21.47	Authority to Borrow	---	-900,000
21.98	Fund Balance	---	-100,485
	Unobligated balance available, end of year:		
24.47	Authority to borrow	900,000	900,000
24.98	Fund Balance	100,485	101,568
	U.S.Securities (PAR)	---	---
47.10	Budget Authority (Authority to Borrow, Public Law 95-630)	1,200,000	---
	Relation of Obligations to Outlays:		
71.00	Obligations incurred, net	199,515	-1,083
72.10	Receivables in excess of obligations, beginning of year	---	-100
74.10	Receivables in excess of obligations, end of year	100	200
90.00	Outlays	199,615	-983

STANDARD FORM 304
May 1969, Bureau of the Budget
Circular No. A-11, Revised.
304-103

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code		19 actual	19 80 estimate	1981 estimate
	Personnel compensation:			
11.1	Permanent positions		504	571
11.3	Positions other than permanent			
11.5	Other personnel compensation			
11.8	Special personal services payments			
	Total personnel compensation		504	571
	Personnel benefits:			
12.1	Civilian		50	57
13.0	Benefits for former personnel			
21.0	Travel and transportation of persons		55	85
22.0	Transportation of things		---	90
23.0	Rent, communications, and utilities		125	248
24.0	Printing and reproduction		75	200
25.0	Other services		947	565
26.0	Supplies and materials		---	120
31.0	Equipment		100	100
32.0	Lands and structures			
33.0	Investments and loans		1,800,000	2,200,000
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities			
43.0	Interest and dividends		26,909	46,381
44.0	Refunds			
99.0	Total obligations		1,828,765	2,248,417

* U.S. GOVERNMENT PRINTING OFFICE : 1969 O—358-685

APPENDIX B

National Credit Union Administration

Central Liquidity Facility

The National Credit Union Administration Central Liquidity Facility (the "Facility") was created by the National Credit Union Central Liquidity Facility Act. (Public Law 95-630, Title XVIII, 12 USC 1795 et seq.). The Facility is a mixed-ownership Government corporation within the National Credit Union Administration. It is managed by the National Credit Union Administration Board and is owned by its member credit unions. The Facility became operational on October 1, 1979.

The purpose of the Facility is to improve the general financial stability of credit unions by meeting their liquidity needs and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy. To accomplish this purpose, member credit unions invest in the capital stock of the Facility, and the Facility uses the proceeds of such investments and the proceeds of borrowed funds to meet the liquidity needs of credit unions primarily serving natural persons. The Facility serves mainly as a secondary source of liquidity after other sources of liquidity have been utilized.

Membership in the Facility is available to Federal and state-chartered credit unions. There are two types of membership, Regular membership and Agent membership. A natural person credit union may become a Regular member or may gain access to the Facility through an Agent member. When a central credit union becomes an Agent member or part of a group which is an Agent member, all of its member natural person credit unions gain access to the Facility through its Agent membership. An application for membership must include a subscription to the capital stock of the Facility.

A Regular member may apply to the Facility for an extension of credit to meet its liquidity needs. An Agent member may apply to the Facility for an extension of credit to meet the liquidity needs of its member natural person credit unions. The Facility may advance funds to meet such liquidity needs after giving due consideration to creditworthiness.

The Facility may advance funds to meet three types of liquidity needs:

- Short-term adjustment credit (sometimes known as "short-term emergency credit") available to assist in meeting temporary requirements for funds or to cushion more persistent outflows of funds pending an orderly adjustment of credit union assets and liabilities. The maximum maturity will ordinarily be six months or the term of the projected need for such credit, whichever is less.

- Seasonal credit available to assist in meeting seasonal needs for funds arising from a combination of expected patterns of movement in share and deposit accounts and loans. The maximum maturity will ordinarily be nine months.

- o Protracted adjustment credit (sometimes known as "long-term emergency credit") available in the event of unusual or emergency circumstances of a longer term nature resulting from national, regional or local difficulties.

All such advances must be secured in accordance with the requirements set forth in the regulations of the Facility. Interest rates on such advances will be set by the Facility and will be available on a daily basis at the Facility. Ordinarily, it will be the policy of the Facility to set national interest rates at levels that will encourage the use of normal sources of liquidity, including borrowing from central credit unions, whenever those sources of liquidity are readily available.

The advances to credit unions and other CLF investments may be funded by capital contributions, advances from the Federal Financing Bank, the capital markets and the Secretary of Treasury to a maximum of $500,000,000, if appropriated. The Federal Financing Bank will be a preferred source for external financing credit union loans.

The capital stock of the Facility is divided into non-voting shares having a par value of $50 each. Shares are issued solely to credit unions which are Regular or Agent members of the Facility. If an Agent member consists of a group of central credit unions, shares are issued to one of the central credit unions in the group.

Whole and fractional shares are issued by the Facility. The ownership of shares is entered solely on the records of the Facility in share accounts similar to credit union share accounts, and no certificates or other evidences of ownership are issued. Shares may not be transferred or hypothecated except to the Facility, and there are no voting rights.

Dividends are paid on the capital stock of the Facility at such times and rates as are determined by the National Credit Union Administration Board (the NCUA Board.) Dividends are paid by crediting the share accounts of members. The first quarterly dividend paid by the CLF was a base rate of 8 percent and a 2 percent bonus for members as of December 31, 1979, and it will be the policy of the CLF to pay dividends quarterly.

APPENDIX C

National Credit Union Administration

Historical Background

The National Credit Union Administration is an independent financial regulatory agency and is responsible for the chartering, supervising, examining, and insuring of all Federal credit unions. Additionally, it insures the accounts of those state credit unions which choose the option, or are required by state law, to become federally insured. Currently there are 12,797 Federal credit unions and 4,835 State chartered credit unions being served by this agency.

The National Credit Union Administration was established in 1970 by Public Law 91-206. Its central office is located in Washington, D.C., and there are six regional offices located in Boston, Massachusetts; Harrisburg, Pennsylvania; Atlanta, Georgia; Toledo, Ohio; Austin, Texas; and San Francisco, California. As of December 31, 1979, the National Credit Union Administration staff consisted of 675 full time employees. The agency receives no appropriations and operates on the fees it receives from credit unions. As a result of P.L. 95-630, the administration of the agency has been invested in a three member board. Their terms of office are as follows: Chairman, 6 years; Board Member, 4 years; and another Board Member, 2 years.

Essentially, the agency administers the functions of the Federal Credit Union Act of 1934 which provided for the establishment of "a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit..."

Prior to 1934, credit unions were chartered only under state laws. The first credit union in the United States was organized in New Hampshire in 1908. By 1934, there were 2,028 state-chartered credit unions in operation in 38 states and the District of Columbia.

Growth in U.S. credit unions accelerated rapidly after the end of World War II. During the decade of the 1950's, the number of operating credit unions in the U.S. doubled. Membership increased by 2-1/2 times and assets by six-fold. In the 1960's, growth continued to be vigorous with membership nearly doubling to 21,629,000, and assets more than tripling to almost $16 billion. With the establishment of the National Credit Union Administration and with the passage of Federal share insurance legislation in late 1970 (P.L. 91-468), growth in credit union resources accelerated rapidly. Since yearend 1970, total assets of Federal credit unions have increased more than 3-1/2 times. By the end of 1979, some 21,950 credit unions with 43.7 million members and total resources of $66 billion, were in operation in the United States.

Credit unions are somewhat unique institutions. Like traditional corporations, credit unions have shareholders who supply capital and receive voting rights. Unlike the traditional corporation, however, shareholders (credit union members) have only one vote. This is because credit unions are cooperatives whose principles of organization differ from those of traditional corporations. Credit unions function as depository financial intermediaries along with commercial banks, mutual savings banks, and savings and loans. Credit unions, however, are generally limited by statute to serving the consumer credit and savings market. Additionally, they are further constrained from doing business with the general public by charters which restrict their field of membership to groups having a common bond of occupation, association, or residence.

Credit unions are managed by a board of directors and committees made up of members of the credit union. No director, committee member, or other officer except the treasurer of a Federal credit union, may be compensated. After expenses and legal reserve requirements are met, most of the earnings of a credit union are returned to the members in the form of dividends on share holdings.

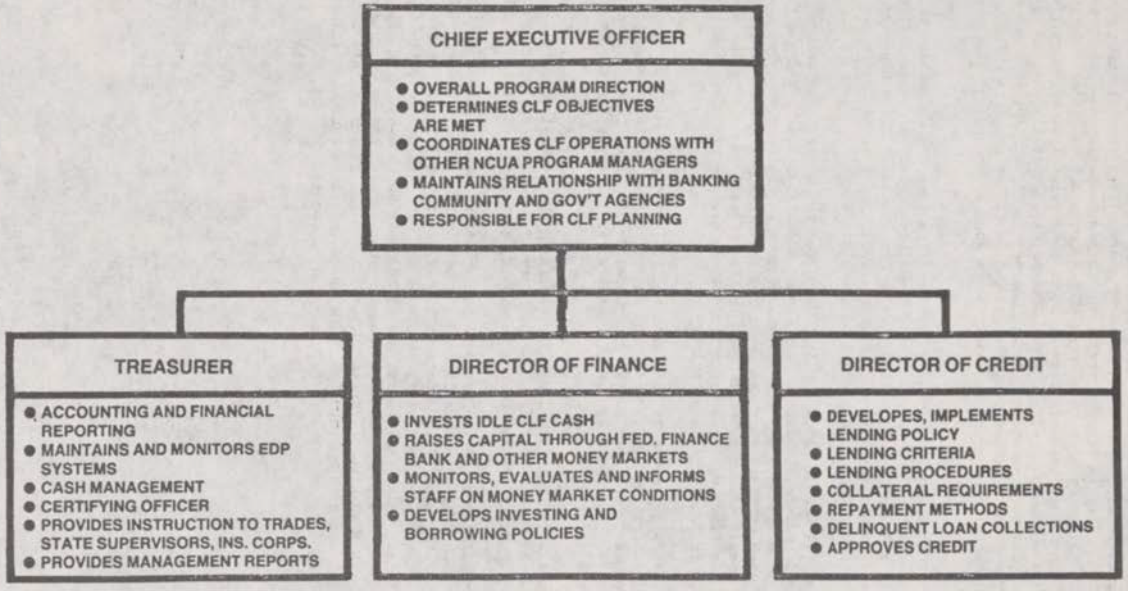
The Federal Credit Union Act of 1934 placed the supervisory authority over Federal credit unions within the Farm Credit Administration. This was done after objections from Treasury and the Federal Reserve to the Senate passed version of this bill which provided that the authority would rest with the Comptroller of the Currency. Credit unions remained with the Farm Credit Administration until May 16, 1942, when the First War Powers Act of 1941 was used to transfer them them to the Federal Deposit Insurance Corporation.

The journey continued in 1948 when the FDIC was faced with the need to request appropriations for its credit union responsibilities. Rather than enter the appropriations process, the then Bureau of Federal Credit Unions was transferred by the Act of June 29, 1948, 62 Stat. 1091, to the Federal Security Agency, the predecessor of the Social Security Agency.

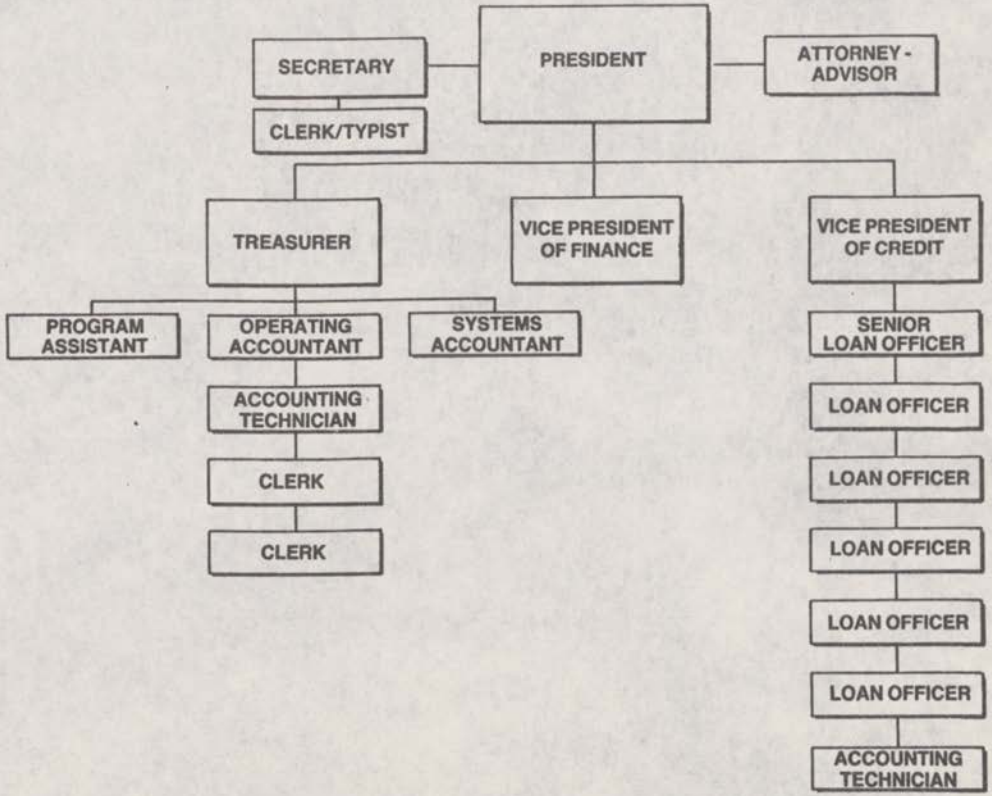
Reorganization Plan No. 1 of 1953 abolished the Federal Security Agency and transferred the Bureau of Federal Credit Unions, together with other agencies of the Federal Security Agency, to the Department of Health, Education and Welfare.

The establishment of the National Credit Union Administration in 1970 placed the supervision of Federal credit unions under an independent agency. Later in 1970, under Public Law 91-468 (October 19, 1970), an additional responsibility was given to the agency: The administration of the National Credit Union Share Insurance Fund. This fund insures member accounts up to $40,000 in all federally chartered credit unions as well as those in state credit unions which apply and qualify for such insurance. Title XIV of P.L. 95-630 increased this insurance for IRA and Keogh accounts to $100,000. The Share Insurance Fund was established with a $100 million draw on Treasury for emergency purposes.

CENTRAL LIQUIDITY FACILITY FUNCTIONAL ORGANIZATIONAL CHART



CENTRAL LIQUIDITY FACILITY ORGANIZATION CHART



TUESDAY, APRIL 1, 1980.

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

WITNESSES

ROGER C. ALTMAN, ASSISTANT SECRETARY, DOMESTIC FINANCE
ROBERT W. RAFUSE, JR., DEPUTY ASSISTANT SECRETARY, STATE AND LOCAL FINANCE
KENT A. PETERSON, ACTING DIRECTOR, OFFICE OF REVENUE SHARING
ARTHUR D. KALLEN, DIRECTOR, OFFICE OF BUDGET AND PROGRAM ANALYSIS
CHARLES V. McFADDEN, DEPUTY FINANCIAL MANAGER, OFFICE OF THE SECRETARY
MS. MARCELLA PETERSON, ASSISTANT TO THE DIRECTOR, OFFICE OF REVENUE SHARING

	1979	1980	1981	Difference
Salaries and Expenses	$7,200,000	[1] $6,414,000	$6,618,000	+$204,000
General Revenue Sharing	$6,854,924,000	$6,854,924,000	$6,854,924,000	
Targeted and antirecession fiscal assistance (proposed)		$375,000,000	$1,000,000,000	+$625,000,000
Total	$6,862,124,000	$7,236,338,000	$7,861,542,000	+$625,204,000
Permanent positions	185	158	158	
Average employment	176	158	158	

[1] Includes $177,000 proposed supplemental appropriation for increased pay costs.

Mr. BOLAND. This morning we take up the Treasury Department's Office of Revenue Sharing. We want to welcome all of you here today—Robert Rafuse, Deputy Assistant Secretary, State and Local Finance, Kent Peterson, Acting Director, Office of Revenue Sharing, and your staff who accompany you here today. I understand that Mr. Altman will arrive shortly.

The fiscal year 1981 budget submitted in January contains requests for the following: (1) $6,618,000 for Salaries and Expenses, an increase of $204,000 over fiscal year 1980 when the supplemental appropriation request of $177,000 for increased pay costs; is considered (2) $6,854,924,000 for General Revenue Sharing; and $1,000,000,000 for Antirecession Financial Assistance, an increase of $625,000,000 above the 1980 proposed supplemental of $375,000,000.

As you indicate in your statement, there is no authorization for either one of those programs. General Revenue Sharings authoriza-

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tion expires in September of 1980 and the Antirecession Financial Assistance has no authorization either 1980 or 1981 is that correct?

Mr. PETERSON. Yes.

Mr. BOLAND. The Administration recently announced that as part of the attempt to balance the 1981 budget, it is no longer requesting the nearly $2.3 billion for State's share of General Revenue Sharing or the $1 billion for the Antirecession Financial Assistance. Instead, it is requesting $500 million for a proposed Transitional Assistance Payments program. Is that correct?

Mr. MCFADDEN. Yes.

Mr. BOLAND. You are requesting 158 positions in both 1980 and 1981 to staff the Office of Revenue Sharing. Mr. Peterson, we will be delighted to hear from you at this time.

Mr. Altman, would you like to say something first, or do you want Mr. Peterson to proceed?

Mr. ALTMAN. It is Kent's testimony. I am here because I have been responsible at my level——

Mr. BOLAND. Toward establishing the policy?

Mr. ALTMAN. Yes.

Mr. BOLAND. That is interesting. Why don't we go ahead with the statement, and then we will get into the questions.

GENERAL STATEMENT

Mr. PETERSON. Mr. Chairman, Members of the Subcommittee, I am pleased to appear before you today to discuss the fiscal year 1981 appropriations request of the Treasury Department's Office of Revenue Sharing (ORS).

Appearing with me are:

Roger C. Altman, Assistant Secretary (Domestic Finance); Robert W. Rafuse, Jr., Deputy Assistant Secretary (State and Local Finance); Charles V. McFadden, Deputy Financial Manager, Office of the Secretary; and Arthur Kallen, Director, Office of Budget and Program Analysis.

Mr. BOLAND. All of you have all been here before.

Mr. PETERSON. In addition I have with me several key members of the Office of Revenue Sharing staff upon whom I will call for information when appropriate.

The President's revised budget for fiscal year 1981 recommends $5.1 billion in budget authority for continued revenue sharing payments to local governments. The Administration's proposals for renewal of revenue sharing will provide for no further payments to State governments. This reduces general revenue sharing outlays in fiscal year 1981 by $1.2 billion, relative to the fiscal year 1980 level.

PROGRAM MISSION AND ORS RESPONSIBILITIES

The Office of Revenue Sharing is a unit within the Office of the Secretary of the Treasury, established to administer the general revenue sharing (GRS) program. As you know, this program was established by the State and Local Fiscal Assistance Act of 1972 and extended in 1976 through September 1980. GRS provides general fiscal assistance through a statutory formula to over 39,000 general purpose State and local governments. These funds are available to recipient governments to use for any purposes permis-

sible under State and local laws. However, recipients must adhere to significant nondiscrimination, audit, and public participation requirements contained in the authorizing legislation.

The resources of the Office of Revenue Sharing are primarily devoted to two major tasks: making payments to recipient governments, and assuring compliance with the nondiscrimination, audit, and public participation standards of the GRS Act. The first effort essentially involves obtaining and reviewing the statistical data used in the allocation formula; computing allocations and making payments; accounting for payments; and providing for the collection and control of required forms. The objectives of the second task include responding to complaints of discrimination; resolution of cases where public hearing and notice requirements may not have been met; and ensuring that larger recipient governments have required audits and that all governments meet minimum standards of accountability.

ORS also carries on, with minimal resources, a quite significant program of technical assistance and public information to assist recipient units and citizens in understanding their rights and responsibilities under the program.

RECENT ACTIVITIES

During fiscal year 1979 and 1980 the Office of Revenue Sharing has undertaken additional nonoperational responsibilities in the area of research and development related to the consideration of the future of the revenue sharing program. We are currently involved in producing computer allocations of possible distribution formulas under the program needed by administration policymakers and the Congress.

During fiscal year 1979 and fiscal year 1980 to date the Office of Revenue Sharing has initiated or completed a number of activities aimed at increasing our administrative effectiveness, especially in administering our significant compliance responsibilities. These efforts include the following: Development and application of computerized control systems in all three compliance areas, for the provision of recipient related data, and for the control of correspondence; Completion of a case-processing-procedures manual in the public participation compliance branch and initiation of updated or expanded manuals in the audit and civil rights areas; Development and publication of proposed regulations relating to discrimination on the basis of handicap and age and revisions of all ORS regulations; Publication and distribution of civil rights and public participation handbooks for use by citizens and recipient governments. The latter publication is also available in Spanish.

Perhaps the most important operational task of ORS during fiscal year 1979 and fiscal year 1980 is that of ensuring that almost 11,000 GRS recipient governments comply with the statutory requirement that they have an independent audit performed in accordance with generally accepted auditing standards (GAAS). Since this provision was added to the revenue sharing law in 1976, ORS has been working with the State audit agencies, which have responsibility for about half of the audits required by the Act, to bring their practices into line with GAAS. We have also reviewed

the practices of over 200 independent public accountants who perform audits of recipients.

Since, by statute and regulation, governments may submit an audit for one of their fiscal years falling between 1977 and 1979, large numbers have waited to submit an audit for their fiscal year 1979. Given that the 1979 fiscal years of most recipients subject to the audit requirement were completed toward the end of calendar 1979, and that it takes several months to complete an audit, the Office of Revenue Sharing has only recently experienced a major increase in the number of audit reports to be reviewed.

Governments were informed last July that they would be expected to provide an audit or a plan for providing one by March 1, 1980. In all but unusual circumstances the audit report itself must be provided by September 1, 1980. No jurisdiction that has failed to submit an audit report, unless it has been granted an extension of time to comply, will receive a revenue sharing payment in October 1980.

Of the 10,946 governments subject to the audit requirement, 6,417 had filed audit reports by March 21, 1980: 3,204 of these governments are in full compliance with the requirements; 1,208 have filed partial reports that have been found acceptable; additional reports from these jurisdictions are expected to be received in coming months; 422 governments' reports have been found unacceptable, and corrections to make them acceptable are in process; and 1,583 goverments' reports are being reviewed.

In addition, 3,220 governments have submitted audit plans advising ORS when their reports will be filed. As I have stated, ORS directed that such plans be submitted by March 1, 1980, in cases where reports would not be provided by that date. Of the remaining 1,309 governments, we estimate that we have received reports, which are not yet logged into the computer, from approximately 300. The approximately 1,000 governments that have not yet responded are being identified. They will be notified of their noncompliance and informed that their July revenue sharing payments will be withheld if an audit report or plan is not received.

ORS SALARIES AND EXPENSES

Today we appear before you, Mr. Chairman, to request for fiscal year 1981 $6,618,000 and 158 permanent positions for Salaries and Expenses appropriation. This submission represents a net increase of $204,000 over fiscal year 1980 for increased pay and the maintenance of current levels of activity. No additional positions are being requested in fiscal year 1981. The request assumes that the administrative requirements placed on the Office of Revenue Sharing will remain approximately at their fiscal year 1980 level in fiscal year 1981. However, if changes to the legislation impose additional requirements on the program, additional funding and positions will have to be requested.

Our submission also seeks supplemental appropriations for fiscal year 1980 of $135,000 for Office of Revenue Sharing pay increase.

Mr. Altman and I will be happy to respond to any questions you may have.

ADMINISTRATIVE EXPENSES

Mr. BOLAND. The request for Salaries and Expenses is $6,618,000?

Mr. PETERSON. That is correct.

Mr. BOLAND. The permanent positions are 158, same as 1980?

Mr. PETERSON. Correct.

Mr. BOLAND. That is an increase of $204,000 over fiscal year 1980. That includes $177,000 supplementary request for pay costs?

Mr. PETERSON. Built-in.

Mr. BOLAND. Have you absorbed any of the pay costs?

Mr. PETERSON. I think 40 percent.

Mr. MCFADDEN. Yes, sir.

Mr. BOLAND. How much?

Mr. MCFADDEN. About $106,000 in 1980.

Mr. BOLAND. Was the total pay cost $283,000?

Mr. MCFADDEN. That was the total need for fiscal year 1980.

TARGETED AND ANTIRECESSION FISCAL ASSISTANCE

Mr. BOLAND. As I understand it, the Administration recently announced that as part of the attempt to balance the 1981 budget, it is no longer requesting the nearly $2.3 billion for the States share of GRS or the $1 billion for Antirecessional Financial Assistance. Has the supplemental of $375 million for fiscal year 1980 been dropped, too?

Mr. MCFADDEN. No.

Mr. BOLAND. Are you still requesting the supplemental?

Mr. ALTMAN. The authorizing legislation passed both House and Senate. We are awaiting the conference. The Administration's position still is to support that legislation and to support the related appropriation request.

Mr. BOLAND. The Administration has decided that if the authorizing legislation for Targeted and Antirecessional Financial Assistance is approved by the Congress, that it is still interested in a $375 million supplemental for fiscal year 1980? Is that correct?

Mr. ALTMAN. That is correct. But the amount in 1980 will be less than $375 million because the Senate bill is $340 million, the House is $200 million, presumably it will be somewhere in the middle and therefore less than $375 million.

Mr. COUGHLIN. Mr. Chairman.

Mr. BOLAND. Yes.

Mr. COUGHLIN. We are talking about implementing a program this year and discontinuing it next year, a new program.

THREE SEPARATE BUDGET REQUESTS

Mr. ALTMAN. I think it is important to differentiate among the three programs that might be discussed here. The first is the

targeted fiscal assistance proposal, which we made early last year, which passed the Senate early in 1979, and which finally passed the House——

Mr. COUGHLIN. Is that not a place where we can cut some dough, for goodness sake? It has not passed yet.

Mr. ALTMAN. It is a different program, Mr. Coughlin, I should emphasize that. Targeted fiscal assistance would involve a one-time payment of approximately $250 to $270 million depending on the conference outcome and the related appropriations action in 1980. That is not the same as general revenue sharing. That is not the same as countercyclical revenue sharing, which, if we had kept it in the budget would have called for a 5-year authorization. It would have been a program which would only trigger on—only become operative—under conditions of national recession. Therefore, it would not have become operative according to our own economic forecasts during fiscal 1980. It would have been a standby program. Very different than targeted fiscal assistance. So we stand by the reasons we originally put forth to the Congress. It passed the Senate and the House, and it was awaiting conference.

Mr. COUGHLIN. Do you want it, too?

TARGETED FISCAL ASSISTANCE

Mr. ALTMAN. We certainly do want targeted fiscal assistance, too, there would be no point in supporting the program if we were not in favor——

Mr. COUGHLIN. This will be a one-time payment just before election—

Mr. ALTMAN. That is right. The program was proposed in the 1980 budget in January 1979, in other words, over a year ago.

Mr. COUGHLIN. When do you propose to make this one-time payment?

Mr. ALTMAN. As soon as possible after the conference report is passed by the two Houses and the appropriation is passed. In other words, this has been before the Congress for about 15 months. It is not something we concocted last week or 2 months ago when the primary season started. It is a 1980 item, not 1981.

Mr. COUGHLIN. Mr. Chairman, I will have more questions on this later, but I did not mean to interrupt. I was amazed.

1981 BUDGET RECESSIONS

Mr. BOLAND. Looking at the Budget Revisions for March 1980, on page 55 of the General Purpose Fiscal Assistance budget authority, the January estimate for antirecession fiscal assistance is minus $100,000,000. Is that correct?

Mr. RAFUSE. Yes.

Mr. BOLAND. Which leaves a total of how much in the fiscal 1980 budget for that program?

Mr. ALTMAN. The answer, Mr. Chairman, is that there is $250 million in the continued 1980 budget for targeted fiscal assistance. There was an additional $125 million for the second tier of that bill which was the countercyclical program.

Mr. BOLAND. Which makes a $375 million supplemental being requested. Is that correct?

Mr. ALTMAN. I am sorry, Mr. Chairman. The answer is $250 million. We have dropped $125 million for the countercyclical program.

1981 COUNTERCYCLICAL PROGRAM

Mr. BOLAND. The estimate for fiscal year 1981 shows a reduction of $1 billion. Is that correct?

Mr. ALTMAN. A deletion of the entire program, yes.

TRANSITIONAL ASSISTANCE PROGRAM

Mr. BOLAND. The Administration has proposed a $500,000,000 for a Transitional Assistance Payments program in fiscal year 1981. Explain this proposed program to the Subcommittee.

Mr. ALTMAN. The details are still in process. No final decision has been made yet on the precise outlines of the program, but I can say that it should be looked at essentially as a $5.1 billion general revenue sharing program involving only localities. In other words, we had a $6.9 billion program last year. We are eliminating the State share, which involved $2.3 billion, leaving $4.6 billion. We are, however, expanding the local share by $500 million, bringing it out at $5.1 billion, and the additional $500 million is intended and will be designed to mitigate the effects on fiscally hard-pressed, localities of the losses to them coming about from elimination of the State share. In other words, those States which passed through high proportions of the State share to hard-pressed localities, those are the areas for which we will be trying to mitigate those losses through an additional $500 million. We have not decided how to target it, but that is the intent of the program.

Mr. BOLAND. The additional $500 million is really GRS, but will remain separate from the GRS account and is targeted to those locations that are the hardest-pressed. You are eliminating the State's share which reduces the general revenue sharing account to $4,600,000,000. Is that correct?

Mr. ALTMAN. I describe it differently, myself. We are sending up legislation, perhaps at the end of this week or just when the Congress returns, which will be a single bill asking for total budget authority of $5.1 billion; $4.6 billion will be the previous local share of general revenue sharing with some modification as we described in January when we released it; $500 million will be added to that in the form of more targeted payments aimed at, as I say, mitigating the losses to hard-pressed localities.

DISTRIBUTION OF TRANSITIONAL ASSISTANCE PAYMENTS

Mr. BOLAND. What criteria do you propose using to distribute the funds?

Mr. ALTMAN. We have not made the final decision. I can say that the localities which will get those funds include those that are well known to be in fiscal stress.

Mr. BOLAND. Will State governments get part of the $500 million?

Mr. ALTMAN. Strictly local governments.

Mr. BOLAND. You have no idea the number of units of local governments that will receive assistance under this plan?

Mr. ALTMAN. Not at the moment.

Mr. BOLAND. You do not have a computer runout right now?

Mr. ALTMAN. No.

Mr. BOLAND. When do you expect to have it?

Mr. ALTMAN. Simultaneous with our sending the legislation to the Congress. If we can get a computer run, we will forward that legislation to the Congress before this week's recess. If not, we will have it when the Congress reconvenes. We are working as hard as we can on it now.

EFFECT OF ELIMINATION OF STATES' SHARE

Mr. BOLAND. Let me ask Mr. Peterson a question while Mr. Altman is conversing, and we can get more answers to policy questions later. Under Tab A, the request for 1981 for salaries and expenses is $6,618,000, an increase of $204,000 above 1980. What is the effect on the salaries and expense accounts—both funds and positions—of eliminating the State share of general revenue sharing? Is there any savings, and if not, why not?

Mr. PETERSON. Well, really not, because out of the 39,000-plus jurisdictions, the States only account for about 50. So really as far as the data problems, the compliance problems dealing with the governments, the informational problems, informing them about requirements and so forth, answering their questions, it is really not affected importantly at all. In fact there would be some minor costs in programming and informing governments about the changes in the program.

IMPACT OF ADMINISTRATIVE EXPENSES REDUCTION

Mr. BOLAND. What would be the impact of a one or two percent reduction in Salaries and Expenses in the 1981 request?

Mr. ALTMAN. I think it would be—1 or 2 percent, which is how much?

Mr. MCFADDEN. The range of sixty-five to one hundred and thirty thousand dollars.

Mr. PETERSON. I think it would be difficult to deal with.

Mr. BOLAND. What would you have to eliminate, the audits?

Mr. PETERSON. The audits and the civil rights compliance areas are the difficult areas.

AUDITING ACTIVITY

Mr. BOLAND. Do you actually perform the audits or just review the audits submitted by the local communities?

Mr. PETERSON. Yes, but we have to review something like 5,000 to 6,000 of them, actually review them. The rest are reviewed by the States and we just look at the lists. Those are important functions. Also, our computer expenses have gotten considerably higher than they used to be, not only for our operational purposes, but whenever anybody is interested in looking at formula options, that contributes quite a bit of cost.

ADMINISTRATIVE COSTS OF TRANSITIONAL ASSISTANCE PROGRAM

Mr. BOLAND. If the proposed Transitional Assistance Payments program is funded by the Congress, what effect would that have upon the salaries and expenses accounts?

Mr. PETERSON. It really depends on what the parameters of that program would be, Mr. Chairman. I really—I do not know enough about what the proposal is, and I gather Mr. Altman suggested it is really being filled out at this point. I really would not want to say. It would depend on how much different it was from the existing revenue sharing program.

1981 INCREASE IN OUTLAYS

Mr. BOLAND. The program and financing schedule indicates that the outlays for Salaries and Expenses in 1981 will increase by $1,145,000 while budget authority only increases by $204,000. This appears to be primarily because the obligated but unexpended balance at the end of the year decreases from $1,357,000 in 1980 to $455,000 in 1981. Why do you estimate the obligated but unexpended balance at the end of 1981 will be $902,000 less than the obligated balance at the end of 1980? The obligated balance at the end of the year has been rather constant over the past few years—about $1,400,000.

Mr. MCFADDEN. Mr. Chairman, in 1979 we were coming down, we had an appropriation of $7.2 million which is being reduced to $6.6 million in 1981. The 1981 affect of the reduced budget will result in a larger amount of outlays in 1981. From there on out we would hope to carry a level of about 10 percent or 600——

UNOBLIGATED BALANCE LAPSING

Mr. BOLAND. On that same table of Tab A, indicates that $745,000 lapsed at the end of fiscal year 1979. There is nothing wrong with returning unneeded funds to the Treasury. In fact, I guess it indicates good management. What caused ORS to lapse the $745,000 at the end of 1979?

Mr. PETERSON. Much of it resulted from the appropriation that we had been given to wind down the antirecession program. I think we received approximately $700,000 for that.

Mr. MCFADDEN. Yes.

Mr. PETERSON. And used only about I believe $250,000 or so. So a very healthy, probably two-thirds of the surplus was accounted for by that, was it not?

Mr. MCFADDEN. Yes.

ORS COMPUTER SYSTEMS

Mr. BOLAND. Last year there was some discussion of your various computer systems. On page 4, you list five systems. (1) Recipient Information Summary Systems (RISS), (2) Civil Rights Complaints Tracking Systems (CRCTS), (3) Audit Reporting System (ARS), (4) Correspondence Control System (CCS), and (5) IGR Compliance Control System (IGRCIS). The last two systems are new, at least I don't recall mention of them last year. Is that correct?

Mr. PETERSON. Correspondence control system is the system by which we keep track of important correspondence that comes from the Hill or comes from the White House or has other high priority with us. It is put into the system and it sets the target date for it to be completed. Each day my secretary can review that and call to my attention important mail and other communications that are falling behind. Frankly I think it has worked rather well.

Mr. BOLAND. What about the IGR Compliance Control System?

Mr. PETERSON. That refers to our Intergovernmental Relations Division. But one branch of that has responsibility for the public participation compliance requirements of the 1976 Act. This system is to keep track of the status of those cases, complaints.

Mr. BOLAND. How long has CCS and IGRCTS been operational?

Mr. PETERSON. Well, I think the CCS system has been operating for about 5 months.

Mr. BOLAND. Where did you get the funds for the two new computer systems?

Mr. PETERSON. We get—I guess we would get most of that from the computer costs——

Mr. BOLAND. Last year you talked about three computer systems, now we see that you have five, and the Subcommittee is wondering where you received the funds to implement the two new systems that were not mentioned last year.

Mr. PETERSON. I think they were all under development at that time, I am certain.

Mr. BOLAND. Are all of the systems now operational?

Mr. PETERSON. All of these we have dealt with, yes, are, and they are all in use at this time.

IMPROVED PRODUCTIVITY

Mr. BOLAND. Have the computer systems increased productivity?

Mr. PETERSON. I think so, that is a little bit hard sometimes to break down to dollars and cents, Mr. Chairman. We feel it has.

Mr. BOLAND. How do you determine if there has been an increase in productivity? Does ORS have a work measurement system?

Mr. PETERSON. That is a difficult problem. One of the things that I attempt to do, very crude measure, is to try to say, if you are talking about review of audit reports, how many reports you are getting per staff member per month, or in the civil rights area you can look at how many completed investigations you have per available staff hour. That may be pretty crude, but it is still I think a basic, useful measure.

ANNUAL OPERATIONAL COST OF COMPUTER SYSTEMS

Mr. BOLAND. What is the annual operational cost per system?

Mr. PETERSON. I think the total operational cost of all of these systems is something in the range of $125,000, totally, including personnel, hardware, and all.

CURRENT ON-BOARD PERSONNEL

Mr. BOLAND. On page ORS-5, you are requesting $4,220,000 in 1981 for personal services, an increase of $116,000 above 1980. How many employees do you currently have aboard?

Mr. PETERSON. I believe it is 148 full-time and 9 other than permanent.

Mr. BOLAND. As of what date?

Mr. PETERSON. As of yesterday.

Mr. BOLAND. So I take it that you have 10 vacant permanent positions.

Mr. PETERSON. Yes, 10 permanent positions are vacant.

EFFECT OF HIRING LIMITATION

Mr. BOLAND. How does the hiring limitation affect the Office of Revenue Sharing?

Mr. PETERSON. As I understand it—Dr. Marcella Peterson is our staff person, assistant to the director. I think we are really stymied at this point.

Ms. PETERSON. Right. It is our understanding that our request will go forward in terms of announcements but the actual placement of persons will be determined by Assistant Secretary McDonald based on the number of available vacancies in the Office of Secretary.

Mr. BOLAND. You do not expect that your personnel service requests for 1981 will be reduced. Is that correct?

Ms. PETERSON. We hope not.

Mr. BOLAND. The ORS is requesting a $177,000 supplemental for increased pay costs. Is ORS absorbing any of the increased pay costs——

Mr. MCFADDEN. $106,000.

Mr. BOLAND. Do you not expect any savings will be effected in fiscal 1980 as a result of the hiring limitation? Do you expect any savings in the current year because of the hiring limitation?

Mr. MCFADDEN. It could possibly develop, about $42,000, which equates to two positions.

INCREASE IN TRAVEL ESTIMATE

Mr. BOLAND. On the same page you are requesting $293,000 for travel, an increase of $92,000 over 1979. Why should travel costs increase by nearly 50 percent in two years when the number of employees decreases?

Mr. PETERSON. I think a good portion of that is explained by the increase of the cost of travel itself. Did you not say something like 25 percent increase in the past two years?

Mr. MCFADDEN. Yes, the adjustment reflects: (1) per diem rates which have risen 23 percent ($75,000) and (2) air fare rates, which have increased travel in the range of $10 to $15,000.

Mr. PETERSON. Much of the travel, Mr. Chairman, does result from our civil rights and audit responsibility. Those are the areas where much of the travel takes place. Of course that is an essential part of investigating civil rights complaints and in the audit case, reviewing the 63 State audit offices that are responsible for about

half of all of the governments that come under the audit requirement. So it is an important part of our operations.

1980 TRAVEL DECREASE

Mr. BOLAND. The legend under travel states that the reduction of $67,000 in 1980 is due to the Congressional directive to reduce travel.

Why is the Office of Revenue Sharing taking more than an 8 percent travel reduction? That was to be the average reduction throughout the government.

Mr. MCFADDEN. We were reduced $100,000 last year. When actual 1979 travel came in at $201,000 as compared to an 1980 estimate of $342,000, we decided to reduce estimated travel by $67,000.

OTHER SERVICES ESTIMATES

Mr. BOLAND. On page ORS-7, you are requesting $1,176,000, for other services in 1981. This is $22,000 above the 1979 and 1980 levels. Why should not the cost of this category go down in 1981? I thought that ORS contracted out for a number of studies on general revenue sharing in anticipation of the reauthorization process. It would seem to me that the cost of those studies should to be nonrecurring.

Mr. PETERSON. Mr. Chairman, much of the important expenditures in that category are operational. The most important item that comes out of there is the payments for the computer services of the Office of Computer Science in the Department of Treasury which have been rising rapidly. That category, I believe, also includes a number of our reimbursable arrangements for personnel services, printing, financial management, that sort of thing. So I really think that the nonoperational possibility for nonoperational expenditures really amounts to about $260,000.

REDUCTION IN EQUIPMENT ESTIMATE

Mr. BOLAND. Also on page ORS-7 you are requesting $60,000 for equipment. The justification indicates that it is for replacement equipment for worn, broken-down furniture. In light of the budget cuts, could not this be reduced to $42,000 without a severe impact?

Mr. MCFADDEN. We could.

Mr. PETERSON. We probably would not stop functioning.

Mr. BOLAND. Fine.

Mr. Coughlin?

IMPACT OF ELIMINATION OF STATES' SHARE

Mr. COUGHLIN. Thank you, Mr. Chairman.

I think I missed the answer to the Chairman's question as to the effect on your number of positions and your level of salaries and expenses if you eliminate the State share of revenue sharing. There would not be any reduction.

Mr. PETERSON. Insignificant effect, because you are talking about 39,000 recipients to be dealt with in terms of data elements, in terms of formula programming, in terms of compliance cases.

Mr. COUGHLIN. Do you not do that with the States?

Mr. PETERSON. You do, but it is only 50 of them.

Dr. PETERSON. So that is true, they do account for a substantial amount of money. In fact, a few governments account for a huge portion of the money we pay out, but they do not necessarily account for the administrative problems. There are many problems with smaller governments that have very little contact with the Federal government. I feel very strongly there would be very little effect. In fact, as I say, there would be some minor costs of reprograming information transmittal to governments and other things.

AUDITING REQUIREMENTS

Mr. COUGHLIN. The Council on Municipal Performance, a New York nonprofit research organization, released a study last summer which concluded that auditing requirements have been so widely flouted by States and local governments that a considerable amount of corruption may well have been concealed.

Is there any validity to this charge?

Dr. PETERSON. We do not feel they are being flouted. In fact, as suggested in my testimony, we have had reports filed at this point from approximately 6,400 of the slightly less than 11,000 governments. Of those we have reviewed, we found a very small percent unacceptable, and we really have not found any instances that I am aware of, of fraud. I do not think that was the real intention of the requirement. It may have been one of the intentions of the requirements, but I think a more important intention was perhaps improved State and local fiscal management. I think we are achieving this and I think GAO has in the Comptroller General's recent testimony confirmed that.

REVENUE SHARING FUNDS SUSPENDED

Mr. COUGHLIN. Do you feel that report was in error?

Dr. PETERSON. Very much so, yes. We have spent a lot of time answering it. Yes, I think it is very much in error.

Mr. COUGHLIN. You have the power and responsibility to cut off funds to any jurisdiction that fails to comply with auditing requirements. You fund over 39,000 jurisdictions. How many have had funds suspended?

Dr. PETERSON. About 11,000 of these governments come under the audit requirement. At this point, it has not really been appropriate to cut off funds. Basically the way the statute is set up, it allows them to have an audit for any one of three years between 1977 and 1979. A large portion of those governments are waiting until 1979.

Over half those governments' fiscal years in 1979 did not end until the second half of calendar 1979. We said by March 1, we expected governments to either give us a report or give us a plan. Those governments as, I stated in my testimony, who have not given us a plan, we are in the process of identifying. It is less than 1,000 at this point. We will be notifying them very shortly and telling them they will not get their July revenue sharing.

Mr. COUGHLIN. In all the years that revenue sharing has been in existence, no jurisdiction has ever not received funds?

Dr. PETERSON. They have through fiscal year 1979 to have the audit, so it would not have been appropriate to hold up payment. In other kinds of compliance, yes.

Mr. RAFUSE. The 1976 amendments established the audit regulations. So they did not exist during the first 4 years of revenue sharing—1972 through 1976. The new program took effect in 1977.

Mr. COUGHLIN. Mr. Chairman, I have other general questions, but I will defer those.

Mr. BOLAND. Fine.

Mrs. Boggs?

IMPACT OF ELIMINATION OF STATES' SHARE

Mrs. BOGGS. The recent report by the Conference of Mayors on the impact of reduction of revenue sharing on 100 cities shows that among the 100 cities surveyed, 49 report they would be adversely affected by the loss of the State share. My city of New Orleans was among those projecting a loss and predicted $7 million. Another 41 cities indicated they could not predict how the loss would affect them, but that they were uncomfortable with the prospect. Have you any figures as to how much of the State share is passed on to the cities and how much the deletion of State share will affect localities?

Mr. ALTMAN. There are no absolutely reliable statistics on the proportion of revenue sharing payments. We estimate that it is between 25 and 60 percent. Some think it is closer to 25 percent. Revenue sharing payments to States essentially go into a single account, and from that account payments are made for everything from highway construction to education aids, it is not possible to trace specifically the dollars. No one can know for sure. There is no question a substantial amount of it is passed through and the State share would therefore cause reductions in State aid to localities, although the amount of reduction in each case, will depend on the State legislatures and the Governors in each State and how they choose to adapt to the new environment.

But I should say the President has announced that $500 million will be added to the local share of general revenue sharing and spent in a highly targeted way aimed at those localities which on one hand are hard-pressed and on the other hand appear to be receiving large amounts of unrestricted State fiscal assistance. So, we are hoping the $500 million will mitigate much of the loss in places such as New Orleans and which are receiving a similar amount of State assistance which might be affected adversely by the loss of the State share. I hope this legislation will come up either this week or the day the Congress returns. That will mitigate most of the losses.

PUBLIC PARTICIPATION

Mrs. BOGGS. Thank you very much.

The public participation in the revenue sharing program of course, is something which your office is involved in, particularly with respect to compliance efforts. Could you describe how you go about keeping tabs on compliance?

Dr. PETERSON. Essentially the public participation compliance, which as you know, Mrs. Boggs, requires a series of two hearings and several notices when decisions are made as to the use of revenue sharing funds. Given the limited staff available in that area, much of our effort is in response to complaints. We did some self-initiated reviews shortly after the requirement came into effect in 1977.

We have also made considerable effort as far as making pamphlet literature available and to explain these requirements when our Intergovernmental Relations Division gives informational workshops, where these sorts of problems are often dealt with. So there is an effort to make the governments aware of the requirements. But basically, unfortunately, given that we have about six people to do it, and we have opened about 300 cases in this area, so it is a pretty sizable workload for those six people.

Mr. BOLAND. Will you yield?

Mrs. BOGGS. Certainly.

PUBLIC HEARING REQUIREMENTS

Mr. BOLAND. The Revenue Sharing Act was amended in 1976 to require jurisdictions receiving revenue sharing funds to hold two separate public hearings: (1) an initial public hearing covering proposed uses of only revenue sharing funds and (2) a later public hearing on the proposed uses of revenue sharing funds in relation to the entire budget before the final budget is enacted into law.

A recent GAO report entitled "Compliance with Requirements to Hold Public Hearings on Use of Revenue Sharing Funds" questioned whether the first meeting was meaningful because of the fungibility of funds. An ORS commissioned study by Peat, Marwick, Mitchell and Co. recommended eliminating the first hearing requirement. It was also mentioned that these hearings were not well attended.

What is the ORS recommendation regarding this public-participation requirement—both the first and the second hearings? Does it appear to be just a waste of effort?

Mr. ALTMAN. I am going to answer this only in a very subjective way. Unfortunately, as an example of the function of public participation, hearings in a few areas have been useful, but the overwhelming portion of hearings held by recipient governments are essentially meaningless. It is a very subjective judgment as to whether or not they should be eliminated, given that the original intent was to bring the citizens of the local government into the process, exposing them as to how the local government intended to spend these funds.

Mr. BOLAND. What was the position of the Department of the Treasury back in 1976 when the amendments were added to the general revenue sharing program?

Dr. PETERSON. The Administration at that time, of course this is a new Administration, essentially opposed those changes. There was introduced as a part of President Ford's program a requirement that there be a guarantee that some sort of hearing be held. So I think that was essentially the position. It did not require two hearings or a specific type.

STATUTORY REQUIREMENTS

Mr. BOLAND. You do not have any choice now since the law requires it?

Dr. PETERSON. That is correct, it is a clear statutory requirement.

Mr. ALTMAN. One argument that could be made against the regulation is—this is the one the Ford Administration used—that general revenue sharing was intended as no-strings-attached local fiscal assistance. The three separate amendments added to the statute in 1976 compromised the no-strings-attached aspect. This Administration feels very strongly about both the audit and the civil rights regulations. The 1976 amendments were a constructive step in both areas. Most public interest groups support the civil rights policy and most independent groups, GAO and others, feel the audit regulations have contributed to much-improved auditing standards. Nevertheless, you do get back to the conceptual issue, which is that the program should be "no strings attached" and the Administration should have the option to have audits, or whatever. That is the argument basically used not only against the public hearing amendments but the others, too.

Mr. BOLAND. Thank you.

Mrs. Boggs?

Mrs. BOGGS. To follow through, where the Congress has been charged with levying taxes to raise the revenues that are so-called "shared," certainly there has to be some sort of compliance restraint with proper auditing procedures and civil rights compliance. It is a natural expression of what should have been implied in the sharing to begin with.

In talking about compliance of various sorts, I have some questions I would like to submit to be answered in the record. They concern the number of women who have moved into higher-grade positions as a result of your Agency's upward mobility program and so on.

[The questions follow:]

EMPLOYMENT OF WOMEN

Question. How many women have moved into higher grade target positions as a result of your agency's Upward Mobility Program?

Answer. The Office of the Secretary of which ORS is a part has developed the CADE program (Career Development for Lower Level Employees) which will be the official title of our upward mobility program for employees GS 1-8. It is expected to be announced very shortly.

Question. How many women have been selected to participate in your agency's Executive Development Program?

Answer. The Executive Development Program in the Office of the Secretary is expected to be approved and announced in April or early May.

Question. Do you have a Management Development Program? If so, how many women have been selected for it?

Answer. The Management Development Program in the Office of the Secretary is being developed.

Question. Why do you show such a significant drop in representation of women above the GS-9 level?

Answer. Women above the GS-9 level have left ORS usually for positions in other agencies that offer more potential for promotion and for private industry. Unfortunately, with a drop of twenty positions for fiscal year 1980 we have not been able to replace some of them.

Question. What are the main mission related occupations of your agency? What efforts are you making to assure representation of women in these occupations, which generally have the best promotion potential?

Answer. Distribution of 39,000 checks four times a year which involves data collection and computer systems is our main mission. Of 37 employees in the two divisions, Systems and Data and Demography, at present 14 are women. Two of the women are supervisors.

Our second most important mission is compliance in three areas, Civil Rights, Audit and Public Participation. Of 67 employees in these three areas, 37 are women, two of whom are supervisors.

Question. We know that many women in clerical positions hold college degrees. What have you done to assure that you are fully utilizing your personnel? Have you conducted a skills survey?

Answer. A skills survey for employees GS 1-8 has been sent to the Manager, Personnel Operations Division for approval and distribution.

Question. The Office of Personnel Management is introducing a model competitive staffing system which will give your agency more flexibility and authority in the hiring process. Do you think that your employment profile for women will improve as a result of this new freedom?

Answer. With the opportunity for more direct involvement in the hiring process ORS expects that the new system will improve our employment profile for women by more direct targetting of announcements to women's colleges and organizations.

In addition, the Office of the Secretary, EEO Officer, has initiated steps to develop an Affirmative Action Applicant Referral System. This System includes an intensive Community Outreach effort focusing on women and minorities. As applications are received they will be forwarded to our managers for consideration. It is felt that this System will assist in correcting female and minority work force deficiencies.

Question. Did you achieve your affirmative action goals for women last year?

Answer. During fiscal year 1979, the Office of the Secretary (OS) did not have a full-time EEO Officer. Thus, an Affirmative Action Plan was not developed and, as a result, goals were not established. In November 1979, an EEO Officer was appointed to the Office of the Secretary to plan, develop, manage, and implement an EEO Affirmative Action Program. Since that time OS managers and supervisors have received EEO training, provided by the EEO Officer. This training has apprised managers and supervisors of their EEO responsibilities and the steps necessary to achieve EEO goals. It is anticipated that managers will now begin to establish affirmative action goals, based on their anticipated vacancies. These established goals will begin to impact the female and minority representation within their work force in fiscal year 1981.

Question. What are you doing to assure that your supervisors and managers recognize and are held accountable for their responsibilities to the FWP?

Answer. ORS top management has requested that supervisors and managers allow employees to participate in the monthly meeting planned by the FWP coordinator.

Question. What is the median grade level for women in your agency? For men? How does this compare with the government as a whole?

Answer. Office of Revenue Sharing: Women—GS-7; Men—GS-13. Federal Government: Women—GS-6. Men—GS-10.

Question. How are you implementing the Office of Personnel Management's policy statement on sexual harassment?

Answer. The attached announcement was distributed to all employees. In addition all managers were requested to comment on the EEOC proposed guidelines which were submitted to the Commission on the first of April.

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Department of the Treasury
Washington, D.C. 20220

MEMORANDUM

Date: JAN 30 1980

To: ALL EMPLOYEES

From: W. J. McDonald
Assistant Secretary (Administration)

Subject: Sexual Harassment

This memorandum defines sexual harassment and restates the policy of the Federal Government as an employer with regard to sexual harassment. This policy is applicable to all Department of the Treasury employees.

Merit system principles require that all employees be allowed to work in an environment free from sexual harassment, which act undermines the integrity of the service, and which will not be condoned.

Each of us, as Federal employees, has a grave responsibility under the Federal code of conduct and ethics for maintaining a high standard of honesty, integrity, impartiality and conduct to assure proper performance of the Government's business and the maintenance of public confidence. Any employee conduct which violates the code, cannot be condoned.

Sexual harassment constitutes a prohibited personnel practice when it results in discrimination for or against an employee on the basis of conduct not related to performance, such as the taking or refusal to take a personnel action, including promotion of employees who submit to sexual advances or refusal to promote employees who resist or protest sexual overtures.

As defined by the Office of Personnel Management, sexual harassment is deliberate or repeated unsolicited verbal comments, gestures, or physical contact of a sexual nature which are unwelcome.

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Within the Federal Government, supervisors who use implicit or explicit coercive sexual behavior to control, influence, or affect the career, salary, or job of an employee is engaging in sexual harassment. Similarly, Treasury employees who behave in this manner in the process of conducting the Department's business are engaging in sexual harassment.

Finally, any employee who participates in deliberate or repeated unsolicited verbal comments, gestures, or physical contact of a sexual nature which are unwelcome and interfere in work productivity is also engaging in sexual harassment.

It is the Federal Government's policy that sexual harassment is unacceptable conduct in the workplace and will not be condoned. Personnel management within the Federal sector shall be implemented free from prohibited personnel practices and consistent with merit system principles, as outlined in the provisions of the Civil Service Reform Act of 1978. Employees should avoid conduct which undermines these merit principles. At the same time, it is not the intent of the Office of Personnel Management to regulate the social interaction or relationships freely entered into by Federal employees.

Complaints of harassment should be examined impartially and resolved promptly. We have been advised that the Equal Employment Opportunity Commission will be issuing a directive that will define sexual harassment prohibited by title VII of the Civil Rights Act and distinguish it from related behavior which does not violate title VII.

WOMEN AND MINORITY STATISTICS

Mrs. BOGGS. But for the record now, I would like you to answer this, please: In his memorandum to heads of departments and agencies, dated November 17, 1978, President Carter stated that he expected to see significant improvements made in your department or agency as a result of your personal initiatives. What have you personally done to improve women's employment and advancement in your Agency?

Dr. PETERSON. The Office of Revenue Sharing has had a very good record both in terms of minorities and women as far as employing women and minorities, but also in terms of positions they hold. Forty-two percent of our staff is minority and 53 percent female.

I was just going to give you some examples at the higher grades, particularly. This is as of 2-15-80, grade GS-15, we had 2 females; at grade GS-14, we had 6; at grade GS-13, we had 4; at grade GS-12, we had 11.

This is an an office that only has an authorized level of 158. Perhaps it is correct to say that women are still not in the proportions they should be to the number of males at those higher grades, but I suspect—and I say this somewhat in ignorance—that it would probably be a pretty good record in comparison to other agencies.

Mrs. BOGGS. Thank you very much. The questions have been designed to help you answer those questions for yourselves. We find that everybody is trying to comply and that everybody says they have made a big effort. We do have these success stories and it would be useful to be able to evaluate how well we have done in getting over that bridge of GS-9. We have tried to propose some questions that will help you evaluate that.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. Is there any other program which exists where you could eliminate State involvement totally and not involve any other costs?

Dr. PETERSON. It is a program that operates off a statutory system.

Mr. SABO. For taxpayers, it is probably pretty good.

Dr. PETERSON. We think so, yes.

Mr. SABO. But we are eliminating it? I am curious how you will go about the process of finding out which States are sending revenue sharing to cities. You indicated earlier that you cannot follow state funds and I agree that is an accurate description.

TRANSFER OF STATE PAYMENTS TO LOCALITIES

Mr. ALTMAN. There are fully as many fiscally stressed rural-located governments as urban. One possible measure which we are evaluating is to link the distribution of the new $500 million to the percentage of State aid other than for education to localities on a State-by-State basis. Some States allocate a very large part of their budgets, to noneducational State aid. Some States make practically none. Obviously, the State that makes virtually no payments to its localities, is not a State in which those localities will be hurt from repeal of State revenue sharing. They are not getting any of it. One

cannot argue that localities in such a State are likely to be disadvantaged by the loss of the State share of general revenue sharing. Our efforts are not to distribute any meaningful part of this $500 million to localities in this particular State.

On the other hand, there are States which distribute 50 percent or more of their total revenues in the form of noneducational State aid. The distressed localities, rural and urban in those States, presumably will be badly affected.

Mr. SABO. To use a percentage of State funding variables makes no sense.

Mr. ALTMAN. We have made no final decision. This is in a stage of development. The approach is in terms of how much goes to each State area, not the State, but the State area——

Mr. SABO. Does Treasury have anyone involved with the procedure who is here right now?

Dr. PETERSON. Absolutely. Mr. Rafuse.

BACKGROUND EXPERIENCE OF TREASURY STAFF

Mr. SABO. What is his background?

Mr. RAFUSE. A am a public finance economist. I have worked extensively with the State of New York and the State of California, county governments in California. One of the members of my staff worked for a number of years for the city of Detroit; another for the State of New York and with New York City. Another member has worked for the city of Newark, New Jersey in the budget office of that city. We have had an extensive degree of hands-on experience with State and local government budgeting.

FEDERAL FISCAL ASSISTANCE

Mr. SABO. I have a tough time understanding why, we should establish a new progam if we want to get more money out to cities. I am not sure what purpose we have in mind but there could be a variety of purposes. If we want the aid for general fiscal services for government, it seems we would increase revenue sharing. If we want it for fiscal services or employment, we should increase the community development block grants. If we want to help poor people, we should increase title XX funding. What is the purpose here?

Mr. ALTMAN. Our purpose is very simple, we support the concept of Federal unrestricted fiscal assistance to local governments.

Secondly, there are a series of local governments around the country that are stressed——

Mr. SABO. Who has final authorization over those?

Mr. ALTMAN. Let me finish my statement. These stressed governments will lose funds. Our purpose in regard to the supplemental $500 million, the only new policy, is to mitigate the losses to be experienced by the hard-pressed localities. It involves unrestricted fiscal assistance; it involves limiting the fiscal injury to those places. That is what we are about here.

TIMING OF 1981 STATES' BUDGETS

Mr. SABO. How many States have set their budgets through June 30, 1981?

Mr. ALTMAN. Those States which have June 30 fiscal years are in the process of adopting those budgets now.

IMPACTS OF FEDERAL ASSISTANCE

Mr. SABO. I guess I am just sort of curious about the philosophy which governs the whole process. I will probably support the elimination of revenue sharing, although I think it is one of the more successful programs we have. I agree, we have to move to balance the budget, but in a sense we are moving there in an irrational way with relation to State and local governments. I guess I hope some of that more critical examination will come however, I do not see it coming. I know the Administration went through extensive discussions 3 or 4 years ago on the question of trying to develop urban policy. Clearly, it started out in horrendous shape I think finally some people began to realize the basis of urban policy relates to State government, not Federal government. That is where the basic responsibility rests. If you want to implement this policy, it involves coordination between State and Federal government.

I think there are broad programs like title XX social service funds, block grants, general revenue sharing, which meet rather broad-scale objectives, but all those programs seem to be taking the brunt of the attack. Nowhere do I see suggestions other than eliminating these block programs which I think accomplish much good. The one exception is reducing the Federal sharing of highway funding. I think there is a good case to be made for that. It still retains Federal involvement but keeps alive in a healthy manner the broad-scale programs which do things with much less red tape out of Washington. The good intents of just an incredible number of programs can be staved off by overregulation and we are not getting toward that problem at all with these types of cuts. We move more and more toward general cuts and keep the overregulated overly complicated programs.

I am not sure whether I will support the $500 million or not. I will wait for the appropriation and see how it emerges. I do not have much confidence in the direction I am hearing on it. We are cutting the best programs and leaving untouched the ones we waste an incredible amount of money on in overprotection. The hearing process for revenue sharing is a simple one yet it is quite expensive. It is not only what it costs the Federal government to audit, but there is an incredible amount of money spent by local governments on newspaper advertising for that first hearing, and nobody attends. That goes on and nothing has happened to cut back the useless expenditure of funds. So, it concerns me. I do not think we are heading in a very good direction.

Mrs. BOGGS. Will the gentleman yield?

Mr. SABO. Yes.

COMMISSIONS ON FISCAL CONDITIONS

Mrs. BOGGS. There was speculation that proposed reauthorization legislation would contain a provision for the establishment of a commission in each State to evaluate State and local fiscal relationships and to develop a strategy to improve them. Will this function still be carried out if the State share is eliminated?

Mr. ALTMAN. As evidenced by our January proposals concerning the future of revenue sharing, we agreed State governments should be doing more vis-a-vis the needs of their communities and financial practices. In a less inflationary environment, we would have pushed ahead with the January proposals with the establishment of commissions in each State which would look into intrastate practices and make recommendations to State Governors and legislatures on ways to improve them. Philosophically, we are still interested in that, but I think we do feel it inappropriate to on the one hand propose the elimination of any Federal funding of the revenue sharing to the States and on the other hand recommend the Commissions—even though the States are not getting any money, they should still take these steps with regard to people involved in their localities. We do favor that greater State involvement but we do not think this is an appropriate mechanism to induce that, because we are in effect withdrawing, as Mr. Sabo says, financially.

REDUCTIONS IN FEDERAL BUDGET

Mr. SABO. We move backwards instead of forwards.

Mr. ALTMAN. I, myself, think the issues you are raising go more to the questions of where reductions in the Federal budget should be made rather than necessarily the appropriate State-Federal relationships. We might ourselves in terms of Treasury—State and local finance staff—feel the State share of revenue sharing might be maintained, and the same reductions made in everybody else's part of the budget, but we strongly support the need for a balanced budget and feel we should, in terms of our programs, work at it in a partnership way. So, while you are right, our January proposal went in that direction, the need for a balanced budget and the need to share reductions across the board, or as much across the board as possible, led us to believe that we are not in a perfect world and the need to balance the budget is more important.

Mr. SABO. I had a call from a Governor saying he and a lot of other Governors were willing to keep revenue sharing and take cuts in categorical programs providing they could get flexibility in administration. I did not hear any more about that from anybody.

Mr. ALTMAN. I would be disingenuous if I were not to emphasize that the administration wants a balanced budget. In conversation with the House and Senate, it became clear to us that in one——

Mr. SABO. I fully understand it is an easy target, particularly when States tend to be in relatively good shape financially. I accept that. But the time for some change is here and it is going to pass without us using the opportunity it provides.

The problem lies in the basic relationship of the Federal government to the States and Congress is as much at fault as the President. I was hoping the leadership and the Administration over the

last years would get at the heart of some of these problems. Unfortunately, the little categories are still favorites. It is fun to increase from 50 to 55 or 60 percent the Federal share for the categorical program. That happens regularly. But if we want to get into the inefficiencies which are the heart of inflation, that is part of it. It is not only in moneys that go to cities but money that goes to local education. In my judgment we are drifting backwards and no change is coming for the better.

I guess that is more of a statement than question. It leaves me frustrated.

TRANSITIONAL ASSISTANCE PROGRAM

Mr. BOLAND. My understanding is that the transitional program is to take care of some of the hardships which will fall upon those communities which will be lacking in a distribution of the State-shared amount to local communities. Is that not precisely the reason for it?

Mr. ALTMAN. Yes.

Mr. BOLAND. But won't that program be terribly difficult for you to operate? You will have a difficult job trying to determine what particular communities have been hurt as a result of the elimination of the States' share. I do not know how much knowledge the Office of Revenue Sharing has with respect to the amount of funds that has been distributed from the State share to the local communities. My State probably gets $75 million under the State's share of general revenue sharing. I am sure many of those dollars have gone back to local communities which are now being eliminated. The end result will be increasing the local communities' share of paying the State's costs.

Is that really fair? That is going to happen, is it not? States will look to local communities to make up that part of the General Revenue Sharing funds they will be losing because it will be eliminated.

Mr. ALTMAN. Those States like Massachusetts, which are not in a position to develop themselves economically, are not in a position to change taxes, will require the local governments to pick up more of the costs.

EFFECTS ON LOCAL GOVERNMENTS

Mr. BOLAND. Which will cause the local governments to raise their taxes to pay for the increase of payments to the State.

Mr. ALTMAN. This is one of the reasons why revenue sharing has not been popular. A lot of States have been reducing taxes and the argument goes, and this is not our argument, but the argument goes that those States at least do not need revenue sharing because they have been in a strong position to reduce taxes year after year. So if you cut out the State share of revenue sharing, they will not be able to cut their taxes as much as last year. It makes sense to cut taxes in most States because it is consistent with economic development, increased jobs and everything else. But it is only those States which have not been able to cut their taxes but are in a position to have to raise them, which will require localities to pick up these costs.

Mr. BOLAND. As I understand it, the Transitional Assistance Program will be for those communities hardest hit. Those States which have had budget surpluses cannot benefit under this program.

Mr. Stewart?

Mr. STEWART. I do not have a statement, but Congressman Stokes has some questions he would like to submit for the record.

Mr. BOLAND. Fine. The questions will be placed in the record at this point.

[The questions follow:]

Under Title 1 of the (amended) State and Local Fiscal Assistance Act of 1972, the Office of Revenue Sharing has a responsibility to enforce nondiscriminatin on the grounds of race, color, national origin, religion, sex, age or handicap in any state or local governmental unit which receives general revenue sharing funds.

CIVIL RIGHTS ENFORCEMENT

Question. The President has requested, and the Budget Committee has recommended, that the State portion of the General Revenue Sharing Program be terminated. What impact would this have on your ability to enforce compliance with the civil rights provision of the law administered by the Office of Revenue Sharing?

Answer. There will be no basis for enforcement of civil rights provisions with respect to the state governments themselves since they would no longer receive funds. Our ability to enforce compliance will be only slightly impaired as far as the local jurisdictions are concerned since they will continue to receive revenue sharing funds. Because of the overall influential nature of State government actions on civil rights mattes, there would be some attendant loss in improving civil rights compliance on a statewide basis. It should be noted that ORS currently informs and seeks the assistance of Governors of States where certain ORS efforts to give compliance have been made.

CIVIL RIGHTS

Question. Your budget justification states that "there has been a significant increase in (discrimintion) complaints".

(*a*) To what factors do you attribute this increase?

(*b*) What kinds of complaints are you receiving (age vs. race vs. sex, etc)?

(*c*) How are these complaints usually resolved?

(*d*) You are requesting no additional staff for civil rights enforcement in FY 1981. Will your present staff be sufficient to handle this increased workload?

(*e*) Do you currently have a backlog of pending complaints?

Answer. (*a*) Increase in receipt of complaints can be attributed to three basic factors: (1) Increased awareness of the program; (2) added responsibilities imposed by 1976 amendments, particularly relating to the handicap provisions, and (3) historically, successful resolutions breed and generate new complaints.

(*b*) During calendar year 1979, out of a total of 470 complaints received, 291 were based on race, 103 on sex, 44 on national origin, 98 on handicap, 1 on age and 1 on religion. Out of same number, 400 cited employment as the issue, 54 cited services, and 42 cited facilities as alleged the issue of discrimination (cited figures do not total 470, as many of the complaints list one or more bases, and one or more issues).

(*c*) Complaints are usually resolved only after a thorough, objective investigation (usually on site). If there is a violation cited after the investigation, the complaint is usually resolved by the recipient jurisdiction taking corrective action to remedy the problem(s).

(*d*) The present staff is not sufficient to eliminate existing workload, and with the increased numbers of complaints, curtail growth of existing workload. For this reason, management improvement measures are being sought and implemented in an effort to deal with this obvious problem. These measures will only partially deal with the workload problem.

(*e*) As of April 1, 1980, there were 929 active complaints.

Mr. BOLAND. Mr. Coughlin?

THREE TYPES OF ASSISTANCE PROGRAMS

Mr. COUGHLIN. You are all familiar with the shell game? That is what I figure I am in at this point. A few years ago we had countercyclical revenue sharing and this Committee among others determined it was not an effective program and eliminated the appropriation for it. Then we had the targeted assistance program which has not been passed but apparently if it is passed, it will be a 1 year program only. Now we have a new one in this transitional assistance program which is as yet undefined.

Do you not think it is inefficient to go from one program to another program to a third program all in the same year?

Mr. ALTMAN. They are essentially different rationales. The targeted fiscal assistance payments——

Mr. COUGHLIN. They both assist local governments that are in trouble.

Mr. ALTMAN. Yes. The rationale there relates to localities which will lose funds because of the elimination of the State share. Now, as I said earlier, there are some States which do not pass through any of their overall State revenues, so you cannot argue that the localities of those States are being disadvantaged by the loss of State share.

Our rationale relates to elimination of State share and that is different——

Mr. COUGHLIN. But it is to localities in bad shape, because of one reason or another.

Mr. ALTMAN. Yes, aimed at hard-pressed localities, but if we were to——

Mr. COUGHLIN. I think there Mr. Sabo pointed out that different States provide different levels of service by State and local governments so it is really which hand is treating the other. So back to the shell game.

Mr. ALTMAN. We are not cutting out the local revenue sharing.

TRANSITIONAL ASSISTANCE FORMULA

Mr. COUGHLIN. As far as the Transitional Assistance Program, we have no indication as to how that is going to be targeted. Is that correct?

Mr. ALTMAN. That is right.

Mr. COUGHLIN. That will not just be discretionary targeting, will it?

Mr. ALTMAN. No, according to a formula which will come before Congress and Congress will decide upon it and once enacted, the Office of Revenue Sharing will have no discretion.

TARGETED FISCAL ASSISTANCE FORMULA

Mr. COUGHLIN. Just look at the formula under targeted fiscal assistance for the moment. It has passed the House; I do not know what is happening in the Senate.

Let me read from the governmental operations report:

Under title V, targeted fiscal assistance would be paid in a lump sum (90 days after the appropriation or on April 1, 1980, whichever occurs first) to general units of local government which meet the following eligibility tests:

(a) An average unemployment rate above the national average in the most recent calendar year, computed separately for governments in metropolitan areas and those outside metropolitan areas;
(b) A growth rate in employment, for the county in which it is located, of less than 250 percent of the national average during the most recent three calendar years;
(c) A per capita income of less than 130 percent of the State average during the most recently completed calendar year; and
(d) An allocation of at least $6,000 if the governmental unit is located in a standard metropolitan statistical area (SMSA), and at least $3,000 if it is outside an SMSA.

The allocation for each eligible government is determined by its average unemployment rate for the most recent four years minus 4½ percent or 4 percent in the case of nonmetropolitan area governments, and its proportionate amount of all general revenue sharing money paid to local governments in the most recent entitlement period. One percent of the amount appropriated under this title would be reserved for payment to Puerto Rico, Guam, American Samoa, and the Virgin Islands.

Don't you think that is subject to abuse?

Mr. ALTMAN. I would not use the word "abuse." We in the office have no discretion over this. Congress legislates a formula. Once it is enacted, one could argue that we oversee the data——

Mr. COUGHLIN. You are asking that this program be enacted?

Dr. PETERSON. The present formula for revenue sharing is very complicated. It takes about 12 pages in the statute, if you include the definitions and the like. Not to say that there would not be problems in setting up any program, but this is our business.

Mr. COUGHLIN. It seems to me in a 1 year program, what you are talking about in targeted fiscal assistance, that is all the Administration is asking for, by the time you implement that formula and phase the program out again, I wonder how useful the formula will be.

Mr. ALTMAN. I do not want to underrate the work of our people, but we have already had many trial runs on it. We could, in effect, determine the distribution of funds as to that formula in one day.

Dr. PETERSON. It takes time to program and get the data and clean it up.

POSSIBLE ELIMINATION OF 1980 SUPPLEMENTAL

Mr. COUGHLIN. The President is proposing cutting the budget in an effort to fight inflation, am I correct? Is it not as important to fight inflation in 1980 as it is in 1981?

Mr. ALTMAN. Certainly.

Mr. COUGHLIN. Would not the elimination of this $250 million for the targeted fiscal assistance help fight inflation, reduce the budget?

Mr. ALTMAN. More than the elimination of $250 million in any other area.

Mr. COUGHLIN. But it would be of assistance to the President to eliminate that $250 million?

Mr. ALTMAN. We do not favor doing it that way. We propose some reductions, to implement those reductions, we propose a very large amount of reductions in 1981——

Mr. COUGHLIN. But that from an inflation fighting standpoint, we need to stem this in 1980 as much as in 1981.

Mr. BOLAND. As a matter of fact it is probably more important to fight it in 1980 than in 1981. Because the results will be much

quicker, whereas we would have to wait until October 1 of this year to make it effective in the fiscal year 1981 budget. I would think an effort to reduce the current budget would be more effective in fighting inflation now than the recommendation of the Administration for 1981. I would agree with Mr. Coughlin in that area.

Mr. SABO. Will the gentleman yield?

Mr. COUGHLIN. Yes.

TIMING ON 1980 CITIES BUDGETS

Mr. SABO. How many cities who are to receive targeted antirecessional assistance have adopted their 1980 budget already? I would assume they would have to have made an assumption a long time ago.

Mr. ALTMAN. It is difficult to answer your question specifically without spending months looking at a number of local budgets. But the House passed this legislation January 31. The Senate passed it earlier. So, since January 31, I think it fair to say that most governments have been expecting there would be a conference and final authorizing legislation. Since January 31, most of those governments still in the process of doing their budgets were assuming they would receive funding if both the House and Senate passed the legislation.

Mr. SABO. I would assume they would have set their spending limits last year.

Mr. ALTMAN. There are some whose budgets may not have been adopted by April 1. There are other governments like the Federal government involved in supplemental authorizations or appropriations where the local level might be affected by this legislation.

STATE REVENUE SHARING

Mr. COUGHLIN. On the State revenue sharing question, that currently is an entitlement program, correct?

Mr. ALTMAN. Currently.

Mr. COUGHLIN. So it would take a change in law—we just could not eliminate the appropriation.

I know the Chairman has some further questions on that, and I would defer to those, but I guess I have to repeat this has all the elements of a shell game, and I have a hard time determining which shell the pea is under.

REVENUE SHARING LEGISLATIVE PROPOSAL

Mr. BOLAND. Of course the Congress can reduce this program any time it desires. It is not really an entitlement program. One of the problems you will face is the fact it is not going to be an easy program to get through the Congress. Some of the Members of the States that will lose money under this program because of the elimination of the States' share, will not vote for this program. This will happen also in some of those States where there are surpluses. I think you will have a problem in getting it by, which poses a question as to whether or not it would have been better to phase out the States' share—reduce it by $1.2 billion this year—

instead of $2.3 billion, as proposed in the revised fiscal year 1981 budget. That would seem to be the fair way of doing it.

If the Congress accepts your recommendation, you will have $4,600,000,000 for the general revenue sharing for all the local communities—some 39,000. Are you going to make any particular proposals? This program has to be reauthorized, of course. Have you any proposals now before the Congress to reauthorize this program and whether or not there are any changes that the administration has made with reference to the GRS?

Mr. ALTMAN. We have not yet sent legislation. We will do so very soon. But the modifications in the local share which we proposed in January in the form of our announcement concerning the President's policy on GRS, will be included in the legislation to be sent shortly. It might be useful if Mr. Rafuse would summarize the moderate changes in the distribution of the local share as an effort on our part to somewhat improve this targeting.

RECOMMENDATIONS ON DISTRIBUTION

Mr. BOLAND. Will the recommendations for distribution come from your office?

Mr. ALTMAN. They long ago came from our office and were accepted by the White House, by the President. So, these represent decisions which were made in connection with the January announcement which we have decided to stick with.

Mr. BOLAND. Is it a long list?

Mr. RAFUSE. There are five.

Mr. BOLAND. Give us a brief summary.

Mr. RAFUSE. The essential objective is to increase funding to governments with relatively low incomes and relatively high efforts of tax effort.

We made those proposals in January and, effectively, they will be made again this time, without a permanent increase in the total level of funding. To increase funding to high tax effort, lower income jurisdictions, means it has to be taken away from payments to jurisdictions with higher than average income and with lower than usual, tax efforts.

Five specific changes: the first and second relate to ceilings and floors in the existing formula. There is currently a provision that no local government's revenue sharing payment may exceed, on a per capita basis, 145 percent the State average of per capita payment. This puts a ceiling on payments to certain large, fiscally stressed cities and certain rural jurisdictions with very low incomes and moderately high levels of tax effort.

So, we are proposing in the set of changes we announced in January that this 145-percent ceiling be raised to 175 percent.

There are two types of minimum payment provisions in the current law. One says no jurisdiction's revenue sharing fund payment may be less than 20 percent at the Statewide per capita average; the other says no local government may receive revenue sharing payments that equal more than 50 percent of the sum of its intergovernmental receipts and adjusted tax collections. The minimum payment, 20 percent per capita, we are proposing be reduced to 10 percent. We are proposing that the second, which is

called the budget constraints, be reduced from 50 percent to 25 percent. In both cases, we are talking about a 50 percent cut in these specific provisions. The essential rationale for cutting them 50 percent is the rule of thumb we adopted at the beginning of our consideration of the formula changes which said we did not want to propose any changes that would result in any government losing more than 50 percent of its revenue sharing. Those are the first three changes we are proposing.

The fourth is a change which would reduce payments to very high income local areas. Specifically, if the local government's per capita income exceeds 115 percent of the State average per capita income, then the level of revenue sharing payment that a jurisdiction of that type would receive would be scaled down by an increasing amount as its per capita income exceeds the 115 percent State average.

We are talking in this provision, about approximately 10 percent of all jurisdictions in the country with per capita incomes over 115 percent of their respective State averages.

The fifth provision we are talking about is a provision designed to reduce payments to what we call extreme tax enclaves, which are jurisdictions which because of their extraordinary good fortune in the tax bases available to them, have the ability to collect large amounts of taxes at low rates. An example of this is Vail, Colorado, which has a relatively small population and a very large value of relatively expensive types of residential real estate to tax. Consequently, their per capita tax collections are very high, thousands and thousands of dollars. It puts it entirely out of balance with most other local governments.

When a small area happens to have a large manufacturing plant it gives a tax base at low rates. We are talking about a provision that will cap the amounts of taxes that can be credited to the tax effort variables of these jurisdictions. Those are the five changes. The effect, as I say, is to bring about some reallocation of funding and we believe this will represent substantial improvement in the program.

COMPUTER TRIAL RUN

Mr. BOLAND. Have you a computer run on how the proposed changes, will affect the local communities?

Mr. RAFUSE. Yes, we do.

FORMAT OF COMPUTER RUN

Mr. COUGHLIN. Does the computer run compare what they would receive under the previous formulas with what they will receive under the new formula being proposed?

Mr. RAFUSE. Yes, the data used in the run for both our formula changes and the existing data for the fiscal 1979 data base show the amount each jurisdiction would receive under the existing formula and the formula as proposed.

EFFECT ON NEW YORK CITY

Mr. COUGHLIN. What effect for example would this have on New York City?

Mr. RAFUSE. About a 3-percent increase.

EFFECT ON PHILADELPHIA

Mr. COUGHLIN. How about the city of Philadelphia?

Mr. RAFUSE. I believe Philadelphia raises by more than 20 percent.

TIMING OF PROPOSAL SUBMISSION

Mr. COUGHLIN. These proposals have not yet been submitted to Congress; is that correct? When do you expect to submit them to Congress?

Mr. ALTMAN. We hope to be able to do it the end of this week. It depends on certain computer runs which have to be checked for accuracy.

Mr. COUGHLIN. You really feel if you submit this to Congress now, that Congress can enact this by the end of this session?

Mr. ALTMAN. Yes, we do. We have observed very widespread support for continuation of local revenue sharing. So I think it is highly likely that Congress will enact legislation continuing in some form the local share.

TARGETED FISCAL ASSISTANCE

Mr. COUGHLIN. You recognize certainly that the targeted fiscal assistance phase is both legislatively and appropriation?

Mr. ALTMAN. From an authorizing point of view, each House has passed legislation. There will be a conference that will produce a report which ought to have a good chance of passage.

Mr. COUGHLIN. Thank you.

Mr. BOLAND. Mr. Sabo?

STATUS OF DIRECTOR'S VACANCY

Mr. SABO. One final question, Mr. Altman. When you appeared before the Senate, you said you expected to have the job of director filled within a month. That was March 1; today is April 1. What is that status? I understand it has been vacant since September.

Mr. ALTMAN. We are on the brink of selecting. We have completed interviewing. There are two finalists. One of the two will be selected within the next few days. But we have no excuse for the delay. It should not have happened. It has been unfortunate that it has taken so long.

STATUS OF AUDIT MANAGER'S VACANCY

Mr. SABO. What about the Audit Division manager's job. Has that been filled?

Dr. PETERSON. A panel of three people is reviewing the applications. I understand one has completed, his work; and this is something we can complete in the next few weeks.

Mr. SABO. I would imagine this is quite critical.

Dr. PETERSON. It is, but it has been adequately filled by Mr. Gallagher.

RESOURCES USED FOR COMPLIANCE ACTIVITY

Mr. SABO. I had one question I did not ask earlier. Of the $6,618,000, how much is directly related to making payments to units of government? And it is not related to compliance requirements.

Dr. PETERSON. Operations and technical assistance accounts for, I guess, in our 1981 request, $2,773,000. That is where most of the operational expenses are found.

Mr. SABO. So less than half the money in your budget is related directly to getting the money out?

Dr. PETERSON. The staff is split about that way, too.

Mr. MCFADDEN. Then you have the legal staff and support positions.

Mr. SABO. But approximately half would be related?

Dr. PETERSON. Right. As I stated in the testimony, our two basic jobs are getting the payments out and enforcing the compliance requirements which are extensive and statutory. These 2 jobs take up most of the 158 positions about equally divided between the two of them.

CONTINUATION OF COMPLIANCE REQUIREMENTS

Mr. SABO. Are you planning on changing these types of requirements like the hearing process?

Mr. ALTMAN. In January, we took the position we favored continuation of the three basic amendments of 1976, in the areas of civil rights, State participation, and audit. We will not change that.

STATE AUDIT REQUIREMENTS

Mr. SABO. The State has to do audits. Will not their audit reports still come to you?

Dr. PETERSON. If a State has a generally accepted auditing process for local governments, we will depend on it. About half of the approximately 11,000 governments that are under the requirement are taken care of by the 63 State audit offices. The way we approach this is by doing reviews of those offices to make sure they do operate according to generally accepted auditing standards. That is our approach and we think it sensible both economical and——

Mr. ALTMAN. Many local governments are audited by a division of State government, audited in a way we consider satisfactory and we simply accept it.

Mr. SABO. They still have to file their reports with you?

Dr. PETERSON. They are filed through the State audit office, on what we call "lists." We still have to deal with about half the 11,000 directly.

STATE AUDITING PROBLEMS

Mr. SABO. How many States do not have what you would call an acceptable auditing process?

Dr. PETERSON. The way we stand now, there are a total of 12 State situations where there are problems as of I guess the middle of the past month. You break it out, 11 State situations where

there are State auditing problems, and 4 where there are local problems. What I mean by local as opposed to State problems is that there are State audit offices which are not acceptable which we hope to be able to depend upon to do the locals. Eleven States, four locals, and they are not mutually exclusive for a total of twelve State situations.

Mr. SABO [presiding]. Mr. Coughlin?

EFFECTIVENESS OF ANTIRECESSION

Mr. COUGHLIN. I have just one other line of questioning. It involves the old expired September 30, 1978 program. At least, I think it important to find out what happens to a program that no longer exists to determine what its accomplishments and shortfalls were. Do you feel that was a successful program, that it accomplished its objectives?

Mr. ALTMAN. We do think it was a successful program. It provided fiscal assistance to those State and local governments which were put in bad straits financially by the 1974-1975 recession and which had very severe effects on State and local budgets in a lot of areas and produced a reduced rate of growth in tax revenues and caused widespread fiscal stress. So we do think it was a successful program which provided assistance to those governments in a way which tided them through that period and avoided their taking action by way of increased taxes or service reductions which would have been counterproductive in the long run.

Mr. COUGHLIN. My impression was the assistance never arrived until 12 or 18 months after the fact.

Mr. ALTMAN. It may be that the assistance was not timed precisely with the recession, but the effects of the recession were sufficiently long-lasting. The city of Philadelphia is a good example of that. So that even the late payments helped to avoid reduction in services among other things which would have been very damaging to the citizenry and the economic base of the local government.

Dr. PETERSON. The delay was caused by the time it took to get it enacted.

EVIDENCE OF SERVICE CUTBACKS

Mr. COUGHLIN. Have you any evidence that prevented cutbacks in services?

Dr. PETERSON. We did commission a fairly extensive study, sampling 50 jurisdictions to some depth in their finances. GAO did a study and there was some evidence there was what you would consider significant GNP and job effects of the program. It did have a beneficial effect of supporting maintenance of expenditures, also making possible stabilization of taxes. There was a positive effect. It was not a totally undebatable record, I guess.

CORRELATION BETWEEN UNEMPLOYMENT AND REVENUES

Mr. COUGHLIN. Is there any study of which you are aware which possibly provides a strong correlation between the level of unemployment and the ability of cities to raise revenues?

Mr. RAFUSE. No single study addresses that question precisely.

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Mr. COUGHLIN. That is what the whole program was supposed to do, supposed to reflect the fact that cities could not raise revenues because of increased levels of unemployment. There is no study to show that correlation?

Mr. RAFUSE. The formula was an unemployment-based formula, which assumes unemployment is a proxy for a community's ability to raise revenue.

As I say, there is no single document I could refer you to. But the studies Mr. Peterson mentioned and those done by other organizations have generally suggested that the level of unemployment in a community is a reasonably reliable indicator of the health of an area's economy, and the health of an area's economy is important in determining how healthy the fiscal system is. It is not a 1:1 direct linkage, but in this world we deal with second best at times and the general conclusion in the professional literature is that unemployment data are probably the best single measure of how healthy a local government's fiscal condition is.

Mr. COUGHLIN. It is my impression just the opposite, that there is very little correlation between the level of unemployment and the revenues received by local governments.

Mr. RAFUSE. I would respectfully disagree.

Mr. COUGHLIN. I would be interested in any specific data you could provide for the Committee showing there is a direct correlation.

[The information follows:]

Correlations Between Unemployment Rates and
The Fiscal Health of Local Governments

The correlation between unemployment rates and the fiscal health of local governments is not an issue to which extensive direct analysis has been addressed. However, a number of studies have developed measures of local fiscal stress or hardship (fiscal ill health).

These measures can be used to classify the finances of cities as healthy or unhealthy. When this is done, the average unemployment rates of cities identified as being fiscally stressed are, by every measure, substantially higher than the rates of cities classified as having healthy financial situations. The following table summarizes this information.

CORRELATION BETWEEN UNEMPLOYMENT RATES AND VARIOUS MEASURES OF FISCAL AND ECONOMIC STRAIN

Index	Average Unemployment Rates*			
	High-Strain Cities		Low-Strain Cities	
	Percent	As % of National Average	Percent	As % of National Average
I. Treasury - ESP Study	8.34%	139%	5.48%	91%
II. CBO - Composite Measure of Social Need	7.89	132	5.75	96
III. Brookings - Intercity Hardship Index	7.39	123	5.88	98
IV. Brookings - Urban Conditions Index	7.45	124	5.87	98
V. Urban Institute	8.23	137	6.44	107
VI. University of Chicago	8.00	133	6.25	104

*Unemployment rates in the third quarter of 1978, when the national rate averaged 6.0 percent.

Source: Office of State and Local Finance, U. S. Department of the the Treasury (April 11, 1980).

Mr. SABO. Thank you. We appreciate having you here today. The justifications for the Office of Revenue Sharing with the place in the record at this point. The Committee stands adjourned.

[The justification follows:]

DEPARTMENT OF THE TREASURY

Salaries and Expenses, Office of Revenue Sharing

ANALYSIS OF AUTHORIZED LEVEL FOR FISCAL YEAR 1980
(Dollars in thousands

	Permanent Positions	Average Positions	Amount
1980 Appropriation Enacted by Congress	158	158	$6,237
Adjustments:			
Supplemental Approriation Required for Pay Increase	---	---	177
Proposed Authorized Level for 1980	158	158	$6,414
Estimate, FY 1981	158	158	$6,618

DIGEST OF BUDGET ESTIMATES BY ACTIVITIES FISCAL YEAR 1981

	Appropriation FY 1979		Authorized Level FY 1980		Budget Estimate FY 1981		Increase (+) or Decrease (-) for FY 1981					
							Total Changes		Program Changes		Other Changes	
	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount
1. Legal and Support Services	27	$ 831	23	$ 825	23	$ 849	---	$ 24	---	$ ---	---	$ 24
2. Operations & Technical Assistance	61	2,680	53	2,698	53	2,773	---	75	---	---	---	75
3. Monitoring and Enforcement	83	2,688	82	2,891	82	2,996	---	105	---	---	---	105
4. Antirecession Financial Assistance	5	256	---	---	---	---	---	---	---	---	---	---
Unobligated balance	---	745	---	---	---	---	---	---	---	---	---	---
Total appropriation, authorized level, and budget estimate	176	$ 7,200	158	$ 6,414	158	$ 6,618	---	$ 204	---	---	---	$ 204
Permanent positions established	(185)		(158)		(158)		(---)		(---)		(---)	

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SUMMARY EXPLANATION OF CHANGES REQUESTED FOR FISCAL YEAR 1981
(dollars in thousands)

	Activity 1			Activity 2			Activity 3			Total		
	Perm. Pos.	Ave. Pos.	Amount	Perm. Pos.	Ave. Pos.	Amount	Perm. Pos.	Ave. Pos.	Amount	Perm. Pos.	Ave. Pos.	Amount
Program Changes:	---	---	---	---	---	---	---	---	---	---	---	---
Other Changes:												
Increases necessary to maintain current levels:												
1. Net cost of within grade salaries increases	---	---	3	---	---	6	---	---	9	---	---	18
2. SES pay/merit pay	---	---	2	---	---	8	---	---	12	---	---	22
3. Increased reimbursement to the Working Capital Fund	---	---	1	---	---	2	---	---	4	---	---	7
4. Increased cost of travel	---	---	5	---	---	14	---	---	19	---	---	38
5. Increased cost of FTS & other communication	---	---	1	---	---	2	---	---	2	---	---	5
6. Full year cost of civilian pay increases of FY 1980	---	---	12	---	---	42	---	---	58	---	---	112
7. Increased payment to GSA for space & related charges	---	---	1	---	---	3	---	---	4	---	---	8
8. Increased printing costs	---	---	1	---	---	2	---	---	4	---	---	7
9. Increased costs of subscriptions	---	---	---	---	---	1	---	---	1	---	---	2
Subtotal Other Increases	---	---	26	---	---	80	---	---	113	---	---	219
Reductions, nonrecurring costs and savings:												
1. One less compensable day in FY 1981	---	---	-2	---	---	-5	---	---	-8	---	---	-15
Subtotal nonrecurring costs & savings	---	---	-2	---	---	-5	---	---	-8	---	---	-15
Total Other Changes	---	---	24	---	---	75	---	---	105	---	---	204
Total Increases or Decreases 1981 compared with Proposed Authorized Level	---	---	24	---	---	75	---	---	105	---	---	204

SUMMARY JUSTIFICATION OF FY 1981 BUDGET ESTIMATES

General Statement

Title I of the State and Local Fiscal Assistance Act of 1972 as amended by the State and Local Fiscal Assistance Amendments of 1976 provides for the distribution of funds equal to approximately $6.8 billion per entitlement period to approximately 39,000 units of State and local governments. Allocations are made each year using updated data, and entitlement payments are distributed quarterly to each government unit.

Although current authorization of this program expires on September 30, 1980, renewal legislation is being proposed for the FY 1981 program. Based on a level budget, the fiscal year 1981 request consists of 158 average positions and $6,618,000. If the proposed changes to the legislation impose additional requirements on the programs additional fundings and positions will be requested.

The FY 1981 request is presented in the following three activities to which Executive Direction has been spread to permit a more representative presentation as to the actual cost of each.

1. Legal and Support Services - This activity provides legal counseling and representation, extensive statutory and regulatory drafting, personnel, budget and administrative support, and dissemination of information to public, media, citizens' groups, Congress, etc.

This activity is composed of the following divisions and resources:

	Authorized Positions		
	1980 Pos.	1981 Pos.	Increase/Decrease over 1980
Legal Division	11	11	---
Administrative Division. . . .	8	8	---
Public Affairs Division. . . .	3	3	---
Total Authorized Positions .	22	22	---
Total Average Positions. . .	23	23	---
Total Dollars ($000)	$825	$849	$+24

The FY 1981 increase consists of $24,000 to maintain FY 1980 levels.

2. Operations and Technical Assistance - This activity provides for the acquisition of current and accurate data for use in computing allocations of funds. Approximately 39,000 units of State and local governments are provided with their data factors for review and offered the opportunity to propose corrections prior to the allocations. The procurement of data for proposed revision in the General Revenue Sharing formula and the analyses of the results of these proposals are also part of this activity, as is all of the accounting associated with the administration of the Trust Fund.

SUMMARY OF JUSTIFICATION OF FY 1981 BUDGET ESTIMATES
(continued)

This activity further provides for information and technical assistance to elected and appointed officials of recipient State and local governments to promote voluntary compliance with requirements of the Revenue Sharing Act and the Amendments of 1976. Turnover of recipient government officials results in a continuing requests for information and assistance. In addition to direct contact through correspondence and telephone, a network of liaison is maintained in agencies at State and local levels already providing other assistance services to recipient government officials. A series of publications explaining the Revenue Sharing Program in non-technical language also have been prepared by personnel in this activity.

Resources have been dedicated to the development and maintenance of interactive computer systems to aid in the internal operation of the Office of Revenue Sharing. These systems are used to reduce requests for hard copy reports and make replies to Congressional and recipient government inquiries more expenditious:

A. Recipient Information Summary System (RISS) - This system provides immediate response to standardized inquiries concerning all active data bases for General Revenue Sharing.

B. Civil Rights Compliance Tracking System (CRCTS) - This system provides instant tracking information relating to any or all cases and maintains the status of Civil Rights compliance cases under investigation by the Office of Revenue Sharing.

C. Audit Reporting System (ARS) - This system maintains the status of the "External Audit Reports" required from some recipient governments. The ARS also provides immediate information on these governments through the demand terminal.

D. Correspondence Control System (CCS) - This system tracks and controls all congressional and other important correspondence from recipient governments and others by the Office of Revenue Sharing through mailing of the reply.

E. IGR Compliance Control System (IGRCTS) - This system provides instant tracking information relating to any or all cases and maintains the status of public participation compliance cases under investigation by the Office of the Revenue Sharing.

This activity is composed of the following divisions and resources:

	Authorized Positions		
	1980 Pos.	1981 Pos.	Increase/Decrease over 1980
Systems and Operations Division	30	30	---
Data and Demography Division	12	12	---
Intergovernmental Relations and Technical Assistance Division	11	11	---
Total Authorized Positions	53	53	---
Total Average Position	53	53	---
Total Dollars ($000)	$2,698	$2,773	$+75

The FY 1981 increase consists of $75,000 to maintain FY 1980 levels.

3. Monitoring and Enforcement - This activity provides for ensuring compliance with the non-discrimination provisions of laws administered by the Office of the Revenue Sharing, conducting investigations of allegations non-compliance, and monitoring audits of recipient governments made by State and local government audit agencies and Independent Public Accountants. Since there has been a significant increase in complaints, the Civil Rights Division has begun to utilize a Compliance Tracking System

SUMMARY JUSTIFICATION OF FY 1981 BUDGET ESTIMATES
(continued)

(CRCTS) and maintains cooperative relations with other Federal agencies. These efforts have assisted in investigating and resolving a number of Civil rights complaints.

Included in the State and Local Fiscal Assistance amendments of 1976 was the requirement that recipient governments receiving $25,000 or more annually in Revenue Sharing entitlements have an independent audit of their financial statements. These audits must be done in accordance with generally accepted auditing standards and not less than once every three years. This requirement applies to more than 11,000 of the approximately 39,000 revenue sharing recipients, and makes it necessary for the Office of Revenue Sharing to review the professional practice of State auditors and Independent Public Accountants. The three year requirement makes FY 1979 the latest year in which recipients can comply with the Act as amended. The majority of recipients will not submit reports until 1980. Hence, 1980 is a crucial year as far as Audit workloads are concerned.

The Office of Revenue Sharing reviewed the professional practice of all State auditors responsible for making financial and compliance audits of State and local governments. As a result of this review, 10 audit agencies are unacceptable. These 10 audits agencies have been given particular attention because state auditors audit approximately one-half of the recipients required by the 1976 amendments to have audits. To date, all 10 of these audit agencies have either decided to contract with independent public accountants to make the required audits or have taken positive steps to bring their practice to an acceptable status.

This activity further provides technical advice and assistance to States and local governments, monitors compliance by recipient governments with the public participation requirements of the Revenue Sharing Act as amended.

This activity is composed of the following divisions and resources:

	Authorized Positions		
	1980 Pos.	1981 Pos.	Increase/Decrease over 1980
Civil Rights Division	49	49	---
Audit Division	27	27	---
Intergovernmental Relations/ Public Participation Division	7	7	---
Total Authorized Positions.	83	83	---
Total Average Positions . .	82	82	---
Total Dollars ($000) . . .	$2,891	$2,996	$+105

The FY 1981 increase consists of $105,000 to maintain FY 1980 levels.

OFFICE OF REVENUE SHARING

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For necessary expenses in the Office of Revenue Sharing, including the hire of passenger motor vehicles, [$6,237,000] *$6,618,000. (31 U.S.C. 1224(a); Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1980; additional authorizing legislation to be proposed.)*

EXPLANATION OF LANGUAGE CHANGES: NONE

SUMMARY OF EMPLOYMENT
(Number of Average Positions)

Principal Categories	Actual 1979	Estimated 1980	Estimated 1981	Changes for 1981 Total	Changes for 1981 Program Changes	Changes for 1981 Other
Accountants/Auditors	24	22	22	---	---	---
Attorneys	8	8	8	---	---	---
Computer Specialists	14	14	14	---	---	---
Data Processing Technicians	6	5	5	---	---	---
Economist	1	1	1	---	---	---
Equal Opportunity Specialists	29	29	29	---	---	---
Management/Administrative Staff	10	8	8	---	---	---
Program Analysts	28	24	24	---	---	---
Secretarial/Clerical Staff	37	33	33	---	---	---
Statistician	1	1	1	---	---	---
Technical Assistance Specialists	4	3	3	---	---	---
Research Assistants	4	3	3	---	---	---
Subtotal	166	151	151	---	---	---
Part-time and temporary average positions	10	7	7	---	---	---
Total average positions	176	158	158	---	---	---

DEPARTMENT OF THE TREASURY

Salaries and Expenses, Office of Revenue Sharing

Explanantion of Program and Other Changes for Fiscal Year 1981

I - Program Changes

No program increases are requested for FY 1981.

The Office of Revenue Sharing was established in 1972 to implement the General Revenue Sharing Program, as authorized by the State and Local Fiscal Assistance Act of 1972 and renewed October 1976, by enactment of the State and Local Fiscal Assistance Amendments of 1976, which expire September 30, 1980.

According to the Act of 1972, the responsibilities of the Secretary of the Treasury include: (1) formulating and implementing regulations and rules for the conduct of the General Revenue Sharing Program; (2) calculating allocations for over 39,000 State and local governments for each entitlement period and making payments to those governments in the correct amount; (3) maintaining accounting records for each of the State and local governments relative to the State and local government fiscal assistance trust fund; (4) providing guidance to the State and local governments in connection with the Fiscal Assistance Act as amended; (5) insuring compliance with the requirements of the Act, the Age Discrimination Act of 1975, the Rehabilitation Act of 1973 (section 504), and the Civil Rights Acts of 1964 and 1968; and (6) reporting to Congress, recipient governments and the general public at regular intervals on the Revenue Sharing Program.

II - Other Changes

	Average Positions	Amount
Total increases necessary to maintain the current FY 1980 level in FY 1981	---	$+219,000
1. Net cost of within-grade salary increases	---	+18,000

The adjustment provides for the net cost associated with the periodic statutory within-grade increases for civil service personnel. A position by position analysis of on board personnel and vacancies in FY 1979 and historical trends in the Department including a lapse factor reflect a total requirement for within-grade increases in FY 1981 of $18,000.

2. SES pay/merit pay	---	+22,000

This adjustment is necessary to provide the Senior Executive Service participants with pay raises and GS/GM employees with merit pay, as specified in the Civil Service Reform Act.

3. Increases reimbursement to the Working Capital Fund	---	+7,000

This adjustment provides for an increase in costs associated with the centralized services provided by the Working Capital Fund. This requirement is due to the cost increases experienced by the Fund in the areas of supplies, utilities, communications, rent and wages.

4. Increased cost of travel	---	+38,000

This adjustment is necessary to help offset inflationary increases and supply shortage increases. Petroleum prices have continued to increase and current shortages in the crude oil supply markets are expected to continue. The 1979 rate increases for air travel have increased over 25%, and there is no indication that these rate increases will level off by FY 1981.

5. Increased cost of FTS (Federal Telecommunications Systems) and other communications	---	+5,000

This adjustment is necessary to provide for the projected increases in local and FTS services based on historical data.

6. Full year costs of civilian pay increases of FY 1980	---	+112,000

This adjustment provides funds to cover full year costs of the October 1979 pay raise as authorized by Executive Order 12165 dated October 9, 1979.

7. Increased payment to GSA for space and related charges	---	+8,000

This adjustment is necessary because of increasing utility costs which GSA has projected.

8. Increased printing costs	---	+7,000

This adjustment is based on increased printing charges resulting from increasing labor, paper, and commercial procurement prices.

II - Other Changes (Cont.)

	Average Positions	Amount
9. Increased costs of subscriptions	---	$+2,000

This adjustment is necessary to compensate for projected increases in subscription costs based on historical data.

Total reductions and nonrecurring costs and savings	---	$-15,000
1. One less compensable day in FY 1981	---	-15,000

This adjustment represents a reduction based on the fact that there is one less compensable day in FY 1981 than in FY 1980.

DEPARTMENT OF THE TREASURY
Salaries and Expenses, Office of Revenue Sharing
Standard Classification Schedule
(Direct Obligations Only)

(Dollars in thousands)

	Actual 1979	Budget Estimate 1980	Authorized Level 1980	Estimate 1981	1981 Increase over 1980
Total number of permanent positions	185	158	158	158	---
Average paid employment	176	163	158	158	---
Object Classification					
Personnel Compensation:					
Permanent positions	$3,524	$3,429	$3,604	$3,698	$ 94
Positions other than permanent	207	155	155	165	10
Other personnel compensation	5	20	20	21	1
Total personnel compensation	3,736	3,604	3,779	3,884	105
Personnel benefits, civilian employees	340	323	325	336	11
Travel and transportation of persons	201	342	255	293	38
Transportation of things	10	4	4	4	---
Standard level user charges	269	271	271	278	7
Other rents, communications & utilities	368	311	331	336	5
Printing and reproduction	232	200	200	214	14
Other services	475	534	459	459	---
Services or other agencies	679	620	695	717	22
Supplies and materials	49	43	35	37	2
Equipment	96	85	60	60	---
Total obligations	6,455	6,337	6,414	6,618	204
Unobligated balance	745	---	---	---	---
Total Appropriation, Authorized Level, and Budget Estimate	$7,200	$6,337	$6,414	$6,618	204

Salaries and Expenses, Office of Revenue Sharing

EXPLANATION OF OBLIGATIONS BY OBJECT CLASS

(Dollars in thousands)

	Actual 1979	Budget Estimate 1980	Authorized Level 1980	Estimate 1981	1981 Increase over 1980
PERSONAL SERVICES					
Personnel compensation:					
Permanent positions	$3,524	$3,429	$3,694	$3,698	$ 94
Positions other than permanent	207	155	155	165	10
Other personnel compensation	5	20	20	21	1
Personnel benefits	340	323	325	336	11
Total personal services	$4,076	$3,927	$4,104	$4,220	$ 116

Personal Services costs include all salaries and personal benefits which are padi to the Office of Revenue Sharing employees. These include health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and salary and overtime payments. Such costs, are affected by numerous factors including pay increases, the number of work days in the fiscal year and within-grade increases. The principle factor affecting costs in this budget year is an increase for return of the absorbed pay act funding in the current year. This factor is discussed below:

1. Changes in the Current Estimate 1980 from the Budget Estimate 1980. Increase reflects the October 1979 pay increase.

2. Changes since the Current Estimate 1980. Increase related to (1) return of the absorbed pay act funding and (2) various changes related to maintaining the current level (net cost of within-grade salary increases, merit pay increases, etc.)

TRAVEL AND TRANSPORTATION OF PERSONS					
Travel	$ 201	$ 342	$ 255	$ 293	$ 38

The Current Estimate for 1980 is $255,000, a reduction of $87,000 compared with the 1980 Budget Estimate of $342,000. This decrease results from (1) a Congressional directive of reduce travel ($67,000) and (2) a reprogramming of $20,000 to address projected short falls in other object classes.

The estimate for 1981 reflects increases in per diem and airfare costs.

Revised February 19, 1980

EXPLANATION OF OBLIGATIONS BY OBJECT CLASS
(continued)

(Dollars in thousands)

	Actual 1979	Budget Estimate 1980	Authorized Level 1980	Estimate 1981	1981 Increase over 1980
TRANSPORTATION OF THINGS					
Actual vs. Estimates	$ $10	$ $4	$ $4	$ $4	$ $---

The 1979 actual relates to the need to store renovation materials for space adjustments to the Office of Revenue Sharing located at Columbia Plaza. The 1980 and 1981 estimates depict a return to a more normal level of projected obligations.

RENTS, COMMUNICATIONS AND UTILITIES					
Standard Level User Charges	$269	$271	$271	$278	$ 7

These funds are required for anticipated billings by the General Services Administration (GSA) for the rent and maintenance of leased space by the Office of Revenue Sharing at Columbia Plaza. The increase in the 1981 estimate related to increased payments to GSA for space.

Other rents, communications and utilities	$368	$311	$331	$330	$ 5

These resources provide equipment rental, copy machine rental, communication services, mail services, telephone charges, etc. The increase in the Current Estimate 1980 compared to the Budget Estimate 1980 primarily reflects greater rental rate increases than anticipated.

The 1981 estimate reflects an increase related to increased costs of the Federal Telecommunications System (FTS) payments.

PRINTING AND REPRODUCTION					
Actual vs. Estimates	$232	$200	$200	$214	$ 14

This category includes the estimated cost of printing and reproduction provided by or through the Departmental printing plant. This consists of the printing of new and revised handbooks, regulations, issuances, forms, etc. Funds are also included for printing provided by commerical firms under Government Printing Office (GPO) contracts and by other government agency facilities.

The 1981 estimate reflects an increase consisting of: (1) inflationary increases and (2) increase payments to the Working Capital Fund associated with printing.

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EXPLANATION OF OBLIGATIONS BY OBJECT CLASS
(continued)

(dollars in thousands)

	Actual 1979	Budget Estimate 1980	Authorized Level 1980	Estimate 1981	Increased 1981 over 1980
OTHER SERVICES					
Actual vs. Estimates	$1,154	$1,154	$1,154	$1,176	$ 22

These resources provide for such services as health units, training enrollments, inter/intra agency agreements, data processing, and special contracts for the administrative operations of the program.

The 1981 estimate reflects an increase of $22,000 for return of absorbed pay act funding related to reimbursable programs.

SUPPLIES AND MATERIALS					
Acutal vs. Estimates	$49	$43	$35	$37	$ 2

This represents the estimated costs of expendable office supplies purchased through the General Services Administrative Federal Supply Schedule Sources at local GSA self-service stores and purchasing subscriptions to newspaper and periodicals. The Current 1980 estimate compared to the 1980 budget estimate reflects a reprogramming to address projected short falls in other object classes.

The estimate for 1981 reflects an increase associated with increased subscription costs.

EQUIPMENT					
Actual vs. Estimates	$96	$85	$60	$60	---

These resources are required for the replacement of office equipment, such as typewriters, desk top, calculators, and old, worn broken furniture.

The 1980 current estimate as compared to the 1980 budget estimate reflects a reprogramming decrease to be applied toward short falls in other object classes.

DEPARTMENT OF THE TREASURY
OFFICE OF REVENUE SHARING
Numbers of Civilian Personnel

	Number of Employees at End of Year					
	1979 Actual		1980 Estimate		1981 Estimate	
	Full-time in Permanent Positions	Total	Full-time in Permanent Positions	Total	Full-time in Permanent Positions	Total
Office of Revenue Sharing						
Salaries and Expenses. . . .	151	158	153	159	153	159
Total.	151	158	153	159	153	159

Payments to State and Local Government Fiscal Assistance Trust Fund, Office of Revenue Sharing

DEPARTMENT OF THE TREASURY
ANALYSIS OF AUTHORIZED LEVEL FOR FISCAL YEAR 1980
(dollars in thousands)

	Permanent Positions	Average Positions	Amount
1980 Appropriation Enacted by Congress	---	---	$6,854,924
Authorized Level for FY 1980	---	---	$6,854,924
Estimate, FY 1981	---	---	$6,854,924

DIGEST OF BUDGET ESTIMATES BY ACTIVITIES FISCAL YEAR 1981

	Appropriation FY 1979		Auth. Level FY 1980		Budget Estimate FY 1981	
	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount
General revenue sharing payments	---	$6,854,924	---	$6,854,924	---	$6,854,924
Total appropriation, authorized level, and budget estimate.	---	$6,854,924	---	$6,854,924	---	$6,854,924

Payments to State and Local Government Fiscal Assistance Trust Fund, Office of Revenue Sharing

SUMMARY JUSTIFICATION OF FY 1981 BUDGET ESTIMATES

General Statement

In accordance with the State and Local Fiscal Assistance Amendments of 1976 (Public Law 94-488) entitlement funds may be appropriated to a federal fund. These funds are then deposited in the State and Local Government Fiscal Assistance Trust Fund. It is from this trust fund that funds are made available to the localities.

To carry out general purpose government functions, one-third of the funds appropriated are allocated to the States and two-thirds are allocated to local jurisdictions. The following represents the 39,192 units of general purpose governments which are eligible to receive revenue sharing funds: 50 States plus the District of Columbia, 3,108 counties, 18,908 cities, 16,790 towns and townships, and 335 Indian tribes and Alaskan native villages.

The request for FY 1981 is $6,854,924,000 which is the same level as authorized for fiscal Year 1979 and 1980.

January 22, 1980

Payments to State and Local Government Fiscal Assistance Trust Fund

For payments to the State and Local Government Fiscal Assistance Trust Fund, as authorized by the State and Local Fiscal Assistance Act of 1972, as amended (31 U.S.C. 1221-1263), $6,854,924,000. *(Department of Housing and Urban Development Independent Agencies Appropriation Act, 1980; additional authorizing legislation to be proposed.)*

EXPLANATION OF LANGUAGE CHANGES: NONE

Targeted and Antirecession Fiscal Assistance, Office of Revenue Sharing

DEPARTMENT OF THE TREASURY
ANALYSIS OF AUTHORIZED LEVEL FOR FISCAL YEAR 1980
(Dollars in thousands)

	Permanent Positions	Average Positions	Amount
FY 1980 Appropriation Enacted by Congress	---	---	$ ---
Adjustment:			
Supplemental Apropriation Required for Program Requirements	---	---	375,000
Proposed Authorized Level for FY 1980	---	---	375,000
Estimates, FY 1981	---	---	$1,000,000

DIGEST OF BUDGET ESTIMATES BY ACTIVITIES FISCAL YEAR 1981

	Appropriation FY 1979		Authorized Level FY 1980		Budget Estimate FY 1981		Increase (+) or Decrease (-) for FY 1981					
							Total Changes		Program Changes		Other Changes	
	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount
Targeted payments	---	$ ---	---	$375,000	---	$1,000,000	---	$625,000	---	$625,000 *	---	$ ---
Total Appropriation, authorized level, and budget estimate	---	$ ---	---	$375,000	---	$1,000,000	---	$625,000	---	$625,000	---	$ ---

* NOTE: Increase due to full-year operations in FY 1981, compared to partial year operations in FY 1980.

January 22, 1980

TAFA-1

SUMMARY JUSTIFICATION OF FY 1981 BUDGET ESTIMATES

General Statement

The Targeted and Antirecession Fiscal Assistance program through a stand-by countercyclical fiscal assistance program provides a sensible fiscal insurance program for State and local governments in the event of future excessive unemployment. This program for State and local governments will act as a hedge against economic adversity.

The countercyclical fiscal assistance program would operate only if quarterly national unemployment rises to 6.5 percent or higher. At that point, it would distribute $125 million per quarter plus an additional $25 million for each one-tenth of one percent by which national unemployment exceeds 6.5 percent. Individual State and local governments with quarterly umemployment rates of 5 percent or more would be eligible. Approximately one-third of the funds would be distributed to State governments and two-thirds to local governments.

Under the Administration's economic assumptions, the stand-by fiscal assistance program is expected to trigger in fiscal year 1980. However, fiscal year 1981 is constrained by $1.0 billion authorization ceiling in the proposed legislation. Therefore, the request for FY 1981 is $1,000,000,000, which is an increase of $625,000,000 over the level requested in FY 1980.

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

Targeted and Antirecession Fiscal Assistance

For payments to local governments experiencing severe fiscal stress, $1,000,000,000. Provided that this appropriation shall be available only upon enactment into law of authorizing legislation.

DEPARTMENT OF THE TREASURY
OFFICE OF REVENUE SHARING

TARGETED AND ANTIRECESSION FISCAL ASSISTANCE

FISCAL YEAR 1980

SUPPLEMENTAL REQUEST

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

Targeted and Antirecession Fiscal Assistance

For payments to local governments experiencing severe fiscal stress, $375,000,000. Provided that this appropriation shall be available only upon enactment into law of authorizing legislation.

DEPARTMENT OF THE TREASURY
OFFICE OF REVENUE SHARING
TARGETED AND ANTIRECESSION FISCAL ASSISTANCE

Program and Performance

The Targeted and Antirecession Fiscal Assistance program addresses the immediate needs of a limited number of fiscally strained local communities as well as the prospective needs of State and local governments as they face economic uncertainty.

In accordance with the proposed legislation, the program will be composed of two tiers: (1) a targeted fiscal assistance program to fiscally stressed local governments and (2) a stand-by countercyclical fiscal assistance program for State and local governments.

Current authorization of this program does not exist. Legislation, however, has been introduced to Congress and is pending action.

DEPARTMENT OF THE TREASURY
OFFICE OF REVENUE SHARING
TARGETED AND ANTIRECESSION FISCAL ASSISTANCE

Justification for Supplemental Requirements
Fiscal Year 1980

Statement of Purpose and Need

The Targeted and Antirecession Fiscal Assistance program addresses the immediate needs of a limited number of fiscally strained local communities as well as the prospective needs of State and local governments as they face an impending national recession. A stand-by countercyclical fiscal assistance program would provide a sensible fiscal insurance program for State and local governments in the event of future excessive unemployment.

Justification of the Request

In order to assist many urban and rural communities experiencing severe fiscal stress, a Targeted and Antirecession Fiscal Assistance program is proposed to be established to provide aid to local governments. The program will be composed of two tiers: (1) an immediate targeted fiscal assistance program to fiscally stressed local governments and (2) a stand-by countercyclical fiscal assistance program for State and local governments.

The first tier of the Targeted and Antirecession Fiscal Assistance program is a targeted fiscal assistance program. The targeted fiscal assistance portion of the program is designed only for those local government with significant fiscal need. In this way, the pressing and immediate needs of a limited number of fiscally strained communities can be met.

This tier is constructed to bridge the time remaining until the expiration of General Revenue Sharing on September 30, 1980. This has facilitated an Executive Branch review and will assist the Congress in its review of the entire issue of Federal fiscal assistance to State and local governments in the context of General Revenue Sharing renewal.

The second tier of the Targeted and Antirecession Fiscal Assistance program is a countercyclical fiscal assistance program. This program for State and local governments will act a a hedge against economic adversity and as an insurance policy in the event of an unexpectedly large downturn in the economy.

The countercyclical fiscal assistance program would operate only if quarterly national unemployment rises to 6.5 percent or higher. At that point, it would distribute $125 million per quarter plus an

Justification of the Request (Continued)

additional $25 million for each one-tenth of one percent by which national unemployment exceeds 6.5 percent. Individual State and local governments with quarterly unemployment rates of 5 percent or more would be eligible. Approximately one-third of the funds would be distributed to State governments and two-thirds to local governments. In addition, there is a payment adjustment provision linking the two-tiers of the program. To avoid windfall funding, if the stand-by tier is triggered, allocations to local governments under the stand-by tier would be reduced by the amount of payments that they would recieve under the targeted fiscal assistance tier.

Under the Administration's economic assumptions, the stand-by fiscal assistance portion of the program is expected to trigger in fiscal year 1980. Outlays in fiscal year 1981 will be constrained by a $1.0 billion ceiling under the program.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

Proposed for later transmittal, proposed legislation A-11-32A

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

Targeted and Antirecession Fiscal Assistance

Program and Financing (in thousands of dollars)

Identification code 20-0111-2-1-852	19 80 actual	19 80 estimate	19 80 estimate
	Presently available	Revised estimate	Proposed supplemental
Program by activities:			
10.00 Targeted payments (costs - obligations) (object class 41.0)	---	250,000	250,000
24.40 Unobligated balance available, end of year. (appropriation)	---	125,000	125,000
Financing:			
40.00 Budget authority (appropriation) (proposed for later transmittal)	---	375,000	375,000
Relation of obligations to outlays:			
71.00 Obligations incurred, net	---	250,000	250,000
90.00 Outlays	---	250,000	250,000
(Memo cost: 21.0)	(Memo cost: 0)	(Memo cost: 0)	(Memo cost: 4.0)

S-TAFA-6

WEDNESDAY, APRIL 2, 1980.

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

NEW YORK CITY LOAN GUARANTEE PROGRAM (ADMINISTRATIVE EXPENSES)

WITNESSES

ROGER C. ALTMAN, ASSISTANT SECRETARY, DOMESTIC FINANCE
JOHN J. MC LAUGHLIN, DIRECTOR, OFFICE OF NEW YORK FINANCE
WANDA P. STINESS, FINANCIAL MANAGER, OFFICE OF THE SECRETARY

	1979	1980	1981	Increase
Appropriation	$1,050,000	[1] $1,051,000	$1,072,000	+21,000

[1] Includes $29,000 proposed supplemental appropriation for increased pay costs.

Mr. BOLAND. The Committee will come to order.

Today we take up the New York City Loan Guarantee Program and we have Mr. Roger C. Altman, the Assistant Secretary of the Treasury for Domestic Finance, and members of his staff. We are delighted to have all of you. This is a very important program. The Department of the Treasury is responsible for monitoring the New York City's operations in order to ensure continued compliance with the Act.

Secretary Altman, why don't you go ahead with your statement?

Mr. ALTMAN. Thank you, Mr. Chairman.

With your permission, I would like the statement inserted in full in the record and I will summarize it briefly here.

Mr. BOLAND. Fine.

GENERAL STATEMENT

Mr. ALTMAN. I am here today to discuss the administrative expenses of the Treasury Department's Office of New York Finance. Let me begin with a brief review of the Guarantee Act and what has happened since its inception.

THE GUARANTEE ACT

According to the Act, $750 million of the Treasury's guarantee authority out of a total of $1.65 billion was intended to be included in the overall four-year $4.5 billion long term financing plan for New York City.

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The balance of guarantee authority, the difference between $750 million and $1,650 million is reserved for stand-by issuance in the last two years of the plan, the last two years beginning July 1, 1980.

On February 21st of this year, we completed our issuance of that $750 million portion. To date, $1.8 billion has been lent to the City on an unguaranteed basis in the form of Municipal Assistance Corporation bonds bought by the public and by local clearinghouse banks, the City and State pension funds, and local savings banks and insurance companies in the form of purchase of those bonds on a private basis.

The financing plan, Mr. Chairman, is intact. It has proceeded as originally intended. Fortunately there have been no interruptions or major problems with it to date. We do not foresee circumstances under which any more guarantees than have already been issued, anything beyond this $750 million, would be issued. We believe, in other words, that the full amount of Federal guarantees which will be issued has been issued and there will be no further guarantees. The only circumstances under which that would change would be if neither the Municipal Assistance Corporation nor the City could itself issue bonds in the next two years.

As I will show in a minute, the City's prospects for issuing its own bonds are uncertain, but the prospects for issuing or continuing to sell MAC bonds are decent and so it is our expectation that either the City or the MAC will successfully sell the amounts of bonds contemplated in the plan and that there will be no further Federal guarantees.

The Act requires that the Secretary of the Treasury make a series of findings before each round of guarantees is issued. We have taken that process very seriously. Those findings are a matter of public record, the most recent set of which has been provided to your staff.

The Guarantee Act also requires that the City return to both the short- and the long-term public markets with its own securities as soon as possible.

The City has successfully done that in terms of the short term market. It sold $275 million of its notes last year and $375 million of its notes publicly this year. On the other hand, its long-term bonds are not yet saleable.

The bond rating agencies have not assigned an investment grade rating for the bonds and so the prospects for bond market re-entry aren't certain.

The cornerstone of the City's strategy to re-enter that long-term bond market, which is essentially the long-term purpose of this Loan Guarantee Act—to get the City back in the long-term market and get the Federal government out of the City's financing—the cornerstone of the City's strategy is to achieve true budget balance on a generally accepted accounting basis.

The rating agencies themselves have testified several times to the effect that that is the key to getting an investment grade rating and then to regaining market access.

NEW YORK CITY'S 1981 BALANCED BUDGET

Now, to achieve that budget balance, the key to all this, Mayor Koch submitted in mid-January his latest four-year financial plan and in particular his preliminary fiscal year 1981 budget which called for achieving true budget balance one year earlier than the statutory requirement. That statutory requirement requires the City to be in true balance in fiscal year 1982.

Mayor Koch went one step further and submitted a preliminary balanced budget for next year about three months ago. The full-fledged budget won't be submitted until April and won't be in effect until just before the fiscal year starts on July 1st, but I think the City and Mayor Koch deserve great credit for actually having accelerated the schedule required by the law.

It is a courageous step, and it is our judgment that the City's 1981 budget will indeed turn out to be balanced as Mayor Koch has projected, and that that will be a major step forward toward regaining access to the long-term bond market for the City.

I would just close this part of the discussion by pointing out the reason that this fiscal crisis in New York and the ultimate Federal legislation emerged was because of very large City budget deficits which caused investors to lose confidence in the City and required the Federal intervention and State intervention to prevent the City from becoming insolvent.

It is only elimination of those deficits and getting the City on true balance on a recurring basis which will ultimately restore the City's ability to finance itself and eliminate the need for any further Federal presence.

TREASURY ACTIVITIES UNDER THE ACT

Mr. Chairman, concerning the Treasury Department's activities under this act, since 1975 and more recently under the 1978 Loan Guarantee Act, we have been required, in particular the Office of New York Finance, has been required to monitor New York City's finances.

That involves, among other things, making this long series of findings before we can issue each guarantee—I believe there are 14 separate findings—reviewing and analyzing monthly, quarterly, and annual financial statements and related reports; tracking the City's daily cash flow, and contact with the credit rating agencies, the financial community, the City, of course, itself, and with agencies which monitor it like the Financial Control Board, the Office of the Special Deputy State Comptroller, the Municipal Assistance Corporation, and GAO and other activities.

All those activities are essential to making those findings and to confirming that the City is meeting its obligations under the Guarantee act.

As I mentioned earlier, your staff has a copy of the most recent findings which we made in connection with the $100 million issuance of guarantees on February 21, the final guarantees.

I want to emphasize, concerning our future activities, that a lot of people say well, if all the guarantees are issued, what do you have to do?

In a letter dated February 19, 1980, about six weeks ago, to Secretary Miller, Chairman Proxmire and ranking minority Member Garn of the Senate Banking Committee stated in the wake of oversight hearings which they held their intent to "make it very clear that we expect the Treasury to continue to monitor New York City's operations closely in order to ensure continued compliance with all the conditions of the Act and to protect the Federal government's financial interest."

So, while we may not issue any further guarantees, we are required to be sure that the City conforms to the Guarantee Act during the duration of the program.

PENSION FUND LEGISLATION

In addition, we have a series of further responsibilities under the companion legislation to the Guarantee Act, Public Law 95-497, which requires us to make findings each time that the City and State pension funds buy City or MAC bonds, even if we do not issue further guarantees.

We have to make findings, first that the issuance of the City's indebtedness won't jeopardize its ability to make future pension fund contributions and, second that the purchase of City debt won't endanger the ability of the pension funds themselves to pay future pension benefits. So we have to continue to actually make findings in that regard if there aren't further guaranteed issues because the City and State pension funds are going to be buying bonds throughout the four-year period and there are more than two years remaining.

As a matter of fact, the City pension funds themselves are scheduled to acquire $340 million or more of MAC unguaranteed bonds in the next two years.

STRUCTURE OF THE OFFICE OF NEW YORK FINANCE

Lastly, Mr. Chairman, concerning the structure of our offices, we maintain two offices, one in Washington and one in New York, and also we continue to use the services of a major accounting consultant, currently Deloitte Haskins & Sells, although we have reduced our reliance on them and other outside consultants.

ADMINISTRATIVE EXPENSES

The two offices I have mentioned perform or provide the tasks of analyzing Federal aid trends to the City, preparing the findings we discussed, preparing testimony, and, of course, tracking the City's financial progress and its cash flow. Our appropriation, Mr. Chairman, under this Act this year, 1980, is $1.022 million. We are requesting an appropriation of 1.072 million for fiscal 1981 with the difference, or almost all of it, representing the Federal pay increase increment which went into effect in October 1979.

Today our on-board professional and clerical staff is 17. That compares to total authorized positions of 24. We do not feel we need to fill all those positions. Of our 1980 appropriation, about 67 percent of it is allocated for personnel compensation and benefits,

$314,000 for consulting services and for rent, utilities, communications, supplies, etc., and $25,000 for travel.

In 1980 of that $314,000, we have obligated $191,000 for the accounting services of Deloitte Haskins & Sells. They are very important to us because they help us analyze the City budget which is a very complicated document, and a very complicated situation, and while we will reduce, as I say, or have been reducing our dependency on outside consultants, we do need to continue to engage them for those purposes.

That $191,000 is down from a high of $621,000 for accounting consultants which we spent in 1978.

LOAN GUARANTEE FEE

The last point I would make is that the Guarantee Act requires the City to pay the Treasury a fee of a half percent a year on the outstanding principal amount of Federally guaranteed bonds.

So far those payments have totaled $3 million, just under $3 million, and we anticipate that about $15 million overall of guarantee fees will be paid by the City to the Federal government over the life of the bonds.

In fiscal 1981 alone we expect to receive $3.4 million in guarantee fees. The point of all this is that the fees readily offset Treasury's administrative expenses, and while we are not in this activity, of course, to earn a profit, the facts of the matter are that our income exceeds our expenditures by about three to one.

That concludes the prepared portion of my testimony and, of course, I would be happy to answer any questions you have.

[The complete statement follows:]

Mr. Chairman and Members of this distinguished Subcommittee:

I appear before you today to discuss the administrative expenses of the Treasury Department's Office of New York Finance. My testimony will cover three major areas:

--A brief history of the New York City Loan Guarantee Act and Treasury's activities under it;

--A review of Treasury's additional responsibilities imposed by P.L. 95-497 in monitoring the continuing participation of the City and State pension funds in the City's Four Year Financial Plan; and

--The level of appropriations Treasury believes necessary for the 1981 fiscal year.

The Guarantee Act

The New York City Loan Guarantee Act of 1978 (P.L. 95-339) authorizes the Secretary of the Treasury, during the City FY 1979-1982 period, to issue up to $1.65 billion of Federal guarantees of City long-term debt. The availability of Federal guarantees was the core of an overall four-year, $4.5 billion, long-term borrowing plan.

According to the Act, $750 million of the Secretary's guarantee authority was intended to be included in the $4.5 billion plan as committed guarantees. The balance of guarantee authority is reserved for stand-by issuance in the last two years of the plan. On February 21, 1980, Treasury completed its issuance of $750 million in committed guarantees. To date, $1.785 billion has been provided by purchases, on an unguaranteed basis, of Municipal Assistance Corporation (MAC) long-term securities by local clearing-house banks, City and State employee pension funds, local savings banks and insurance companies, and by the investor public. Table 1 presents the financing details of the final two years of the plan.

Table 1

FY 1981 - 1982 Financing Plan
($ in millions)

	1981	1982	Total
City Bonds:			
Federally guaranteed 1/	-	-	-
Public sales of unguaranteed bonds	$ 300	$ 645	$ 945
MAC Bonds:			
Private placements	537	325	862
Public sales	-	-	-
Total	$ 837	$ 970	$1,807

1/ Should the City be unable to borrow these amounts publicly, MAC is committed to raise publicly these amounts. Federal guarantees may only be extended should neither MAC nor the City be able to borrow from the public markets in the requisite amounts.

The Act requires that the Secretary make a series of determinations prior to the extension of each round of Federal guarantees, the most important of which are as follows:

-- the City has the capacity to repay the federally guaranteed City indebtedness;

-- the City is unable to obtain credit elsewhere in sufficient amounts and on reasonable terms;

-- a financing plan satisfying the City's short- and long-term needs exists and is sound; and

-- the City is making substantial progress toward truly balancing its budget in accordance with Generally Accepted Accounting Principles (GAAP) by its fiscal year 1982.

The Guarantee Act also requires the City to obtain both its short- and long-term financing in the public credit markets as soon as practicable. The City successfully sold $275 million of its short-term notes in the public credit market in its last fiscal year and has sold $375 million of notes publicly in its current fiscal year.

Despite this success in the short-term market, City long-term bonds are not yet saleable. Among other things, including an uncertain market, the bond rating agencies have not assigned an investment grade rating to these bonds. The cornerstone of Mayor Koch's strategy to re-enter the long-term market is the achievement of true budget balance. The rating agencies themselves view this as crucial to attainment of an investment grade rating. In turn, regaining such a rating should enable New York to sell bonds publicly.

To this end, in mid-January the Mayor submitted his new Four-Year Financial Plan and related "program to eliminate the budget gap" (PEG) for City FY 1981 and FY 1982. The PEG plan would attain the long-sought goal of true budget balance in accordance with GAAP next year. This would be one year earlier than required by Federal and State Law and is a courageous step. According to the Act, the City must balance its budget pursuant to GAAP from fiscal 1982 on and according to State law prior to that time. State law permits two deviations from GAAP: accounting for pension contributions on a cash basis and capitalizing current operating expenditures.

The City's budgetary performance in the recent past has consistently exceeded its budget goals. The City's goal for FY 1976 was a budget gap no larger than $1,051 million; its ending gap in that year was $968 million. Its FY 1977 goal was a gap

no larger than $686 million; it ended that year with a $328 million deficit. And in fiscal 1978 and 1979, against balanced budget goals, it ended with surpluses of $32 million and $216 million, respectively. In both these years, the City's financial statements were audited and confirmed by a consortium of independent public accounting firms. Finally, it appears that in the current fiscal year (FY 1980), the City is again running ahead of its expectations of a balanced budget, and will end the year with a surplus under State law. In addition, the FY 1980 GAAP deficit will be approximately one-fifth of the 1976 level.

Among the factors that have contributed to the City's budget progress are the City's recent pattern of underspending and conservative assumptions underlying its forecasts of economically sensitive revenues. In addition, the City did not include non-recurring revenues in its forecasts, even though varying amounts of such revenue occur each year.

I might add that the Senate Banking Committee recently concluded lengthy oversight hearings on the Guarantee Act. After the conclusion of the hearings, on February 19, 1980, Chairman Proxmire and Senator Garn provided Treasury with their views on the City's fiscal and financing situation.

Fiscal Year 1980 Treasury Activities Under the Act

Since 1975, and most recently under the New York City Loan Guarantee Act of 1978, the Treasury Department's Office of New York Finance has been required to monitor New York City's finances. This involves:

-- monitoring compliance with the Guarantee Act and the Agreement to Guarantee;

-- reviewing and analyzing monthly, quarterly, and annual financial statements and related reports;

-- tracking the City's daily cash flow requirements and assessing the time schedule and amounts required for seasonal and long-term financing;

-- studying the effects of urban legislation enacted by the 96th Congress and proposed to the 97th Congress;

-- contact with (1) credit rating agencies as to the possibility of an investment grade rating of City securities and (2) the financial community and the City's financial advisor concerning receptivity of the public market to the City's debt instruments;

-- meeting with the City and with agencies assigned to monitor the City, e.g., Financial Control Board, Office of the Special Deputy Comptroller (State), MAC and GAO; and

-- liaison with New York State officials on the State's commitment of continued support for New York City, along with other cash flow and budgetary matters.

These monitoring activities are essential to the Secretary's findings on the City's compliance with the provisions in the Loan Guarantee Act prior to each takedown of Federal guarantees and to confirm that the City is meeting its obligations under the Guarantee Act and the Agreement to Guarantee. The staff of the Subcommittee has been provided a copy of the latest determinations prepared in connection with the most recent issuance of $100 million of Federal guarantees on February 21, 1980. Regarding 1981, in a letter dated February 19, 1980 to Secretary Miller, the Senate Banking Committee stated its intent "to make it very clear that we expect the Treasury to continue to monitor New York City's operations closely in order to ensure continued compliance with all of the conditions of the Act and to protect the Federal Government's financial interest."

Finally, there is a provision of the Guarantee Act that requires the Secretary to prepare reports to Congress on a regular basis outlining Treasury's activities under the Act. This "Report to Congress" was last transmitted in December 1979 and will be due next in May.

Pension Fund Legislation

The companion legislation to the Guarantee Act, P.L. 95-497, mandates further findings by Treasury in relation to the purchase of City and MAC indebtedness by certain City and State pension funds. The two most significant determinations the Secretary must make under P.L. 95-497 are:

-- that the issuance of indebtedness by the City will not jeopardize its ability to make future pension fund contributions; and

-- that the purchase of City indebtedness will not endanger the ability of the pension funds to pay future pension benefits.

In addition to these requirements, Treasury has an ongoing monitoring function under P.L. 95-497. Whenever an acquisition of City or MAC indebtedness is made pursuant to one of the

purchase agreements, the Secretary must find that the acquiring fund does not hold more than 50 percent of its assets in City and MAC indebtedness and does not have a negative cash flow and that the aggregate of City and MAC indebtedness held by the City pension funds does not exceed the percentage limitations contained in the Pension Act.

Furthermore, prior to each acquisition, Treasury must also make certain independent determinations under the Pension Act. Depending upon when the acquisition occurs, the Secretary must determine that New York City is either operating under a GAAP-balanced budget or is making substantial progress toward that goal, and whether the City's annual audited financial statements reflect these goals. Thus, while Treasury may not be called upon to issue federal guarantees during the City's fiscal years 1981 and 1982, a determination similar to that made with respect to Section 103(5) of the Guarantee Act at each takedown of guaranteed bonds must be made with each acquisition of MAC or City bonds by the pension funds.

The staff of the Subcommittee has been provided with a copy of the most recent determinations related to the Pension Act.

City pension funds are scheduled to acquire over $340 million of MAC unguaranteed bonds in the next two years and constant monitoring of the pension fund situation is required.

Structure of the Office of New York Finance

Treasury's Office of New York Finance maintains two offices -- one in Washington and one in New York City. In addition, the services of an accounting consultant--currently Deloitte Haskins & Sells--are used, although reliance upon such outside services has decreased.

The Washington office has several responsibilities:

-- analysis of Federal aid to New York City;

-- economic forecasting and impact of national economic trends on the City's economy;

-- formal preparation of the Secretary's determinations with respect to the Guarantee Act and P.L. 95-497;

-- preparation of testimony and background materials in conjunction with Congressional oversight hearings and other requests; and

-- administration of the office, e.g. budget, contracts, and procurement.

The staff located in New York City has primary responsibility for Treasury's day-to-day dealings with the City and State, and with State agencies monitoring the City's finances. In addition, the New York Office conducts reviews of the City's budget and programs, audits and verifies the reports received from the City and its monitors and, if necessary, recommends changes and improvements to the reports. A listing of the major reports the Office of New York Finance must review is attached hereto as Exhibit A. In addition, the Office inspects accounts, books, records, and other financial documents of the City or any financing agency participating in the financing needs of the City.

Administrative Expenses

Our appropriation under the New York City Loan Guarantee Act of 1978 in fiscal year 1980 is $1.022 million. The Administration is requesting an appropriation of $1.072 million to fund fiscal year 1981 requirements. Most of the increase represents the cost in fiscal 1981 of the pay increases of October 1979.

Currently, our funded professional and clerical staff number 17. Of our $1.022 FY 1980 appropriations, approximately 67 percent, or $683,000, is allocated for personnel compensation and benefits, $25,000 for travel, and $314,000 for rent, utilities, communications, supplies, services provided to the Office by Treasury budget and personnel offices and also the consulting services of the accounting firm, Deloitte Haskins & Sells.

In FY 1980, we have obligated $190,500 for the accounting services of Deloitte Haskins & Sells. Such services are required for periodic in-depth budget analyses that must be performed in a short period of time, certain accounting matters that require specialized expertise, and certain City submissions required under the Act that must be independently verified. Thus, the level of dependency on outside consultants is substantially the same as it was in FY 1979 and significantly below the 1978 expenditures on consultants, which exceeded $600,000.

Finally, let me note that the Guarantee Act requires the City to pay to the Treasury a guarantee fee of 0.5 percent per annum on the outstanding principal amount of Federally guaranteed City bonds. To date, these payments have totalled $2.92 million. It is anticipated that approximately $15 million in guarantee fees will be paid by the City to the Federal government over the life of the bonds. This assumes that the Secretary does not modify or waive the requirements of Section 103(11) of the Act which requires the City, after FY 1982, to apply 15 percent of the proceeds from public sales of its bonds to refund outstanding guaranteed bonds.

In FY 1981 alone we expect to receive approximately $3.4 million in guarantee fees. These fees should readily offset Treasury's administrative expenses in FY 1981. Attached at Exhibit B are estimates of the guarantee fees for Federal fiscal years 1980-1985.

This concludes the prepared portion of my testimony. I will be pleased to respond to any questions.

Exhibit A

From the November 15, 1978 Agreement to Guarantee the City must regularly submit to the Secretary of the Treasury the following:

1. Four-Year Plans no later than July 1 of each fiscal year in which Guaranteed bonds are outstanding (§3.1.5c)

2. Monthly Certificates no later than the end of each calendar month certifying that there was no material modification in the Financial Plan and no adverse developments in pending litigation (§6.7.1)

3. Monthly Financial Plans no later than the end of each calendar month reporting results of operations of City and Covered Organizations for preceding month (§6.7.2)

4. Quarterly Financial Plan Statements no later than October 31, January 31, and April 30 of each year reporting results of operations of City and Covered Organizations for preceding quarter of fiscal year (§6.7.3)

5. Annual Audit Reports (Comptroller's Reports) no later than October 31 of each year reporting the financial position

6. Economic Reports on March 15 and September 15 of each year evaluating overall economic position of City for preceding half of fiscal year (§6.7.5)

7. Collective Bargaining Agreements upon submission to the FCB along with projections of costs and certificate of consistency with the Financial Plan in effect (§6.7.7)

8. Mayor's Management Reports on February 20 and August 20 of each year reporting management and productivity improvements (§6.7.7)

9. Borrowing Schedules no later than July 1 of each fiscal year laying out the plan of seasonal and MAC borrowing for present year (§6.7.9)

10. Reports of Covered Organizations as soon as possible after end of each organization's fiscal year reporting the financial position and results of operations of the preceding fiscal year, certified by independent certified public accounting firm, and with the opinion of the firm as to compliance with GAAP. (§6.7.9)

Exhibit A Continued

11. Publication of Plan Variances no later than December 1, 1979, 1980 and 1981 printed in the City Record and reconciling actual revenues and expenditures in FY 79, FY 80, and FY 81 with projected revenues and expenditures in both the initial Financial Plan for the year and the latest modification (§6.7.10)

12. Audit Committee Reports completed by the Audit committee in accordance with §103(7)(B) of the Guarantee Act making recommendations for improving the financial accounting and reporting systems of the City (§6.15)

13. Productivity Council Reports completed by the Productivity Council in accordance with §103(9) of the Guarantee Act making recommendations for enhancing the productivity of the City's labor force and published in the City Record no later than January 1 of each year (§6.15)

Exhibit B

: Estimates of Guarantee Fees Federal Fiscal Year*

Year	Amount
1980	$3,379,000
1981	3,430,000
1982	3,110,000
1983	2,240,000
1984	1,320,000
1985	481,000

* These estimates assume no further issuances of guaranteed bonds per the stand-by agreements as well as City public bond sales in FY 1983 through FY 1985 of at least $1.0 billion per year of which $150 million would be used to refund outstanding guaranteed bonds.

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

COMPLEXITY OF ADMINISTERING PROGRAM

Mr. ALTMAN. I would like to just add, if I may, one footnote. I have been blessed in the course of administering this program, or helping to administer this program, by a particularly good staff and while at the moment it might look as though the program kind of worked out nicely and is on track and is hunky-dory, it has been a difficult program to administer.

I hope the Federal government doesn't personally again get into the position of financing a municipality because there are important enormous political and other pressures involved that essentially make it an inappropriate function except in emergencies.

But I have had an excellent staff and it has been extraordinarily well administered by them, who really deserve the credit.

Mr. McLaughlin and his people have done a very good job. And I wanted to add that because I know there is a perception that the program is kind of working out fine and some people think it was very easy, and it wasn't, and the staff really did an extraordinarily good job under difficult circumstances.

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

I know I speak in behalf of the Subcommittee when I say that what you say about your staff is noteworthy. The Director of the New York Office, John McLaughlin, has done an outstanding job. And it is not an easy job either.

The amount of work that has to be done by that office is significant. The monitoring that is occasioned by the Act itself is very important. The problems that New York City has at times seem to be insoluble and these are all considerations that the New York office has to handle.

I think it was handled very well and I want to congratulate you, John, you and your staff.

Mr. MCLAUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Thank you very much.

Mr. Traxler?

Mr. TRAXLER. How is the Mayor?

MAYOR KOCH'S SUPPORT OF PROGRAM

Mr. ALTMAN. At the moment, of course, he has his hands full with the transit strike, but I think in general what Mayor Koch has done, and I think in a totally non-partisan way, is absolutely outstanding. The real credit for the progress New York has made in the last two years should be shared by many people, but certainly more than anyone else it should go to Ed Koch who has, as evidenced by his decision to balance the budget one year early, decided, even though he had another year to do it under the law, he would balance it a year earlier and take the very difficult steps in terms of expenditures reductions and service cuts.

It is a politically courageous decision and he is a politically courageous fellow.

We could not have had from the Federal point of view a more cooperative partner than Ed Koch. We never, ever had a situation where basically our fundamental objectives were different from his.

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Both entities, and the State I should include too, all had the objective of restoring the City to financial solidity and financial independence.

Ed Koch has done simply a masterful job so far in that regard.

Mr. TRAXLER. As you recall, he got his training on the full Appropriations Committee in matters relating to "deficit" spending.

Thank you, Mr. Chairman.

Mr. BOLAND. As a matter of fact, the City of New York could not have had a better leader in these very troublesome fiscal years than Mayor Koch. I think perhaps with his own ability and combined with his personality which is really catching, he is as much responsible for the passage of the New York City Loan Guarantee Program as any other individual.

I will turn this over to Mr Traxler. Thank you very much.

Mr. TRAXLER [presiding]. Thank you, Mr. Chairman.

Mr. Coughlin?

POSSIBILITY OF BALANCING 1981 NYC BUDGET

Mr. COUGHLIN. I have to leave momentarily to go to another Subcommittee and most of the questions that I would have asked will be covered, I think, by the Chairman.

I guess you do feel that it is possible to balance the budget next year even with the current rate of inflation and the current economic exigencies?

Mr. ALTMAN. Yes. The City, as I said, released in January a so-called "program to eliminate the budget gap", the PEG program, that would close a $677 million 1981 gap. The program to eliminate it involves a series of city expenditure reductions, which constitute most program, and of $175 million worth of increases in taxes and charges, and an increase in State aid and some increase in Federal aid, although the increases in Federal and State aid represent only about 30 percent of the program to close the gap. Our judgment, after carefully evaluating that program before issuing the February 21st guarantees, is that with certain changes that were made with our concurrence by the Financial Control Board in New York, an increase in the 1981 general reserve of $50 million, among others, that that program would work, that it would result in a balanced budget.

Mr. COUGHLIN. That balanced budget will include the deficit or various outstanding obligations including the bonds that the Federal government has guaranteed?

Mr. ALTMAN. Yes.

NEED FOR FURTHER FEDERAL GUARANTEES

Mr. COUGHLIN. And you anticipate no further need for Federal guarantees after the current program is completed?

Mr. ALTMAN. No, and I should repeat that it is possible, of course, under the statute, for us to issue further guarantees.

We have issued $750 million of $1.65 billion. But that would only happen, as I said, if the Municipal Assistance Corporation lost its ability to borrow, and it has had ready market access in the last few years, and that the City itself also was unable to borrow, and

since it hasn't been able to borrow yet on a long-term basis publicly its own borrowing is uncertain, but MAC's has been good. So only if neither of those two entities could borrow the amounts allocated to them in the four-year plan or the MAC couldn't make up the amount, would there be a need for Federal guarantees, and we don't foresee a situation where neither the City nor the MAC would not be able to borrow.

It is possible, but we don't foresee it.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Secretary Altman, you told us that you anticipate that the 1981 New York City budget will be in balance. Is that according to generally accepted accounting principles?

Mr. ALTMAN. Yes, it is. The New York City Loan Guarantee Act does not require the City to get into balance on generally accepted accounting principles until the City's fiscal 1982.

Mayor Koch, as I mentioned, decided on his own to submit a balanced budget on generally accepted accounting principles basis one year early, for 1981.

ESTIMATES OF 1979 AND 1980 NYC BUDGET DEFICITS

Mr. TRAXLER. Last year it was your estimate that the deficit for 1979 would be about $600 million. Can you give us a firm figure at this time for that 1979 budget?

Mr. ALTMAN. It is considerably lower than that; $422 million.

Mr. TRAXLER. What is your estimate for 1980?

Mr. ALTMAN. Again much lower than that.

Mr. MCLAUGHLIN. The GAAP deficit is composed of three items, the amount of capitalized operating expenses, the amount of pension accrual, and, offsetting the first two items, the amount of budget surplus under State law. The sum of the 1980 capitalized operating expenses and pension accrual is estimated at $451 million. But there are forecasts of another State Law budget surplus, which the City has been experiencing since 1978, of up to $170 million in 1980 that should result in a lower GAAP deficit.

IMPACT OF FEDERAL BUDGET REDUCTIONS

Mr. TRAXLER. The Carter Administration, in its latest budget submissions to Congress, is proposing a number of program cuts both in the 1980 and the 1981 budgets.

Which of those reductions would impact seriously on the New York City budget?

Mr. ALTMAN. The key changes which would affect the budget directly are the proposed elimination of the $2.3 million State share of general revenue sharing and the proposed cut in the CETA program.

The effect on New York City might be as large, on an annualized basis, as $80 million and $40 million, respectively, from those two sources.

Concerning the CETA reduction, the City has more than one option, but the obvious option would be to simply reduce the number of CETA-funded employees accordingly, with the accompanying reduction in services.

Concerning the State share of general revenue sharing and the amount that is passed through to the City, which is generally estimated at $80 million, the City has a variety of options, including revenue-raising and expenditure-reduction measures.

In addition, as you may know, the President has proposed, and I testified before this Committee yesterday about it, a $500 million provision to his general revenue sharing recommendation, which will come up to the Congress very shortly, which is intended to mitigate the losses experienced by fiscal hard-pressed localities like New York City, those losses experienced by the elimination of the State share of general revenue sharing and the related amounts which are passed through to those localities.

So at least the Carter Administration will be proposing as a part of its revenue sharing recommendations a $500 million provision for cushioning the adverse effects on places like New York from the elimination of the State's share.

EFFECT OF INFLATION

Mr. TRAXLER. What effect has inflation had on the City's budget?

Mr. ALTMAN. Well, there are different judgments on that from different quarters. My own is that inflation so far has had at worst a neutral effect on the City budget and at best, and I mean at best from New York City's budget perspective, a favorable effect.

The arguments which people make to the effect that the inflationary effect on the City's revenues has outpaced the inflationary effects on its costs would seem more persuasive than the arguments made in the reverse.

On the other hand, as we all know, that is a temporary phenomenon because eventually a rate of inflation at the level we have recently been experiencing will cause a contraction in economic activity and have a negative effect on the City.

CURRENT RATE OF NEW YORK CITY BONDS

Mr. TRAXLER. What is the current interest rate on New York City bonds?

Mr. ALTMAN. The guaranteed bonds?

Mr. TRAXLER. Yes.

Mr. ALTMAN. The most recent interest rate paid by the City was 11.4 percent.

Mr. TRAXLER. How does that contrast with twelve months ago?

Mr. ALTMAN. Twelve months ago it was lower because of the Treasury yield curve. I would have to get you an answer for the record.

[The information follows:]

Interest Rates on Federally Guaranteed Bonds

FEDERALLY GUARANTEED NEW YORK CITY BONDS

[Dollar amounts in millions]

Date of issue	Amount of issue	Average maturity		Interest rates (percent)
		Years	Months	
Nov. 17, 1978	$200	5	10	8.90
Feb. 15, 1979	150	7	1	9.50
June 28, 1979	50	6	6	9.35
Aug. 30, 1979	100	7	.....	9.25
Jan. 3, 1980	150	5	9	10.75
Feb. 21, 1980	100	7	3	11.40

EFFECT OF TRANSPORTATION STRIKE

Mr. Traxler. How about the possible mass transit strike in the City? What effect will that have upon the City's budget for 1981? I am sure the Mayor would like to answer that question, too.

Mr. Altman. I would ask Mr. McLaughlin to answer that.

Mr. Traxler. How much is that going to add to the City's expenditures? Where are they going to settle?

Mr. McLaughlin. It is difficult to say exactly where they are going to settle. The Transit Authority is a subsidy item in the City budget, which means the City makes one payment to the MTA to subsidize the Transit Authority activities of that State authority, and the negotiations are being conducted by the State chairman, Mr. Ravitch. Mayor Koch has taken the position that he is not a partner in the talks, although he is an interested participant when the final number—crunching is occurring, as it was on Monday evening.

It is difficult to say with any certainty what the impact is going to be.

Mr. Traxler. We are talking about a balanced budget for the city in 1981. Are there fears that the settlement could be such that it would undo this Herculean effort?

Mr. McLaughlin. With the range they are talking about now, and if that were the sole item of change, our staff believes that the City could still come in with a GAAP balanced budget in 1981.

Mr. Altman. There are a series of steps that can be taken to mitigate the effect on the City budget itself.

One of them, of course, is an increase in the 50 cents fare. Another is further aid by the State to MTA which would reduce or limit the amount that the City has to increase its aid. So, in other words, the wage increase as part of the settlement doesn't necessarily all, or even necessarily any of it, come out of the City budget.

FUTURE CONTRACT NEGOTIATIONS

Mr. Traxler. What are some of the major labor contracts that the City will have to renegotiate over the next six months or eight months?

Mr. ALTMAN. All of its contracts with the key municipal unions expire between now and June 30th.

Mr. TRAXLER. Are those annual contracts?

Mr. ALTMAN. The last contracts were two-year contracts.

FEDERAL FUNDS TO NEW YORK CITY

Mr. TRAXLER. You told us last year that the Administration would be channeling more Federal funds from existing programs into the city. You were hopeful that the potential savings to New York City would be small—maybe $40 million. Has there been a savings to New York City?

Mr. ATLMAN. Yes, indeed, I think it has been exceeded.

Mr. TRAXLER. Would you indicate for the record the table found on pages 115 through 117 of last year's hearing, please?

Mr. ALTMAN. Yes.

[The information follows:]

Estimate of Federal funds received by New York City [1]

[Dollars in millions]

	Fiscal year 1979
CETA:	
Title I/II ABC	$69
Title II/II D (PSE)	113
Title VI	179
YETP	17
Other	41
Total	419
HUD:	
CDBG	241
Urban Development action grants	12
Section 8 rent subsidy	32
Rent supplement	20
Subsidy for debt service	105
Subsidy for operations	102
Rehabilitation loan grants	1
Section 236	50
Total	563
HEW:	
Medicaid	1,045
AFDC	685
Title XX	158
WIN	18
Total	2,068
Education:	
Title I—ESEA	200
Impact aid	21
Vocational aid	12
Handicap aid	10
Student assistance	7

Adult education	2
Emergency school aid	9
Total	261
Transportation:	
UMTA:	
Section 3 capital grants	235
Section 5 operating subsidy	189
Federal highway grants:	
Interstate grants	161
Primary roads	79
Secondary roads	16
Urban systems	79
Bridge construction	50
Integrated motor system	0
Other	36
Total	845
EPA:	
Section 201 wastewater treatment construction grants	26
Section 208 planning grants	0
Total	26
Other:	
LEAA–Direct city	22
LEAA–State pass-thru	33
Community health centers	25
HEW-Aging-State pass-thru	39
FAA–Airport construction	13
Total	132
Unrestricted:	
General revenue sharing	301
Countercyclical	0
Total	301
Grand total	4,615

[1] All figures in this report are either rounded off or are estimates based upon information provided by the various federal agencies involved. It should be noted that the agencies did not report figures for some of the smaller programs. Thus, the totals may be understated. Entitlement programs are based on reimbursements.

It should be noted that all these funds do not flow into the City's expense budget. Approximately $1,000,000 goes to various authorities including: the City Transit Authority, Housing Authority, Port Authority as well as the City's capital budget.

CITY'S CAPITAL IMPROVEMENT PLAN

Mr. TRAXLER. The city's capital improvements plan calls for spending $2.3 billion by 1982. Are these capital improvements necessary?

Mr. ALTMAN. It is our judgment, Mr. Chairman, that they should be made. I have said several times before this Committee and other committees that anyone who has recently traveled to New York knows the rather dilapidated state of its physical plant.

Mr. TRAXLER. Does that include the streets?

Mr. ALTMAN. Yes, and that deteriorated physical plant is a drag on the City's economic development efforts. So, spending the $2.3 billion over four years would be constructive for New York in

terms of its economic recovery and the related improvements in its tax revenues.

And we favored it originally during the Congressional debate on the guarantee program, that that amount be spent, and we continue to hope it will be.

The City has been lagging in that regard, but it recently accelerated its spending rate and we hope it will eventually achieve the $2.3 billion objective.

FOUR-YEAR FINANCING PLAN

Mr. TRAXLER. Does the city intend to raise the money during the period in which they expect to spend it?

Mr. ALTMAN. Yes, because that $2.3 billion is part of a four-year financing plan. There presently is a plan to finance $4.5 billion dollars of overall needs over four years, of which $2.3 billion relates to true capital spending so the plan is in place to finance its capital spending.

NEW YORK CITY'S ACCUMULATED DEFICIT

Mr. TRAXLER. You told us last year that the accumulated deficit for New York City was $7.3 billion as of 1977 and $7.7 billion in 1978.

For the record, give us what the accumulated deficit was at the end of 1979. And also the projection for 1980 and 1981.

Mr. ALTMAN. I'll be happy to do that.

[The information follows:]

GENERAL FUND DEFICIT

New York City's general fund deficit was $7.8 billion as of June 30, 1979, according to the independent audit of the City's financial statements. The two major items that will affect the fund deficit as of June 30, 1980, are the amount of the City's Fiscal Year 1980 deficit pursuant to generally accepted accounting principles (GAAP) and the redemption of outstanding debt that was issued to finance the annual budget deficits. The fiscal year 1980 GAAP deficit will be composed of three items: the amount of capitalized operating expenditures, the amount of pension accrual, and partially offsetting the sum of the first two items, the amount of the fiscal year 1980 surplus under State law. The sum of the fiscal year 1980 capitalized operating expenses and pension accrual is estimated at $451 million. While there are forecasts of a healthy fiscal year 1980 surplus under State law, the following presentation of the change to the general fund balance from June 30, 1979 to June 30, 1980, excludes any estimate of a fiscal year 1980 State law surplus. Hence, the following projection of the general fund deficit as of June 30, 1980 is conservative. Similarly, the projection of the general fund deficit as of June 30, 1981 is conservative because it is difficult to estimate now the amount of the City's fiscal year 1981 budget surplus. Such surplus would be a GAAP surplus because the City intends to balance its fiscal year 1981 budget pursuant to GAAP, one year earlier than required by Federal and State law.

Following are the actual general fund deficit as of June 30, 1979 and projections of the City's general fund deficit as of June 30, 1980, and June 30, 1981:

[In thousands of dollars]

	Amount
Fund balance (deficit) at June 30, 1979	(7,796,056)
Fiscal year 1980 GAAP deficit—estimate	(451,000)

Redemption of debt during fiscal year 1980—estimate	1,694,000
Fund balance (deficit) at June 30, 1980—estimate	(6,553,056)
Redemption of debt during fiscal year 1981—estimate	1,603,000
Fund balance (deficit) at June 30, 1981—estimate	(4,950,056)

CONCERN REGARDING ACCUMULATED DEFICIT

Mr. TRAXLER. Does this large accumulated deficit give you any cause for concern?

Mr. ALTMAN. Yes, because much of it is reflected in the total outstanding debt of the City and MAC and in the related amounts of debt service, which are very high and which consume too large a portion of the City budget.

It is a very unhealthy situation, although to the extent to which the City gets into budget balance, as I say, as I believe it will, and remains there, then its future borrowings will relate only to true capital spending and to any refunding that it does of high coupon bonds. Eventually debt service will decline as a percentage of the budget although that will take a very long time.

So, yes, it is a concern because debt service is too high. Every dollar of debt service is a dollar that is not being spent for City services or, in effect, to fund tax reductions, both of which should be done, so it is a concern, but it should not be so great as to prevent the City from attaining its financial goal.

ADMINISTRATIVE EXPENSES

Mr. TRAXLER. Let's turn to Administrative Expenses, under Tab E. You are requesting $1,072,000 for administrative expenses of the New York City program in 1981. Provide for the record a list of positions funded from the Administrative Expenses appropriation in 1979, 1980 and 1981.

Mr. ALTMAN. I'll be happy to do that.

[The information follows:]

New York City Loan Guarantee Program

Position Title	FY 1979	FY 1980	FY 1981
Director, Office of New York Finance	GS-15	GS-15	GS-15
Deputy Director, Office of New York Finance	GS-15	GS-15	GS-15
Senior Adviser for Financial Analysis	GS-15	GS-15	GS-15
Financial Analyst	GS-15	GS-15	GS-15
Supervisory Auditor	GS-15	GS-15	GS-15
Attorney Adviser	GS-15	GS-15	GS-15
Program Analyst	GS-14	GS-14	GS-14
Financial Analyst	GS-14	GS-14	GS-14
Financial Analyst	GS-14	GS-14	GS-14
Program Analyst	GS-13	GS-13	GS-13
Financial Analyst	GS-12	GS-12	GS-12
Legislative Research Analyst	GS-12	GS-12	GS-12
Auditor	GS-11	GS-11	GS-11
Financial Analyst	GS-09	GS-09	GS-09
Financial Research Analyst	GS-09	GS-09	GS-09
Secretary	GS-09	GS-09	GS-09
Secretary	GS-07	GS-07	GS-07
Secretary	GS-06	GS-06	GS-06
Secretary	GS-06	GS-06	GS-06
Clerk Typist	GS-05	GS-05	GS-05
Clerk Stenographer	GS-05	GS-05	GS-05
Clerk Typist	GS-04	GS-04	GS-04
Clerk Typist	GS-04	GS-04	GS-04
Total Positions	24	24	24

Mr. TRAXLER. And also an object class breakdown of Administrative Expenses for those three years.

Mr. ALTMAN. All right.

[The information follows:]

NEW YORK CITY LOAN GUARANTEE PROGRAM, ADMINISTRATIVE EXPENSES—OBLIGATIONS BY OBJECT CLASS

[Dollars in thousands]

Object class	Fiscal year		
	1979 actual	1980 [1] estimate	1981 estimate
1100 Personnel compensation	$457	$657	$677
1200 Personnel benefits	38	55	56
Subtotal, compensation and benefits	495	712	733
2100 Travel	28	[2]25	[2]25
2300 Rents, communications and utilities	28	30	30
2400 Printing			
2500 Other services	355	279	279
2600 Supplies and materials	3	2	2
3100 Equipment		3	3
Total	909	1,051	1,072

[1] Includes Pay Supplemental Request of $29,000.
[2] Subcommittee is to be notified of intention to realign $12,000 into travel plans.

Note.—All obligations are incurred initially by the Office of the Secretary, Salaries and Expenses account, then reimbursed by the New York city loan guarantee program—Administrative expenses account.

1979 UNOBLIGATED BALANCE LAPSING

Mr. TRAXLER. Turn to the table on page one of your justifications. You indicate that you lapsed $141,000 at the end of 1979. Now there is nothing wrong with returning funds to the Treasury that are not needed. It oftentimes is the result of prudent management.

What caused the lapse at the end of the year? Had you overestimated what your expenditures would be?

Mr. ALTMAN. Well, I would like Mr. McLaughlin to add to what I say, but we had a situation where we began with a very heavy dependence on outside consultants, both legal and accounting, just as we have now in the Chrysler program, a very similar situation.

Mr. TRAXLER. An excellent example.

Mr. ALTMAN. Chrysler, yes. And we have been reducing that dependence on outsiders because our own staff has become much more familiar with the budget and the accounting issues and with the legal questions.

OFFICE STAFFING

Mr. TRAXLER. There are 24 authorized positions in the New York City program that are paid from the Administrative Expenses account. A number of people are involved in the New York City program but are not funded from that account. Why does Treasury finance part of the costs of the New York City program outside of the New York City account?

Mr. ALTMAN. Well, I believe the answer is that there are a variety of senior officials in the department, of whom I am one, who are paid for, as is the custom, out of the general S&E account, but nevertheless spend a lot of time on New York City. I think I have spent certainly 25 percent of my time since I have been in this Administration on New York City, but not a cent of my salary is paid for out of the New York City account, and that is true for the Deputy Secretary and the General Counsel and the Secretary.

That is one explanation which I think answers your question.

Mr. TRAXLER. How about the lower GS grades?

How are they listed? There is a GS–7 secretary, a GS–9 secretary, a GS–4 clerk-typist, a GS–7 budget analyst, a GS–5 accounting technician——

Mr. ALTMAN. Every individual who works full-time on New York City is paid for out of the New York City appropriations.

Ms. STINESS. And those positions you just mentioned are funded directly out of the New York City budget.

Mr. ALTMAN. Yes, all are paid for out of this appropriation.

Mr. TRAXLER. The table on Page 111 of the record of last year, indicates that they are not funded from the New York City program.

Mr. ALTMAN. May I look at that?

Mr. TRAXLER. Surely.

Mr. ALTMAN. Well, I provided the answer to this in part at the beginning. These are a group of people who worked very heavily on the New York City Loan Guarantee legislation, both in terms of its passage and subsequently its implementation, most of whom are not working on it now—in fact almost all of them—but we needed them at the time and drew from other parts of the Treasury.

For example, on Chrysler, right now there are all kinds of people working on Chrysler in the Treasury who are not paid for out of the Chrysler appropriation.

I refer to people from our legislative affairs staff, our general counsel staff, our tax staff. We need them right now because it is hot and heavy on Chrysler.

Once the four-year financing plan is done, we can scale back and only the people that work in the office and are paid for by the office will be needed, but right now we need a lot of other people.

Here is a fellow, Mr. Kress, who is in effect the Deputy Secretary for Legislative Affairs. He has done a lot of work on Chrysler and is doing it right now. He works on a lot of other things too. I am sure you wouldn't want us to have him work 30 percent of his time on Chrysler but pay his whole salary out of that appropriation.

CURRENT ONBOARD PERSONNEL

Mr. TRAXLER. We are advised that 17 of the 24 authorized positions are currently filled. Is that correct?

Mr. ALTMAN. Yes.

Mr. TRAXLER. Do you plan to fill any of the vacant positions?

Mr. ALTMAN. Not at this time.

Mr. TRAXLER. How many of the 24 positions are funded in your 1981 budget request?

Mr. ALTMAN. All of those positions are funded.

Mr. TRAXLER. And how many were funded in the 1980 request?
Ms. STINESS. Same level.

1980 PAY ACT SUPPLEMENTAL

Mr. TRAXLER. You are requesting a $29,000 supplemental appropriation in 1980 due to increased pay costs. As you know, the supplemental situation is "tight." Are you absorbing any of these increased pay costs?

Mr. MCLAUGHLIN. We have been absorbing part of the pay raise supplemental under our current level of spending.

NEW APPROPRIATION LANGUAGE

Mr. TRAXLER. On page 6, under Tab E, is a copy of the appropriation language requested in fiscal year 1981. The following new sentence has been added: "During 1981 total commitments to guarantee loans shall not exceed $300 million of contingent liability for loan principle."

Why do you need that additional language? Is it part of the Administration's credit control program? What is the effect of this language?

Mr. ALTMAN. Let me say, Mr. Chairman, that I am not sure that we do need that language. We are reviewing that internally at the moment and I would like to provide an answer for the record.

Mr. TRAXLER. Sure. We appreciate that.

[The information follows:]

CREDIT CONTROL PROGRAM

The appropriation language in the fiscal 1981 request for the New York City loan guarantee program—"during 1981 total commitments to guarantee loans shall not exceed $300 million of contingent liability for loan principal"—is part of the Administration's credit control program. The effect of this language, like the effect of the whole credit control program, would be to limit the level of Federal credit extended during any fiscal year. The Administration recently sent to the Congress an amendment to this language that provides that "total commitments to guarantee loans through June 30, 1982, shall not exceed $900,000,000 of contingent liability for loan principal." This amended language conforms to the New York City Loan Guarantee Act of 1978 which contains limits on the Secretary's guarantee authority with respect to the remaining "stand by" guarantee authority in each City fiscal year.

Mr. TRAXLER. We have no further questions. Best wishes and continued success. Your justification will be placed in the record at this point. The Committee stands adjourned.

[The justification follows:]

New York City Loan Guarantee Program, Administrative Expenses

DEPARTMENT OF THE TREASURY
ANALYSIS OF AUTHORIZED LEVEL FOR FISCAL YEAR 1980
(Dollars in thousands)

	Permanent Positions	Average Positions	Amount
FY 1980 Appropriation Enacted by Congress	---	---	$1,022
Adjustments:			
Supplemental Appropriation Required for Pay Increase	---	---	29
Proposed Authorized Level for 1980	---	---	$1,051
Estimates, FY 1981	---	---	$1,072

DIGEST OF BUDGET ESTIMATES BY ACTIVITIES FISCAL YEAR 1981

	Appropriation FY 1979		Authorized Level FY 1980		Budget Estimate FY 1981		Increases (+) or Decreases (-) for FY 1981					
							Total Changes		Program Changes		Other Changes	
	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount
Administrative Expenses	---	$ 909	---	$1,051	---	$1,072	---	$ 21	---	$ ---	---	$ 21
Unobligated balance lapsing	---	141	---	---	---	---	---	---	---	---	---	---
Total Appropriation, authorized level and budget estimate	---	$1,050	---	$1,051	---	$1,072	---	$ 21	---	$ ---	---	$ 21

January 22, 1980

New York City Loan Guarantee Program, Administrative Expenses

Summary Explanation of Changes Requested for Fiscal Year 1981
(Dollars in thousands)

	Permanent Positions	Average Positions	Amount
Program Changes:	---	---	$ ---
Other Changes:			
Increases necessary to maintain current levels:			
1. To provide for full-year cost of civilian pay increases authorized for part of fiscal year 1980	---	---	23
Subtotal, Other Increases	---	---	23
Reduction, nonrecurring costs and savings:			
1. Savings from one less workday	---	---	-2
Subtotal, nonrecurring costs and savings	---	---	-2
Total, Other Changes	---	---	21
Total Increases or Decreases 1981 compared with proposed authorized level	---	---	$ 21

January 22, 1980

New York City Loan Guarantee Program, Administrative Expenses

SUMMARY JUSTIFICATION OF FY 1981 BUDGET ESTIMATE

General Statement

The New York City Seasonal Financing Act of 1975 was passed in response to the need of the City of New York to obtain short-term Federal loans so that essential City government services could be financed and maintained. The Act also authorized the appropriation of administrative funds for the management of the seasonal loan program which expired on June 30, 1978. Although the City met all the requirements of the Seasonal Financing Act, it was determined further Federal financial assistance would be necessary in order to facilitate New York City's access to conventional credit markets. Therefore, in order to ensure the financial solvency of New York City, the New York City Loan Guarantee Act (P.L. 95-339) was established, authorizing the Secretary of the Treasury, in the four years ending June 30, 1982, to guarantee up to $1.65 billion of New York City debt for a period of time not to exceed fifteen years.

It should be noted that since its inception, the New York City loan program has cost the U.S. Government nothing. Under the Seasonal Financing Act, Treasury was required to charge the City a percent premium above Government borrowing costs. These seasonal loans were all repaid by the City on or ahead of schedule and the Federal Government netted more than $30 million. The Guarantee legislation requires Treasury to levy a one-half percent per annum guarantee fee on the outstanding principle amount of guaranteed City indebtedness. Estimates of guarantee fees (assuming $750 million guarantees issued in FY 1979 and FY 1980) through FY 1985 would total nearly $17 million.

The activities of this program are carried out in the Office of the Secretary of the Treasury. Since no personnel, travel or other normal operating expenses are authorized directly in this appropriation, the Office of the Secretary performs the work through its reimbursable program.

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New York City Loan Guarantee Program, Administrative Expenses

The New York City Seasonal Financing Act of 1975 was passed in response to the need of the City of New York to obtain short term Federal loans so that essential City government services could be financed and maintained. The Act also authorized the appropriation of administrative funds for the management of the seasonal loan program which expired on June 30, 1978. Although the City met all the requirements of the Seasonal Financing Act, the ultimate goal of Financial independence was not achieved. Hence, the New York City Loan Guarantee Program (P.L. 95-399) was established, authorizing the Secretary of the Treasury, in four years ending June 30, 1982, to guarantee up to $1.65 billion of New York City debt, and allowing the City additional time to re-enter the public credit markets. Since the conditions of eligibility for the Federal guarantees are more extensive than for the seasonal loans, the administering and monitoring requirements involved in the Loan Guarantee Program are more extensive than those mandated through the expired Seasonal Loan Program.

In order to provide any necessary information to the Secretary of the Treasury and for those reports to Congress mandated within the Act, continued monitoring and review efforts will be necessary. Assessing the probable impact of alternative solutions to New York City's financing problems, and identifying the City's future fiscal and financing sources through the State, the Federal Government and within the City to foster New York City's solvency would be particularly important in making those determinations required of the Secretary prior to the extension of these federal guarantees. Further, the Treasury Department is required to closely monitor the implementation of P.L. 95-497, that special legislation which permits City and State pension funds to purchase large quantities of City indebtness while maintaining their tax-exempt status. In order to fulfill these commitments, it will be necessary to continue, on a regular basis, to:

1. Review and analyze the City's processing of financial data (IFMS system);
2. Review New York City's four year Financial Plan and modification thereto, and review and analyze monthly statistics on changes in employment levels and payroll expenditures to ensure compliance with the "balanced budget" test of the Loan Guarantee Act;
3. Analyze the fiscal resources and operations of New York State;
4. Monitor the City's progress toward access to public credit markets; and
5. Ensure that financing commitments are "in-place" and maintained.

Expenses associated with this program will be $1.07 million in fiscal year 1981. The Office of the Secretary will perform this work through its reimbursable program.

The purpose of the Office will be to carefully monitor and analyze information to assist the Secretary of the Treasury in assessing the extent to which New York City's fiscal and financial problems are being solved. Analysis of the detailed financial reports submitted to the Treasury Department by the City on a monthly, quarterly and annual basis as well as those reports prepared at the specific request of the Financial Control Board and the Secretary, will be central to this purpose. To handle this task the office is organized along two basic lines.

January 22, 1980

First, with regard to Treasury Department personnel, there is a division located in New York City which is responsible for budget reviews and systems analyses. This division audits and verifies the reports received from the City and, if necessary, recommends changes and improvements to the reports. Involved in this is the inspection of accounts, books, records, and other financial documents of the City or any financing agent that could help solve the financial problems of New York City. The division located in Washington, D.C. is charged with the policy responsibility for providing the Secretary with up-to-the-minute information with regard to the solvency of New York City and the appropriate role of the Federal government in City financial affairs. To execute its functions, the Office maintains liasion with other Executive agencies, the Congress, the General Accounting Office, the private sector and representatives of the City, State and other agencies of New York. Responses to inquiries and correspondence, Congressional testimony, briefing papers, other documents and position papers are prepared by this Office to keep all interested parties informed. Both the New York City and Washington, D.C. Office have responsibilities in the preparation of the Treasury Secretary's "findings" prior to the extension of each round of Federal guarantees. These written findings provide the basis by which the Treasury Secretary determines the City's eligibility for Federal Guarantees and closely track the fourteen conditions of eligibility outlined in the Guarantee Act.

Second, although our dependence on them is declining, the utilization of experts in the private sector remains an important part of our organizational structure. It would not be reasonable or cost effective to establish within the Treasury Department all the needed expertise to conduct this activity; therefore, a portion of the funds requested will be for contractual services, generally related to accounting, and auditing expertise.

NEW YORK CITY LOAN GUARANTEE PROGRAM

For necessary administrative expenses as authorized by the New York City Loan Guarantee Act of 1978 (Public Law 95-415), [$1,022,000] *$1,072,000. During 1981 total commitments to guarantee loans shall not exceed $300,000,000 of contingent liability for loan principal. (31 U.S.C. 1521 and 1531; Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1980.)*

EXPLANATION OF LANGUAGE CHANGES: NONE

WEDNESDAY, APRIL 2, 1980.

NATIONAL INSTITUTE OF BUILDING SCIENCES

WITNESSES

JOSEPH H. NEWMAN, CHAIRMAN OF THE BOARD OF DIRECTORS
WILLIAM F. FLOYD, VICE CHAIRMAN
GENE C. BREWER, PRESIDENT
ROBERT M. DILLON, EXECUTIVE ASSISTANT TO THE PRESIDENT

	Appropriations	Other income	Total
1979 Actual	$750,000	$1,649,000	$2,399,000
1980 Estimate	750,000	5,099,000	[1] 5,849,000
1981 Request	625,000	4,595,000	5,220,000

[1] NIBS indicates that this figure may need to be reduced but to no less than approximately $4,500,000.

Mr. TRAXLER. The Committee will come to order. We have with us today the National Institute of Building Sciences. Good morning, gentlemen, I want to welcome you here today. I know that you have a statement and we will insert your full statement in the record if you wish. We will be pleased to hear you at this time.

GENERAL STATEMENT

Mr. NEWMAN. My name is Joseph H. Newman, Chairman of the Board of Directors of the National Institute of Building Sciences. With me today are Mr. William F. Floyd, Vice Chairman, and Mr. Gene C. Brewer, President of the Institute, and Mr. Robert M. Dillon, Executive Assistant to the President.

We appreciate this opportunity to present the Institute's justification for the appropriations request contained in the President's Budget for fiscal year 1981—i.e., for $625,000 to provide the Institute with the fourth of five authorized increments of initial capital for the exercise of its functions and responsibilities—and to tell you about the progress we have made.

The details of the NIBS' justification have been submitted in written form; therefore, in the interest of time, I would like to use this opportunity to highlight a number of achievements, and to put our activities in perspective. Then, I would be pleased to respond to your questions.

NIBS GOALS AND MODE OF OPERATION

It was the intent of the Congress that NIBS become the authoritative source of findings and advice on matters related to the use of building science and technology in improving the regulatory and

new technology introduction processes—which are believed to be inextricably interlinked—with the ultimate goal of providing more value to those who live, work, and play in our built environment.

I can report that the number of organizations and individuals who have begun to work with and through the Institute during this past year to help achieve these goals, has risen dramatically.

As a consequence, the Institute has begun to take on the identity and form necessary for the fulfillment of its mission.

The legislation creating NIBS—Section 809 of Public Law 93-383—has proven itself to be a schematic from which an entirely new pattern of public-private institutional relationships can be effected to cope with the immensely complex sociotechnical issues and regulations in the areas of housing and building.

What is being seen is the common, public benefit that can accrue from cooperation rather than confrontation—from developing a consensus on the issues and on the best approaches to their resolution, with involvement of all the interests, in an open and voluntary environment, free of the constraints of legalistic or self-serving institutional bonds.

It is becoming accepted that the Institute provides the mechanism for recognizing problems before they become crises, and for evolving workable solutions, rather than continuing with the practice of largely reacting to one another's institutional initiatives.

By bringing together all of the parties of interest in this manner, it is now also being seen that corrective action as well as new initiatives can be taken without resort to burdensome rules or regulations in most cases and, if rules and regulations are needed, with widespread support for the thrust of mutually agreed-upon constructive change.

These mechanisms save time and money, minimize the need for regulations, and reduce emotionally-based decisions. It helps elicit the best from people and reduces the cost of government involvement.

As you can see from our written testimony, I cite a variety of examples for the record. However, I would like to mention one of these examples.

BUILDING ENERGY PERFORMANCE STANDARDS

The Institute, by virtue of being cited in the 1976 Energy Act (Public Law 94-385), has been participating to an ever-greater degree in the government's program to develop and promulgate Building Energy Performance Standards (BEPS). This is a case where the direction of the program was set before the Institute became involved.

Had NIBS been involved from the start, it is believed that the acrimonious, adversarial atmosphere now surfacing, may well have been avoided. Nevertheless, through its current activities both in assisting the Department of Housing and Urban Development and the Department of Energy in its research and technical planning and execution, and in bringing together the building community to develop a consensus on the desirable future direction of the program, the Institute is now fulfilling a vital function in achieving technical soundness and support for positive action.

NIBS findings and recommendations are expected to be made public in late April or early May.

This example and the others in my prepared testimony, point up two salient points. First, that there was a bona fide need for a better approach to coping with technological innovation and regulation, and with problem solving, to achieve maximum public benefit and; second, that more needs to be done to broaden the base of cooperation in this endeavor, particularly within the Federal agencies where legislative intent all too frequently is taken as a mandate to be jealously guarded, and where the NIBS legislation is not yet fully appreciated. With such cooperation, the Institute can accelerate the process to achieve the intent of the Congress as set forth in the NIBS legislation.

OFFICE OF MANAGEMENT AND BUDGET

Accordingly, the Institute has suggested to the Office of Management and Budget how it can help the Institute develop the cooperation of the vast array of Federal departments, agencies, and establishments concerned with housing and building—cooperation of the kinds already called for or encouraged by the Institute's authorizing legislation.

NEEDS OF THE INSTITUTE

Key needs are: to obtain this general financial support from those Federal agencies that have a stake in the mission of the Institute—such funding presently is modest and coming only from the Department of Energy; to have Federal agencies work with and through the Institute as appropriate in all activities related to the Institute's mission and; to overcome problems that have arisen with Federal agencies in utilizing NIBS' services; i.e., to make clear that sole source procurement with the Institute is appropriate, and that the Advisory Committee Act does not apply to the Institute. Support of the Congress in these efforts would be most helpful.

If there is to be a true partnership between public and private interests working together to solve problems, both sectors must share the baseline costs, but in such a way that NIBS does not lose its independence and the status of NIBS as a nongovernmental, private organization is not adversely affected.

I am pleased to announce that there now are some 600 members of the Consultative Council, and that during fiscal year 1981, it is anticipated that Council membership will reach at least 1200, generating further financial support as well as contributed expertise. NIBS also is seeking private endowments and already has some $75,000 in commitments. However, more help is needed, and the Congress could provide this help during the legislative process, by making known to the Executive Branch the role the Institute is intended to play and by the Congress itself calling upon the Institute to suggest solutions, utilizing the considerable talents that are freely available to it.

CONSULTATIVE COUNCIL

Out of this past year's intensive activities has come a pattern for Institute initiatives and for response to requests for services—that is, free and open involvement of the Consultative Council as envisaged by the Congress.

This involvement serves the purposes that have been described—i.e., to provide broad, representative, and expert input to the planning and execution of tasks, and to permit development of the needed consensus to enable things to happen.

This approach also has enabled the Institute to remain lean as its programs have grown. The voluntary services provided by Consultative Council members has been key to this.

BUDGET REQUEST

Finally, the need to further develop and hone this approach, as well as to continue to lay the foundations of the Institute's technical program, points up the need for the additional capital funds being requested for fiscal year 1981.

Requested is an appropriation of $625,000, $162,000 of which will be devoted to administrative functions and $463,000 of which will be used to pursue specific mission functions, including expansion of the Consultative Council and the conduct of the technical program activities detailed in our General Statement and Budget Justification.

Incidentally, the $625,000 is 16.7 percent less than was appropriated for fiscal year 1980.

We urge your support of this modest budget request. It is modest in large part because we plan to seek the remainder of our needed funding from those sources expected to provide that support, as outlined in the NIBS legislation.

As important as this budget request is we request that you also use your good offices to bring about the wider utilization of NIBS' services as we have outlined, as one of the best bargains available to government.

We believe you are beginning to get a good return on your modest investment in NIBS a good return because the growing use of volunteerism that requires the least government support for the value received.

Together, we can accelerate the payoff and prevent a loss in momentum that could propel us backwards.

Speaking for the Institute's Board of Directors, I would like to assure you of our continuing dedication to carrying out the mission that the Congress has entrusted to us.

[The statement follows:]

Mr. Chairman and Members of the Subcommittee:

My name is Joseph H. Newman, Chairman of the Board of Directors of the National Institute of Building Sciences. With me today are Mr. William F. Floyd, Vice Chairman, and Mr. Gene C. Brewer, President of the Institute.

We appreciate this opportunity to present the Institute's justification for the appropriations request contained in the President's Budget for fiscal year 1981 -- i.e., for $625,000 to provide the Institute with the fourth of five authorized increments of initial capital for the exercise of its functions and responsibilities -- and to tell you about the progress we have made.

The details of the NIBS' justification have been submitted in written form; therefore, in the interest of time, I would like to use this opportunity to highlight a number of achievements, and to put our activities in perspective. Then, I would be pleased to respond to your questions.

It was the intent of the Congress that NIBS become the authoritative source of findings and advice on matters related to the use of building science and technology in improving the regulatory and new-technology introduction processes -- which are believed to be inextricably interlinked -- with the ultimate goal of providing more value to those who live, work, and play in our built environment. We have considered this charge long and hard, and have determined that there is no more effective way to be authoritative than to bring to bear upon the tasks we undertake, the best, most representative, and broadest spectrum of talents we can assemble. The corollary advantages to achieving authoritativeness in this way, is that at the same time we can constructively consider the diversity of views, and create the consensus needed for acceptance and use of the authoritative findings and advice rendered.

I can report that the number and diversity of organizations and individuals who have begun to work with and through the Institute during the past year to help achieve these goals, has risen dramatically. As a consequence, the Institute

has begun to take on the identity and form necessary for the fulfillment of its mission.

The legislation creating NIBS -- Section 809 of Public Law 93-383 -- has proven itself to be a schematic from which an entirely new pattern of public-private institutional relationships can be effected to cope with the immensely complex sociotechnical issues and regulations in the areas of housing and building. Indeed, as this fact has been recognized and embraced by an ever greater number and diversity of individuals, the view has been expressed by many that the Institute could well prove to be a model for addressing and resolving similarly complex matters in other segments of our society.

What is being seen is the common, public benefit that can accrue from cooperation rather than confrontation -- from developing a consensus on the issues and on the best approaches to their resolution, with involvement of all the interests, in an open and voluntary environment, free of the constraints of legalistic or self-serving institutional bonds. It is becoming accepted that the Institute provides the mechanisms for recognizing problems before they become crises, and for evolving workable solutions, rather than continuing with the practice of largely reacting to one another's institutional initiatives. By bringing together all of the parties of interest in this manner, it is now also being seen that corrective action as well as new initiatives can be taken without resort to burdensome rules or regulations in most cases, and, if rules and regulations are needed, with widespread support for the thrust of mutually agreed-upon constructive change. These mechanisms save time and money, minimize the need for regulations, and reduce emotionally-based decisions. It helps elicit the best from people and reduces the cost of government involvement.

The Institute has experienced some notable examples of the successful working of these mechanisms during the past year. Although in all too many

of these instances it has been a case of course correction, either because the wheels were in motion before the Institute was on the scene or because the Institute did not have the wherewithal to get ahead of events, there have been cases where initiatives were possible.

For example, the Institute was helpful in developing a consensus on the role and future course of the voluntary standards system in the field of housing and building, preventing regulation that inevitably would have lead to increased consumer costs. A briefing on this system was held for Congressional staff, and much discussion ensued in the building community under the neutral auspices of NIBS. The Institute testified before the Federal Trade Commission on its Proposed Rule on Standards and Certification. And the Institute influenced the various drafts of OMB Circular A-119 on Federal Participation in the Development and Use of Voluntary Standards. To witness creation of Federal policy that supports the use of private sector voluntary standards by government agencies wherever possible, has been an exciting and encouraging experience.

The U.S. Department of Commerce now has issued draft procedures related to this policy. NIBS will be reviewing these draft procedures to determine if they are consonant with our mutual goals.

The Institute, by virtue of being cited in the 1976 Energy Act (PL 94-385), has been participating to an ever-greater degree in the Government's program to develop and promulgate Building Energy Performance Standards (BEPS). This is another case where the direction was set before the Institute became involved. Had NIBS been involved from the start, it is believed that the acrimonious, adversarial atmosphere now surfacing, may well have been avoided. Nevertheless, through its current activities both in assisting the Department of Housing and Urban Development and the Department of Energy in its research and technical

planning and execution, and in bringing together the building community to develop a consensus on the desirable future direction of the program, the Institute is now fulfilling a vital function in achieving technical soundness and support for positive action. NIBS findings and recommendations are expected to be made public in late April or early May.

In yet another area -- insulation standards -- the Institute has been instrumental in resolving inter-government and government-industry conflicts, and even in initiating new cooperative public and private programs. In one place, in a neutral climate, issues relating to insulation are being evaluated and resolved, redundant regulations are being avoided, and sound information is being made available.

In some instances, the Institute has been less successful or the jury is still out. For example, in 1978, the Institute advised the Department of Energy as to what course of action it felt should be taken to ensure that building regulations were a positive factor in the development and use of solar technology. Specifically, the Institute recommended a positive program to remove any possible constraints and to provide needed technical guidance and assistance. Also, the Institute recommended against any effort to develop a separate model solar energy code at this time, believing that this course not only would contribute to the problem of proliferating regulations but could actually constrain innovation and use. The Department of Energy, however, after agreeing to the Institute's recommendations, chose to proceed in the very direction we had recommended against -- i.e., with development of a separate model solar energy code. For more than a year now, the Institute had done its best to encourage the Department to steer the program away from this course and toward that originally recommended and agreed to. We have made progress in this effort and are now quite hopeful that success will be achieved.

These examples do, however, point up two salient points. First, that there was a bonafide need for a better approach to coping with technological innovation and regulation and problem solving, to achieve maximum public benefit, and second, that more needs to be done to broaden the base of cooperation in this endeavor, particularly within the Federal agencies where legislative intent all too frequently is taken as a mandate to be jealously guarded, and the NIBS legislation is not fully appreciated. With such cooperation, the Institute can accelerate the process to achieve the intent of the Congress.

The Institute has learned much from these examples, and, accordingly, has suggested to the Office of Management and Budget how it can help the Institute develop the cooperation of the vast array of Federal departments, agencies, and establishments concerned with housing and building -- cooperation of the kinds already called for or encouraged by the Institute's enabling legislation. The legislation specifically encouarges financial support of NIBS by Federal agencies, as well as utilization of the Institute's findings. Key needs are: to obtain this financial support, which presently is modest and coming only from the Department of Energy; to work with and through the Institute as appropriate in all activities related to the Institute's mission; and, to overcome problems that have risen with Federal agencies in utilizing NIBS services, to make clear that sole source procurement with the Institute is appropriate, and that the Advisory Committee Act does not apply to the Institute. Support of the Congress in this effort would be most helpful.

If there is to be a true partnership between public and private interests working together to solve problems, both sectors must share the baseline costs, but in such a way that the Institute neither loses its independence nor has its status as a nongovernmental, private organization adversely affected. NIBS is continuing its efforts to obtain support from the private sector. Although the process is slow, the outlook is promising since there are now some 600 members of the Consultative Council, of which 237 are organizational members. During fiscal year 1981, it is anticipated that Council membership will reach at least 1200.

NIBS also is seeking private endowments and already has some $75,000 in commitments at this time.

This effort could be helped along by the Congress during the legislative process, by making known to the Executive Branch the role the Institute is intended to play and by calling upon the Institute to suggest solutions, utilizing the considerable talents that are freely available to it, that will at once be sound and supported rather than contended or so misunderstood that effective application is tedious at best. Because these talents are voluntary and thus at no cost, the leverage of each dollar spent by NIBS is substantial and a bargain that can help lower the cost of solving problems of national concern.

Out of this past year's intensive activities has come a pattern for Institute initiatives and for response to requests for services, -- that is, free and open involvement of the Consultative Council as envisaged by the Congress. This involvement serves the purposes described -- i.e., to provide broad, representative, and expert input to the planning and execution of tasks, and to permit development of the needed consensus to enable things to happen.

This approach also has enabled the Institute to remain lean as its programs have grown. Not only has the core staff of the Institute not grown, but the proportion of the expenses of this staff supported by appropriated funds also has decreased. The voluntary services provided by Consultative Council members has been key to this.

Finally, the need to further develop and hone this approach as well as to continue to lay the foundations of the Institute's technical program, points up the need for the additional capital funds being requested for fiscal year 1981.

Requested is an appropriation of $625,000, $162,000 of which will be devoted to administrative functions and $463,000 of which will be used to pursue specific mission functions, including expansion of the Consultative Council and the conduct of the technical program activities detailed in our General Statement and Budget Justification.

We urge your support of this modest budget request, modest in large part because we seek to obtain the remainder of needed support from the other sources expected to provide that support, as outlined in the NIBS legislation. As important as this budget request therefore, is our request that you use your good offices to bring about wider utilization of NIBS as one of the best bargains available to government.

We believe you are beginning to get a good return on your modest investment in NIBS. Together, we can accelerate the pay-off and prevent a loss in momentum that could propel us backwards.

Speaking for the Institute's Board of Directors, I would like to assure you of our continuing dedication to carrying out the mission that the Congress has entrusted to us.

GENERAL STATEMENT

The basic mission of the National Institute of Building Sciences is to foster the development of a housing and building regulatory system throughout the nation that is progressively more rational and supportive of housing and building goals, and to create the means for more rapid assimilation of beneficial technologies within the context of that system.

Pursuant to Section 809 of Public Law 93-383, the Institute was initiated by the government to become the authoritative national source of findings and advice for both the public and private sectors of the economy with respect to the use of building science and technology in achieving nationally acceptable standards and other technical provisions for use in Federal, State, and local housing and building regulations.

Specifically, Public Law 93-383 states that the Institute is to exercise its functions and responsibilities in four general areas relating to building regulations, as follows:

(a) Development, promulgation and maintenance of nationally recognized performance criteria, standards, and other technical provisions for maintenance of life, safety, health, and public welfare suitable for adoption by building regulating jurisdictions and agencies, including test methods and other evaluative techniques relating to building systems, subsystems, components, products, and materials with due regard for consumer problems;

(b) Evaluation and prequalification of existing and new building technology in accordance with (a) above;

(c) Conduct of needed investigations in direct support of (a) and (b), above; and

(d) Assembly, storage, and dissemination of technical data and other information directly related to (a), (b), and (c), above.

In the exercise of these functions and responsibilities, NIBS is to:

- Establish a Consultative Council, membership in which shall be available to representatives of all appropriate private trade, professional, and labor organizations, private and public standards, code and testing bodies, public regulatory agencies, and consumer groups, so as to insure a direct line of communication between such groups and the Institute and a vehicle for representative hearings on matters before the Institute;
- Give particular attention to the development of methods of encouraging all sectors of the economy to cooperate with the Institute and to accept and use its technical findings, and to accept and use the nationally recognized performance criteria, standards, and other technical provisions developed for use in Federal, State, and local building codes and other regulations which result from the program of the Institute.
- Seek to assure that its actions are coordinated with related requirements which are imposed in connection with community and environmental development generally.
- Establish and carry on a specific and continuing program of cooperation with the states and their political subdivisions designed to encourage their acceptance of its technical findings and of nationally recognized performance criteria, standards, and other technical provisions for building regulations brought about by the Institute, including
  - -- efforts to encourage changes in existing State and local law to utilize or embody such findings and regulatory provision; and
  - -- assistance to states in the development of inservice training programs for building officials and in the establishment of fully staffed and qualified state technical agencies to advise local officials on questions of technical interpretation.

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Now in its third year of a planned five years of initial capital funding through appropriations, the Institute has evolved a structure (Fig. 1) for the exercise of these functions and responsibilities within the operating parameters established.

The day-to-day activities of the Institute currently are served by a core (overhead) staff of fourteen, including the President, a Vice President for Consultative Council Affairs, a Vice President for Technology and Programs, and a Comptroller. This staff likely will be increased to sixteen in fiscal year 1980 as reported last year. The Administrative and Program Planning Committees of the Board (Fig. 1) are served by the Executive Office of the President; the business affairs by the Office of the Comptroller; and the Consultative Council and Technology and Programs by the offices of their respective vice presidents. The total salaried staff of the Institute is twenty-four; the additional ten persons being paid from non-appropriated, program funds.

This Institute structure evidences several major developments during the last year. The most significant of these is the manner and extent of the Consultative Council participation in carrying out the Institute's mission. During the past year the Council has grown substantially, from 240 to some 600 organizations and individuals. This participation represents an increasingly broad spectrum of public and private building and building-related interests that have come together to serve the common national interest -- i.e., participation from:

academia and research
architecture, engineering, and planning
building, contracting, and development
building material and product manufacturer and distribution
building ownership and use
building trades
consumer and environmental interests
Federal, state, and local government
information collection and dissemination
model code bodies
mortgage and finance
real estate and insurance
testing and certification
utilities

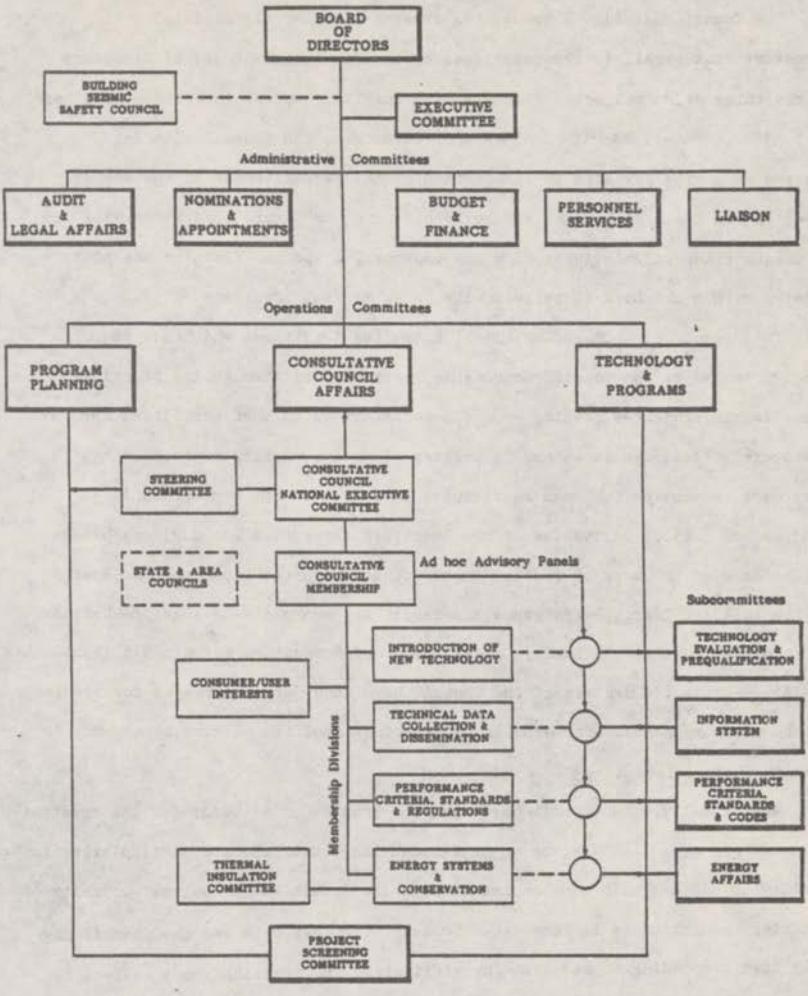
BOARD OF DIRECTORS
BUILDING SEISMIC SAFETY COUNCIL
EXECUTIVE COMMITTEE
Administrative Committees
AUDIT & LEGAL AFFAIRS
NOMINATIONS & APPOINTMENTS
BUDGET & FINANCE
PERSONNEL SERVICES
LIAISON
Operations Committees
PROGRAM PLANNING
CONSULTATIVE COUNCIL AFFAIRS
TECHNOLOGY & PROGRAMS
STEERING COMMITTEE
CONSULTATIVE COUNCIL NATIONAL EXECUTIVE COMMITTEE
STATE & AREA COUNCILS
CONSULTATIVE COUNCIL MEMBERSHIP
Ad hoc Advisory Panels
Subcommittees
INTRODUCTION OF NEW TECHNOLOGY
TECHNOLOGY EVALUATION & PREQUALIFICATION
CONSUMER/USER INTERESTS
TECHNICAL DATA COLLECTION & DISSEMINATION
INFORMATION SYSTEM
Membership Divisions
PERFORMANCE CRITERIA, STANDARDS & REGULATIONS
PERFORMANCE CRITERIA, STANDARDS & CODES
THERMAL INSULATION COMMITTEE
ENERGY SYSTEMS & CONSERVATION
ENERGY AFFAIRS
PROJECT SCREENING COMMITTEE
Board of Directors
Consultative Council & Building Seismic Safety Council

Fig. 1

The Council, as Fig. 1 shows, has created a membership division structure that parallels the committees of the Institute's Board of Directors in the three principal areas cited in NIBS enabling legislation (i.e., a, b, and d, p. 8). However, as with the Board of Directors, the Council also has created an energy division in recognition of the pervasiveness of the energy issue in the field of housing and building. And, to insure that there will be adequate and visible input from the consumer, a special division has been created within the Council to deal with consumer/user interests.

The Consultative Council National Executive Committee, which now is a body elected by the Council membership, participates through its Steering Committee in project screening -- i.e., decisions as to what activities the Institute will engage in -- and in program planning. Arrangements also have been made to provide for open participation of the Council membership in all program and project activities of the Institute through ad hoc advisory panels. In the case of the work of the Institute for and with the Department of Energy on the Building Energy Performance Standards, for example -- a role prescribed for the Institute in the Energy Conservation and Production Act of 1976 (Public Law 94-385) -- over 170 members of the Council have thus far volunteered for service on the advisory panel, with a balanced Steering Committee of some 15 members to channel their efforts.

And, finally, the Council has begun the process of allowing for the creation of State and area councils, so as to broaden its total base and particularly its ability to address NIBS mission issues at these levels where the vast majority of building regulation is implemented. To date, the Institute and the Council have only been responding to requests for affiliation and organizational assistance rather than promoting such organizational efforts.

Increasingly, then, the Council is serving the function envisaged by the Congress as a direct line of communication between the Institute and the many diverse public and private elements of the building community, and as a vehicle for representative hearings on matters before the Institute.

The other major development has been making the Building Seismic Safety Council fully operational as an independent, voluntary body under the auspices of the Institute. This Council is working toward implementing the goals of the Earthquake Hazards Reduction Act of 1977 (Public Law 95-124), and in support of the President's National Earthquake Hazards Reduction Program of June 22, 1978.

While this major transformation of the Institute has proceeded from an organization that has been largely under the day-to-day as well as policy direction of its Board of Directors, to one that is characterized by broad participation in both planning and execution, the work of the Institute has increased dramatically as well.

As was reported last year, this work may be divided into three major categories for budget purposes -- i.e., work supported through Appropriated Funds, through Fee Income and General Support, and through Service Grants and Contracts. So as to create an overhead cost-distribution structure that is equitable to all who support the Institute or seek the services of the Institute, all funds are treated the same or as nearly so as is possible given the diversity of the Institute mission.

The total program of the Institute is divided into two major parts: Administration and Operations. Administration functions are those normally associated with overhead and include general administration, program planning, and information services. Operations include the actual functioning of the Consultative Council and the conduct of program and project work under Technology and Programs in the three basic mission areas (i.e., a, b, and d, p. 8).

A portion of the Appropriated Funds (35 percent) is devoted to general administration, and the remainder to actual program and project work central to the basic mission of the Institute.

Under Fee Income and General Support are funds derived from general support grants (which are devoted exclusively to Administration at this point), Consultative Council membership fees, subscriptions and publication sales, and grants in support of Institute-initiated programs that are central to the mission. Except in the case of the general support grants, 35 percent is devoted to general administration.

In the case of Service Grants and Contracts, the objective is to achieve the 35 percent average for general administration; however, the actual amount that is charged for overhead and thus general administration, depends on the nature of services performed and the attendant distribution between in-house and out-of-house (subcontract) services. To keep faith with the intent of our enabling legislation that the Institute utilize the services of existing institutions to the maximum extent possible, an unusually high percentage of out-of-house services is employed with a charge of no more than a 10 percent overhead for administration. In the case of service grants and contracts, work also is categorized by the three basic Institute mission areas.

The presentation which follows will, therefore, cover all aspects of the NIBS program even though the justification relates only to the "appropriated funds" portion. As noted above, this is necessary because of the related need to meld all funds to illustrate how the total program will be supported. Further, this melding, while permitting discrete accounting of the need for and use of appropriated funds, permits the Institute to move logically toward the intended self-sustaining posture by FY 1983.

Mr. TRAXLER. Thank you for that very fine statement.

SCOPE OF NIBS' ACTIVITIES

The National Institute of Building Sciences is requesting $625,000 in fiscal year 1981. This is $125,000 below the amount appropriated in fiscal year 1980. This amount, together with an estimated $4,595,000 from other sources, will provide for a total program of $5,220,000. Permanent staff is estimated to be 16 in both 1980 and 1981.

In looking through the opening statements, the general statement, and the budget justification, it appears that NIBS is doing a great deal. There are workshops and panels and task forces and committees and councils holding meetings on a number of issues.

Do you sometimes worry that you are spreading yourself thin or doing too much?

Mr. NEWMAN. No, because in truth NIBS is focusing on only a relatively small number of issues. These issues are covered in my introductory remarks; for example, the issue of bringing rationality to building energy performance standards, and the issue of trying to bring rationality to seismic safety provisions for buildings.

Also, we have been spending an extraordinary amount of time in dealing with the issue of voluntary standards that is before the FTC. These are issues that are on the table today and which get to the heart of whether or not we are going to have unnecessary regulation; whether or not regulation is going to be a drag on innovation; and whether or not we are going to be able to provide the maximum possible value to those who use buildings.

With the growth of the Consultative Council we are going to be able to pay attention early in the game to removing the institutional barriers that cause these things to occur.

One of the big problems we have had is that NIBS is not invited in by many of the agencies until they are well underway, and when they are well underway we are at the mercy of the ground rules the agencies have established. If the Institute had received unrestricted grants from these agencies early on, we believe it would be in a better position to stop unnecessary regulation or, if regulation is required, to make certain that those regulations generated are rational and beneficial.

BUILDING ENERGY PERFORMANCE STANDARDS

Mr. TRAXLER. On page 3 of your statement is mention of Building Energy Performance Standards. What are the problems in developing these standards? My recollection is they have been rather controversial.

Mr. NEWMAN. They are rather controversial. NIBS is addressing the subject and though it is premature for me to talk about it today, it appears that the standards may well require major surgery. Had we been involved at the beginning perhaps we could have avoided some of the things that are in the draft standards now.

We were brought in very late in the game.

Mr. TRAXLER. Why is NIBS conducting the workshops and not a Federal agency? Or are other Federal agencies holding workshops on BEPS?

Mr. NEWMAN. To the best of my knowledge, the workshops conducted by NIBS were at the request of the Department of Energy. Had there not been a request, we would have initiated them anyway because we believe the building community must be educated on the subject by its own organization if it is to react intelligently.

Mr. TRAXLER. Is either the Department of HUD or the Department of Energy planning any of their own workshops in this area?

Mr. BREWER. I don't think there is any plan now. However, they are conducting a series of open hearings at which individuals and organizations respond to the proposed rule. In fact, five days of hearings were held just this past week in Washington.

Mr. TRAXLER. How will your effort assist in the development and promulgation of the Building Energy Performance Standards?

Mr. NEWMAN. I don't quite follow the question.

Mr. TRAXLER. What role are you playing in the development of the energy standards?

Mr. NEWMAN. Our role is reactive at the moment.

Mr. BREWER. May I enlarge on that?

Mr. NEWMAN. Yes, you may.

Mr. BREWER. We are doing two things to assist in this. First in accordance with the Energy Act of 1976, NIBS is under contract to DOE to help develop a work plan that would lead towards the August 14 promulgation date. There are a number of lightning rod issues that have created a great deal of controversy and concern all across the building community and that need to be addressed in the work plan.

Second, we have identified some 200 issues through a series of seminars we held here in Washington in which both the public and the private sectors participated. As a result, we are developing a response to those issues. Our major recommendations will be ready in late April.

Additional work therefore will be undertaken during the next three or four months on specific aspects of BEPS, and, by late April, NIBS will have its overall response to BEPS ready. Of course, the DOE hearings also will provide input to DOE as to various concerns on the proposed rule.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Thank you.

I was at my other subcommittee. I am sorry to be late.

Mr. Chairman, I have some very special concerns in this regard, if you don't mind my interrupting at this point.

Mr. TRAXLER. Please proceed.

Mrs. BOGGS. I was interested in the statement indicating that perhaps if NIBS had been involved earlier in the development and promulgation of the Building and Energy Performance Standards there might not have been the acrimonious atmosphere that now

exists. I trust that means your involvement now will lessen that acrimony.

I know these proposed regulations have been somewhat controversial. The Louisiana Architects Association, Louisiana Consulting Engineers Council, Louisiana Engineering Society and Louisiana Home Builders Association have all expressed concerns to me and to all of you.

You indicate that your final recommendations are to be made public in late April or early May. Could you describe the role you played in the development of the proposed regulations in attempting to foster some consensus?

Mr. NEWMAN. NIBS had no role in the development of the proposed BEPS. We are now reacting. At the present, as you heard Mr. Brewer say, we have defined the issues. We are now touching base with all the diverse interests in the building community, including the kinds of people that you have indicated. We are tallying-up their comments on BEPS, which is not now a consensus standard, categorizing those comments, and seeking input from all the technical experts that we can avail ourselves of. In addition we are seeking input and advice from our Consultative Council, through a panel of over 120 members of the Council representing all the segments, and from the building community at large.

We intend to pass on that information to the U.S. Department of Energy with our specific recommendations. We believe that because we have touched all the bases in a very systematic way, this will give us the authoritativeness and consensus that is expected of us, and that because it springs from such a large group, we also will be persuasive.

It would seem to me that the U.S. Deprtment of Energy would be hard put to ignore representative, consensus comments of the building community, which represents more than 10 percent of the gross national product and input from architects, engineers, contractors, laborers, consumers, building managers—the entire spectrum of diverse interests.

This is our chance to put substance into what NIBS was created for—for the first time—in a meaningful way. If we fail in our effort, then in a sense we will have failed to fulfill our mission. This is why we are taking our time and are not being emotional about it.

We have another few weeks to go. As I indicated earlier, BEPS may well require major surgery and, if so, NIBS will advise on how that major surgery can be performed.

Mr. FLOYD. You asked how we might have operated had NIBS been involved earlier. From what I see in my contacts in the building community, we are now at the stage where people are reacting in fear of what might happen. Had NIBS been in a position to develop a consensus within the building community at the grass roots working level from the start, information would have gotten out sooner and the results, having evolved through consensus, would have been more readily accepted. Instead, we have the fear you have no doubt seen from the letters you have received from the architectural and engineering segments of the building community.

Mr. NEWMAN. If we were able to have no-strings grants from each of the agencies we would be in a position to bring the needs to your attention and suggest what is necessary or unnecessary. To have to react, particularly late in the game, is a costly process. It is a process that brings in unnecessary emotionalism. The trick is to address the problem early on. With your good offices this is what we are seeking to have happen.

As we are phasing-out from receipt of congressional appropriations, we want the agencies to recognize why NIBS is here, and to support and participate with NIBS. We believe the partnership that we are talking about today, the private sector and the public sector working hand-in-hand, can prevent a lot of unnecessary regulation.

Mrs. BOGGS. Mr. Chairman, the great difficulty in our area is one that has to do with what is probably a misunderstanding by a great many people in the country. This is reflected in misunderstanding by people within government and within the Congress. The problem is that the cooling and dehumidification factor are as important in some areas of the country as the heating factor is in others.

The feeling of the various groups I mentioned supported a study by the Office of Building Research at the Louisiana State University School of Architecture which concluded that there really is some type of discriminatory hardship on these warmer regions as reflected within some of the proposed regulations.

I do have a really very thoughtful letter that points out these problems from Professor Fount T. Smothers at LSU. I am wondering if a part of it may be made a part of the record at this point.

Mr. TRAXLER. Surely. I have no objection. It will be placed in the record at this point.

[The letter follows:]

Office of Building Research
School of Architecture
LOUISIANA STATE UNIVERSITY AND AGRICULTURAL AND MECHANICAL COLLEGE
BATON ROUGE · LOUISIANA · 70803 504/388-2821

February 20, 1980

Mr. Tom Casaberg, Chairman
Steering Committee, BEPS Advisory Panel
National Institute of Building Sciences
1015 Fifteenth Street, N.W.
Suite 700
Washington, D.C. 20005

Dear Mr. Casaberg:

As a member of NIBS Consulting Council and as one deeply involved in the development and implementation of building performance based standards for Louisiana, I have been asked by representatives of the following components of the building industry in Louisiana to express our collective concerns about the Building Energy Performance Standards (BEPS) in the form presently proposed, with the anticipation that our concerns will receive due consideration in the deliberations of your committee, as well as in the later D.O.E. public hearings:

Louisiana Architects Association (of AIA)
Louisiana Consulting Engineers Council
Louisiana Engineering Society
Louisiana Home Builders Association

In summary, our concerns center on the following points, which I shall address in further detail:

1. The application of the conversion factor for electrical energy constitutes a discriminatory hardship on regions where cooling and dehumidification (as opposed to heating) are the primary energy end-uses.

2. The building performance standards should be implemented as a compliance option alternative to prescriptive standards (such as HUD-MPS or ASHRAE 90-75), at least during a "break-in" period of five years or more.

3. The implicit requirement of computer runs even for individual single family houses, represents the assumption of a level of technical sophistication, which is unreasonable to expect in the typical homebuilder (and in many architects and engineers) and would be overly expensive to hire.

4. The anti-electric (conversion factor) in general represents an unreasonable discrimination against basically energy efficient measures such as heat-pumps with e.c.u. units, etc.

Let me begin by assuring you that we understand and, in fact, enthusiastically support the concept of performance (as opposed to prescriptive) based standards. However, we feel that the following represent biases which have not been given sufficient study or consideration:

1. Heating loads vs. cooling/dehumidification loads.

The thing which most alarms us is the bias toward heating vs. cooling/dehumidification represented by the application of the proposed conversion factor for electrical cooling/dehumidification. To put it bluntly, this strikes us as one more example of the provencial attitude which seems to permeate all energy conservation programs coming down from the federal government, i.e. that heating is "the only real problem," and that cooling/dehumidification is at best a marginal problem, and at worst, a non-essential luxury.

In a hot and extremely humid climate such as ours, that is simply not the case. Here cooling and dehumidification represent the major energy demands in a building and heating is a minor, marginal factor.

The difficulty arises in that on the heating side there are a variety of viable, usually economically attractive, alternatives to electric heat, but particularly as the availability of gas becomes more and more restricted, there is often no alternative to electrical cooling/dehumidification. Even where gas is available, its use for cooling/dehumidification is seldom attractive from either an economic or a resource management point of view.

Part of the justification related to BEPS for the electrical conversion factor and the low budgets for our area is that humidity does not constitute a significant energy consumption factor. That conflicts sharply with our professional experience and with my own research data. Engineers in this area estimate that 15% to 20% of the cooling load here is actually dehumidification. Our own research data (or 2 energy conservation demonstration projects) suggests that as the thermal and light efficiency, passive solar utilization, and other energy conservation measures are improved, this percentage goes up, perhaps as high as 30% of the total energy load for dehumidification. Even with exotic systems such as desiccant salts, the amount of electrical energy required to maintain the comfort range in terms of humidity is significant and must be allowed for.

As an example, we ran a building (which was included in the redesign study for the original AIA Research Corp. base line data for BEPS) which had gas heat and electric cooling (on AXCESS-6) for Baton Rouge and for Minneapolis. Although the building was designed for Baton Rouge, it failed to meet the budget (with the conversion factor for cooling) here but met it just fine for Minneapolis. It also came in well below the budget for Baton Rouge, without the cooling/dehumidification conversion.

Recommendation: Exempt the electrical energy required for cooling/dehumidification from the conversion factor requirement in areas having 9,000 or more annual wet bulb degree hours greater than 65° F. (See attached map). Or raise the budgets accordingly for those areas.

2,3. Alternate compliance options and computer sophistication.

These two issues are, of course, interrelated. Both the homebuilders and some design professionals feel that the inductive methodology implied in the "generate and test" approach of BEPS is foriegn to their habitual approach and possibly beyond their level of technical sophistication. They would much prefer the more familiar deductive methodology of prescriptive standards.

Of course other design professionals and builders prefer the inductive methodology and feel that the prescriptive approach (such as ASHRAE 90-75) constitutes an unreasonable infringement on their ability to innovate and apply their "know-how."

Recommendation: Allow both performance and prescriptive approaches as compliance options, at least for a 5-10 year period to allow time for the assimilation of the inductive, "generate/computer test" methodology into the industry.

4. Heat Pumps, etc.

I am attaching a copy of a letter from Mr. Paul Killinger, representing the Home Builders' point of view (along with one from Mr. Roy Kuyrkendall representing the engineers). I think Mr. Killinger's letter addresses these issues better than I could.

Again, we would hope that our concerns expressed herein will be given consideration in the deliberations of NIBS and your committee on this important program. If we can assist you in any way, please contact me.

Sincerely,

Fount T. Smothers, AIA
Professor of Architecture

Mrs. BOGGS. This is, of course, not only a concern of my part of the country—Mr. Floyd, I was very happy to hear your accent. The matter is of concern to a large area of the country.

Early on in the days when we first began in the Authorizing Subcommittee on Housing and Urban Development, under what was then called the Banking and Currency Committee, to think about providing help to various areas of the country in making their homes and offices and buildings compatible with saving as much energy as possible, we insisted upon use of the word "weatherization" in language in place of "winterization" because this is a very, very serious problem in my area and other areas.

It is particularly serious in that other government programs have really imposed upon many people some of the difficulties that they are experiencing with energy uses.

There was a time when the climatization of a building or house was so inexpensive to produce that the architectural realities of years gone by that had been associated with climate were dispensed with because they were so expensive—the overhanging roofs, the galleries, the cross ventilation, the windows to the floor, central halls and all of what was considered waste space—when building became so expensive per square foot.

It was much cheaper, and so government programs encouraged, the building of houses and buildings and factories and so on that could be climatized very inexpensively through energy used inside.

We are caught with this type of difficulty. It is especially hard on the elderly who have respiratory problems in very high humidity areas.

I am very hopeful that you will give more attention to this kind of energy requirement.

Mr. NEWMAN. I can assure you, Mrs. Boggs, that NIBS will address the issue you raise in its deliberations.

Mrs. BOGGS. Thank you very much.

Mr. BREWER. If I may add a note, we did receive the letters, as you know, and they are being considered in our current deliberations.

You touch upon two facets of BEPS that are of great concern, both of which involve the fact that the rule is being promulgated on a national rather than a regional basis.

Importantly, it is perceived that the Department of Energy, in developing the rule, has for all practical purposes proposed a fuels policy for the Nation which causes a strong leaning to the use of oil and gas for energy. This is contrary to State and national policy and is a detriment to the use of electricity, which in turn could adversely affect the cooling and dehumidification issues you raise.

This is one of the lightning rod issues that is coming out of the NIBS deliberations. Many believe that a fuels policy for the Nation should be established by the Congress and should not be hitched to building energy performance standards.

Setting a fuels policy in building standards is one of the most serious flaws that is perceived to be in the rule.

Mrs. BOGGS. I agree with you and I thank you for bringing that out. It is a misconception that air conditioning for cooling as opposed to air conditioning for heating is a luxury instead of a necessity. In areas of high humidity and high temperatures, it is as

much a necessity as air conditioning for heating purposes is in other areas.

Mr. NEWMAN. You would be pleased if you were to sit in on one of the meetings where these matters are discussed, because you would witness the airing of the kinds of things you are talking about.

When we have our completed statement on BEPS later this month, we will send a copy to you and to your Committee. You may want to use it in the context of the hearings or in some other appropriate context.

Mrs. BOGGS. Thank you, Mr. Chairman.

THERMAL INSULATION COMMITTEE

Mr. TRAXLER. On page 4 of your statement there is mention of insulation standards. The Institute's Insulation Task Force used to meet monthly and now I understand it is meeting bimonthly. Is that correct?

Mr. NEWMAN. That is correct.

Mr. TRAXLER. What is accomplished at the meetings of the Insulation Task Force?

Mr. NEWMAN. The best way to describe what is happening, is to tell you about some of the things they have done and where they are going.

When they started out they addressed many concerns of both the public and private sectors. In great part, they have been able to mute many proposed regulations on other requirements that would have been duplicative or contradictory, and often counterproductive.

For instance, the General Services Administration has suspended its planned program to create a Qualified Products List calling for use of its testing procedures and plant inspections because it would be duplicative of other agency activities.

The Department of Commerce has dropped its labeling requirements that paralleled but did not match those of the Consumer Products Safety Commission and the Federal Trade Commission.

These are typical of the many adjustments that have been made following exchanges within the Task Force, and that has saved public monies and eliminated further confusion in the marketplace. These initiatives are consistent with our mission.

Recently the Task Force has changed its name to the Thermal Insulation Committee. It has divided itself into two subcommittees: One to deal with the development of a national plan to develop uniform data on the use of insulation in high and low temperature mechanical applications such as industrial piping, boilers, and the like.

The other subcommittee will address the use of insulation in building envelope systems, i.e., floors, walls and roofs.

Two topics are high on the committee's agenda: insulation in relation to electrical systems, and the relationships between insulation and moisture condensation. Both of these areas are rich with contradictory information and data, and problems that need to be resolved in the public interest if our national energy conservation efforts are to be effective.

Therefore, the Insulation Task Force, now the Thermal Insulation Committee, has been immensely effective in ameliorating conflicts and problems and particularly in resolving issues before they became the subject of needless controversy and confusion.

In that way we are beginning to fulfill our mission. This fosters an innovative climate and prevents further deterioration in the value received by the consumer and user.

It is a matter of staying on top of things. To keep the Thermal Insulation Committee in place costs very little. It is not atypical for them to provide the equivalent of as much as $20,000 in free time and talent at any given meeting and this, of course, is "low cost government."

MORE ON INSULATION

Mr. TRAXLER. A number of Federal agencies are involved in the insulation standards—including the Department of Energy, the Consumer Product Safety Commission, the Federal Trade Commission, and the Department of Housing and Urban Development.

How have you been able to resolve some of the intergovernmental and perhaps government-industry conflicts as a result of these?

Mr. NEWMAN. By sitting down at the table, with the regulators and the regulated, and discussing the conflicts—conflicts of the kind already cited.

Mr. TRAXLER. How successful, in your view, is the Consumer Products Safety Commission standard for cellulose insulation? You remember the Congress directed them to undertake that study and promulgate an interim standard in this area.

Mr. NEWMAN. Gene, would you care to address that?

Mr. BREWER. Something was sorely needed in the case of cellulose insulation because while there are a number of legitimate manufacturers who were manufacturing their product to an acceptable standard, unfortunately, there was another group of what one could call outlaws, who were not meeting accepted standards and thus putting bad merchandise on the market.

This brought the matter to the attention of the regulatory agencies.

The cellulose business is up and down depending on the market. I think cellulose insulation is not considered in the same light, in terms of its effectiveness, as other forms of insulation, but my understanding of the situation now is that it is pretty well in hand and the product is being examined and is going to the market in an acceptable way.

Mr. TRAXLER. It is rather confusing for a consumer to obtain information in order to make decisions about how to weatherize their homes. If I pick up a magazine or newspaper with replacement window ads, I am seized with suppliers, and manufacturers saying, we have the greatest window on the market. How do I know that these windows are energy efficient?

Mr. BREWER. Mr. Chairman, you have touched upon the reason for the creation of the Task Force. When we were asked to get involved, there were eight Federal agencies and many others disseminating very contradictory and confusing information all across the country.

At one point in time we were asked by the interagency force to bring the agencies together so they could have discussions and clarify these concerns. Out of this Task Force has come some semblance of sanity in terms of not only what the Federal agencies are doing but what the individual private companies are doing as they present their product to the public. The purpose was to dampen the hysteria that was in the insulation picture at the time.

One of the reasons it has worked is the point you touched upon, the participation of the Federal agencies in a nongovernmental forum. It has been interestsing to see these representatives discuss technical issues on a professional basis and reach agreement on a solution.

That is a different kind of atmosphere than when institutions talk to each other on a very formal basis. The Thermal Insulation Committee meeting format is informal. It is voluntary. I recall one incident in particular when two young attorneys from the Federal Trade Commission came to a session to discuss the Commission's proposed rule on labeling and advertising.

They exchanged views with members of the Committee and then commented that such a discussion should have taken place before the proposed rule was written.

Parenthetically, that is one of the goals the Institute is desirous of reaching—having input prior to legislation being formed and regulations being drafted.

CONSUMER DECISIONMAKING

Mr. TRAXLER. How does this help me as a consumer who wants to make an intelligent decision as to replacement windows that I think will be energy efficient?

Mr. FLOYD. My primary occupation is that of a builder. I am president of a company building a multi-family complex in Atlanta. I found that when we started this complex, in 1979, we were in a completely new ball game insofar as what was available, what we should put into the complex in the way of windows, doors, insulation, walls, ceilings, and what have you.

I might add that one of the most frustrating things was choosing airconditioning equipment because of the ratings.

What I found in getting to your point, is that our people who handle rentals, are most concerned about what type of windows we have, what type of doors, what type of insulation. They are much more concerned about answers to these questions as they relate to utility bills than they are to the rent that will be charged.

I see our duty as one of informing the consumer as to what is available and which is the best approach. You do that by using reliable contractors who go to reliable suppliers, when you are thinking about replacing the windows in your home.

When people panic and spend thousands of dollars without adequate information, the cost benefits might be unfavorable and it might take 30 years to recoup their investment through reduced utility bills at present costs.

I know as builders we look at the potential cost benefits very closely, but I think a better educated public or consumer is the wisest approach.

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Mr. NEWMAN. The ultimate mechanism to help the consumer make decisions—one that is consistent with the NIBS legislation—is in due course, to have voluntary performance standards for windows, wall elements, glass, passive solar, the whole spectrum of building envelope components.

The answer may not be a performance standard for a window, it may be for a wall or for both. NIBS is trying to get on top of these things. When it deals with BEPS, NIBS will have to address passive solar as well. When we complete our efforts to define requirements in performance terms, and adequate voluntary consensus standards are established by the private sector, as is happening, then the consumer can look to specific standards and make certain that the products he buys comply with these standards.

ENERGY AUDITS

Mrs. BOGGS. My other Subcommittee is Energy and Water Resources. There are a couple of components that I think you should factor into this thinking. It is not only a matter of what it will save the consumer now, or the amount of energy that it saves, or how long will it take to recoup whatever has been expended on these windows and doors and walls, but what you really have to recognize is that the savings involved in energy not only aids our national policy on saving energy, but also results in direct savings to the consumer. For instance, TVA has discovered that there will be no need to buy added capability. This saving was passed on to the consumers. The cost of additional capability would have cost the consumers a great deal more than they were required to pay because of their use of energy saving devices.

TVA had embarked upon a training program and then offered the trained energy auditors to their customers to audit their homes for energy uses and to make suggestions.

Because of that audit and the energy saving methods and materials employed in the audited 125,000 homes, no added capability was needed.

The effect was that they really provided a whole new utility plant that didn't have to be built and added capability that didn't have to be bought.

So I do think that this factor must be projected into consideration of how much it is going to save the customer in the long run.

SOLAR ENGERY

The other thing that we have been talking about is the solar aspect of this, particularly the passive solar aspects. You indicate in your statement that the Department of Energy had agreed with your recommendation that a separate model solar energy code not be developed, but yet DOE has proceeded to develop just such a code.

You say, too, that you have made some progress with this effort. Could you elaborate on that situation a little?

Mr. NEWMAN. What had originally come across our desk as a first draft, was a model-code-like document that repeated virtually all of the pertinent provisions already in existing model codes, plus new provisions. This could have been a trigger for a local communi-

ty or an unsophisticated building official to add a new code which could not only have been in conflict with his own code but with other codes in his state or surrounding jurisdictions. This could have raised the cost of solar energy technology development.

We pointed out to the people involved that only guidelines were needed, to enable jurisdictions to amend their existing codes. Though it took much persuasion, we recently saw a new draft where a substantial portion of our suggestions have been incorporated.

We have on our desk right now the latest draft and we will have our comments within a week or so and, hopefully, we will prevail.

The evidence that we will prevail is good at the moment. If we don't prevail, we will let you know. If we do prevail, we will chalk this up on our list of successes.

Mr. TRAXLER. Who is promulgating that standard?

Mr. NEWMAN. The Department of Energy?

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. I hate to have to go back to that other committee but I do thank you for letting me interrupt. Thank all of you very much for your cooperation.

MOBILE HOME SAFETY STANDARDS

Mr. TRAXLER. You are conducting a study of mobile home safety standards for HUD. How much is HUD paying you for this effort? Did NIBS compete for this contract or was it a negotiated contract? Who will actually be doing the work? Will NIBS subcontract out to another organization?

Mr. NEWMAN. We will provide this information for the record.

[The information follows:]

NIBS currently is analyzing the content and applicability of all standards referenced in the Federal Mobile Home Construction and Safety Standard (MHCSS), under contract to HUD. NIBS received the contract on a sole source basis from HUD after submitting a scope of work and cost estimate for the project. The contract amount is $283,503. The effective date of the contract was September 23, 1978 and the completion date is September 23, 1980. The work is approximately 90 percent complete as of April, 1980. HUD plans to use the NIBS research in updating and clarifying the MHCSS. Subcontractors used by NIBS are as follows:

Charles Ashford, PE (Research consultant)	$41,975
Stevens Institute of Technology (Subcontractor)	8,640
Science Applications, Inc. (Subcontractor)	7,576
Southwest Research Institute (Subcontractor)	8,268
Illinois Institute of Technology Research Institute (Subcontractor)	4,550
Michigan Technological University (Subcontractor)	5,400

All of the above were contracted noncompetitively, with the approval of HUD, based on their expertise, previous work in similar areas, and past performance and familiarity with specific technical areas of the HUD Mobile Home Construction and Safety Standards.

NIBS CONTRACTS, GRANTS, AND SUBCONTRACTS

Mr. TRAXLER. Also, for the record, provide a table showing all the contracts and grants received and subcontracts let, contracts given by the Institute. Include the dates, organization names, amounts, purpose and sources.

[The information follows:]

NIBS CONTRACTS/GRANTS AND SUBCONTRACTS
(FY 79)

	FUNDING SOURCE	CONTRACT/ GRANT NO.	PURPOSE	DATE	AMOUNT	CONTRACTS/SUBCONTRACTS ORGANIZATION	AMOUNT
1.	Dept. of Energy	EC77-G-01	General Support	3/79	95,000	----------	------
2.	HUD	H2904	Code Administration	6/12/78	82,300 15,000NIBS	Glen Mayo (1	13,500
3.	HUD	H2933	Mobile Home Standards	9/23/78 5/17/79	55,248 228,255	*Charles Ashford (2 Science Applications, Inc.(3 Michigan Technological University (3 Stevens Institute of Technology (3 Southwest Research (3 Illinois Institute of Technology (3	32,850 9,125 7,576 5,400 8,640 8,268 4,550
4.	HUD	H5033CA	Rehabilitation Guidelines	11/2/78	632,000	*Building Technology, Inc. (3 *Joseph Stein (3 *Harbridge House (3 *Building Technology (3 Davidson Laboratory (3 NCS/BCS (3 Bradford Corporation (3 Arthur D. Little (3 Council of American Building Officials (3 National Fire Protection Association (3	2,028 2,641 3,965 16,950 2,182 20,600 39,864 30,000 2,706 49,994 2,150 59,280 54,382

(1 Contractor
(2 Consultant
(3 Subcontractor
* Contracts/Subcontracts/Consulting Agreements reported last year that carried over into FY 79

FUNDING SOURCE	CONTRACT/ GRANT NO.	PURPOSE	DATE	AMOUNT	CONTRACTS/SUBCONTRACTS ORGANIZATION	AMOUNT
					University of Maryland (3	2,281
					Chrome Yellow (3	6,250
					Building Technology (3	19,670
						33,600
						33,600
					Paul Rothstein (3	2,500
5. HUD	H5040	Real Estate	3/2/79	40,000	*Peat, Marwick & Mitchell (3	21,066
		Energy Study	5/25/79	288,698	*Leo Daly (3	4,800
					*Steve Carhart (3	1,250
					ICF (3	109,887
					Carnegie Mellon(3	55,625
6. Dept. of Energy	DEFG01 79CS20308	BEPS Guidelines Consumer Network	2/1/79	478,863	Conservation Foundation (3	110,000
					Harbridge House (3	125,225
					R.P.I. (3	7,540
					Xenergy (3	19,667
					Louis Guzzi (3	800
						600
					Carl Fullman(3	700
					Burton Karpay (3	1,500
						2,700
					Thomas Vonier (3	2,275
						1,625
					Don Carter (3	500
7. Dept. of Energy	DEAC01 79CS20531	BEPS III Equivalency	9/30/79	1,359,000	Xenergy (3	225,667
					Syska & Hennessy (3	95,880
					Control Data (3	110,000
					Harbridge House (3	221,952
					R.P.I. (3	115,180
					Jerold Jones (2	8,000

	FUNDING SOURCE	CONTRACT/ GRANT NO.	PURPOSE	DATE	AMOUNT	CONTRACTS/SUBCONTRACTS ORGANIZATION	AMOUNT
						Ehrenkrantz Group (3	213,850
						David Miller (2	912.50
						Culami Associates (3	8,000
8.	Appropriations		Program Plan	8/79		Resource Planning Associates (3	7,500
			Planning Long Range	3/7/79		Architectural Research Associates (3	7,327
			FTC Standards & Certif.	4/5/79		Bernard Breymann (2	17,581
			ANPR(BEPS)	1/79		Harbridge House (3	69,382
			Visual Aid	6/79		Daniel Edelman (3	10,000
			DOE Hotline Proposal	2/79		Harbridge House (3	2,200
9.	CABO		Fire Suppression Systems		9,000	----------	-------
10.	Federal National Mortgage Association		Building Seismic Safety Council	5/79	20,000	William Kirkland (2	13,096
11.	Rockwool Industries		Committee for Home Energy Conservation	9/79	25,000	Hill & Knowlton (3	22,000

OMB ASSISTANCE TO NIBS

Mr. TRAXLER. The legend on page 5 states that the Institute has suggested to OMB how NIBS can help develop the cooperation of the vast array of Federal departments, agencies, and establishments concerned with housing and building. Has OMB made any response to your suggestion?

Mr. NEWMAN. Yes, it has. OMB prepared a draft Bulletin (80) from the Director to all Federal departments and establishments—a proposed policy statement which is now circulating within OMB. I am not familiar with their internal processing.

Mr. TRAXLER. Are they sympathetic?

Mr. NEWMAN. The people we have talked to are sympathetic. I go on the assumption it would not have reached the present point if there was discontent but it is too early to tell what the final outcome will be. We are very hopeful that the Bulletin will be issued in the near future.

NIBS GENERAL SUPPORT AND FEE INCOME

Mr. TRAXLER. Last year you estimated general support and fee income to be $667,000 in 1979, $1,251,00 in 1980 and $1,600,000 in 1981. This year's justification indicates general support and fee income at $200,000 in 1979, $685,000 and $845,000 in 1981.

Why was your estimate so far off regarding general support and fee income for 1979? What about the revised estimates for 1980 and 1981? How realistic are those estimates?

In the hearing record last year you told us that your fee and support income for 1979 should be $667,000. Your revised budget submissions this year indicate that it was $200,000. That's a difference of $467,000.

Mr. DILLON. First of all, projections were made that simply were not realized.

It took longer to get the Consultative Council organized than expected, so there was less fee income from that source than projected.

We were estimating that we would be able to get additional general support grants from some of the Federal agencies, which did not occur. Then, quite frankly, in terms of financial support of individual mission projects, because we did not get the level of general support we originally thought we would to enable us to develop these projects to the point where they were salable, we could not ask others to support them.

Mr. FLOYD. The Consultative Council, which was in its embryonic stage during 1979, is something that has never been created before within the building community. That is one of the unique elements in NIBS and, frankly, it has taken a while for the concept to catch on, for its purpose to be understood. We look to the Council for the kind of work that will attract major suport for the Institute's mission activities.

In 1979 we had a lot of items that were started but very few that were completed, so we didn't really have anything for people to look at to see what our work product was or how we could go about solving problems within the building community. Now we do. In

1979, we are more or less like the baby who is crawling; now we are up and walking.

Mr. TRAXLER. How do things look in terms of general support and fee income after 1982?

Mr. NEWMAN. Let me respond to that. I think the real key is going to be what emerges from OMB. If OMB gives us a strong policy we will be able to go to each of the agencies and ask for general support income. This is very important. Congressional support of such a policy by the Administration is vital too.

I also believe that the endowment program that we have started, which has only brought us $75,000 from the private sector thus far, will accelerate. I feel this is a chicken and egg situation. Many people in the private sector are wondering why we are not getting the general support from the Federal agencies as called for in the NIBS legislation. They want an answer before they come forth with their support.

With the anticipated growth of the Consultative Council from the present six hundred members to twelve hundred, additional funding and additional enthusiasm will follow.

INDUSTRY PERCEPTION OF NIBS

Mr. TRAXLER. How is industry perceiving your role as arbiter?

Mr. NEWMAN. At the very beginning there was skepticism. After skepticism then there was some fear, because we worked very hard to be evenhanded and obviously vested interests became concerned. That is beginning to dissipate. What we have now, with the growth of the Consultative Council, are the vested interests sitting around the table debating and discussing. I have seen a phenomenon I haven't seen in more years than I care to remember—some of the individuals sublimating their selfish interests to the interest of the whole. This has been very difficult for some of these individuals to do in other forums.

CONSULTATIVE COUNCIL MEMBERSHIP

Mr. TRAXLER. In the justifications you mention the Consultative Council having approximately 600 members and that you anticipate the membership will reach 1,200 to 1,600 in fiscal year 1981. How realistic is that estimate?

Mr. NEWMAN. That estimate is based upon the growing enthusiasm that we see among the some 600 members we have now. They, themselves, should become missionaries for the additional 600.

If you take a look, in our detailed submission, at the names of the organizations that are now members, you will see that they constitute many of the most significant organizations in the building community, and the very fact that they are members is a drawing card to those who have not yet joined.

Also, there are more people devoting efforts to soliciting new membership.

I have asked one of the staff to add up the membership of the organizational members. My guess is it is in the hundreds of thousands.

Mr. TRAXLER. I notice that one of the members is the Township of Pennsauken. Where is that located?

Mr. NEWMAN. Pennsauken, to the best of my knowledge, is in Pennsylvania, though I am not certain, or New Jersey.

Mr. TRAXLER. And the Sisters of St. Mary?

Mr. NEWMAN. You would be surprised how many people have building or rehabilitation programs, and how often they raise some of the same concerns you and Mrs. Boggs have raised. They are looking to NIBS as a helpmate. If the Sisters of St. Mary were to plead their case across the table from a member from some major organization, that might have more impact than the pleading of that member's peers.

Mr. BREWER. The Consultative Council is really key to the future of NIBS because that is where we will get the grass roots input from the professionals. The growing interest in NIBS' activities at the local level is suggestive of the need for help on local level regulatory issues.

Most people think of Federal regulations, but what we are dealing with is the combination of Federal, State and local regulations impacting local building.

The State of West Virginia, for example, has no statewide organization to address State problems. We were asked to help them establish a State council. Their organizing meeting is scheduled for April 8. It will be composed of both public and private organizations and individuals. The whole purpose is to have local people get at local problems.

NIBS CORE STAFF

Mr. TRAXLER. On page 10 you state that the day-to-day activities of the Institute currently are served by a core staff of 14 and that the staff is likely to increase to 16 in 1980. Are all 14 positions currently filled?

Mr. NEWMAN. Yes.

Mr. TRAXLER. Will the $625,000 you are requesting for 1981, together with an estimated $4.6 million in other income support a core staff of 16?

Mr. NEWMAN. That is correct; yes, sir.

May I make one point for clarification. The Consultative Council is advisory to the board. The board takes the input from the building community at large but the ultimate responsibility rests with the board of directors.

Mr. TRAXLER. This is two-way communications?

Mr. NEWMAN. Absolutely. The liaison is excellent.

Mr. BREWER. In fact, one of the enthusiasms that is coming out of the Consultative Council is to become more of an operating group than a reactive group. In the last two years, confidence has been growing, as has been enthusiasm for the concept of the Institute. It is now recognized by people all across the country that the Institute is really their Institute, too.

We are going through a healthy maturing process because now the membership can participate and has the opportunity to address not only topical issues but the mission issues that we are directed to examine.

NEW NIBS OFFICES

Mr. TRAXLER. You recently moved from Pennsylvania Avenue to 15th Street, Northwest. What was the reason for that move?

Mr. NEWMAN. Our lease was expiring and we needed more space. We had very modest-size space on Pennsylvania Avenue.

Mr. TRAXLER. What is the new square foot rental?

Mr. NEWMAN. I believe it is in the vicinity of eleven dollars and change.

Mr. BREWER. It is net a little less than that. We leased a floor and subleased about 40 percent of it so we have a net benefit reducing our ingoing rate of twelve fifty, almost two dollars a square foot.

Mr. NEWMAN. I would like to insert in the record a set of brief remarks that I prepared fairly recently which sums up my views as to how we can assist the Congress.

Mr. TRAXLER. We would be glad to have them placed in the record at this point.

[The information follows:]

March 21, 1980

1. NIBS can assist the Congress when issues and problems within the Institute's prescribed mission arise, in the following ways:

   - By helping to clarify and document the import of the issue or problem.
   - By helping to determine whether remedial action is necessary or whether the issue is transitory or self-correcting, and why, if a remedy is really needed.
   - By determining whether, if remedial action is needed, the issue or problem is one that can be addressed by the private sector or cooperatively by the public and private sectors of the building community through voluntary means, and then by convening all involved and concerned parties to seek and apply a remedy.
   - If a voluntary approach is determined to be impractical or unrealistic, by helping develop an appropriate legislative remedy and by helping in any follow-on legislatively mandated regulatory or similar action by the government.

   It is believed that this approach would avoid many needless and costly adversarial situations. Also, it would minimize the need for mandatory requirements, and the costly machinery for enforcement. It would rechannel the time and dollars from challenging inadequate or unnecessary regulations, standards and procedures, to voluntarily created and accepted, and effective standards and procedures.

2. The most economical and effective way in which NIBS can provide assistance to Federal agencies, where regulatory actions are proposed under broad regulatory authority, is to:

- Be accorded no strings attached, annual, general support funds by building and construction and building- and construction-related agencies as provided for in the NIBS legislation, so that the Institute can assist early-on and in a timely manner in the exploratory phases of proposed actions -- i.e., before there is a specific program from which funds would otherwise have to be provided.
- Be invited in early to help determine if a remedy is needed and, if so, how best to proceed.
- Marshal wide input from the building community -- i.e., from all the different interests as provided for in the NIBS legislation, such as architects, engineers, contractors, builders, building product producers, consumer, labor, code officials -- in a balanced and representative fashion through the NIBS Consultative Council, which is now well along in organization, so as to identify sensitivities in advance and ensure that freely available expertise is brought to bear in fashioning the solution.
- Undertake specific tasks under contract, grant, or cooperative agreement, where NIBS has the unique capability to bring to bear needed expertise and management skills.

This approach provides free, voluntary talent, in a mutually supportive atmosphere, and thus reduces the time required to achieve results; and avoids major polarization of positions and major, nonproductive expenditures by all parties involved at a later date should erroneous or impractical regulations result from unilateral government action. Early NIBS involvement and voluntary service provide federal agencies with the opportunity to realize maximum return for each dollar invested. For example, NIBS expects in the current year to be the recipient of contributed time that would have cost on the order

of $500,000. It does take dollars to support these voluntary services but infinitely less than the value of the services themselves.

As stated in my introductory remarks, had NIBS been fully involved in the development of the Building Energy Performance Standards (BEPS) from the start as was intended by the legislation, much of what is now being proposed as necessary to make BEPS a sound, practicable energy conservation tool would in all likelihood have been on the table a year or two ago. The costs doubtless would have been substantially less, and the emotionalism now surfacing in some quarters could have been avoided. Today, NIBS believes it finally has been given the opportunity to get on top of the problem -- its findings and recommendations will be presented at the end of April.

Another example which illustrates the benefits of early involvement is the NIBS activity in the Earthquake Hazards Reduction Program. We believe that by being involved in this situation at an earlier stage than was possible in BEPS, NIBS has been able to mount a voluntary program that has every likelihood of producing effective results at low cost, a minimum of unproductive controversy will be eliminated, and without Federal regulations.

The NIBS approach involves the active participation of State and local officials, both individually and through their organizations, through the Consultative Council. By being party to the process, building officials as well as all other parties to the building process, will not only have had the opportunity to help frame the provisions that will guide them, but will have a sincere interest in seeing to it that they are uniformly and intelligently applied.

NIBS must be even handed; however, it fully realizes that if it fails to achieve effective solutions to problems through the voluntary approach, then NIBS must participate with equal dedication in helping create rational and

and effective governmental regulations. Nevertheless, NIBS believes firmly that the burdensome, rising tide of governmental regulations must be abated and that to do this a new, objective yet cooperative relationship between the public and private sectors must be forged. This is the charge NIBS was given by the Congress and we can report that the concept is taking firm hold and is beginning to bear fruit. What is needed now is a further commitment by Government to give the concept an opportunity to work -- the same commitment we are asking and increasingly getting from the private sector.

Mr. TRAXLER. We thank you for your appearance here today. These are difficult times for industry, certainly, and you need all the help you can get. The National Institute for Building Sciences justification will be placed in the record at this point. The Committee stands adjourned.

[The justification follows:]

BUDGET JUSTIFICATION

Figure 2 shows actual expenditures for fiscal year 1978 (the first year of appropriated-fund support) through fiscal year 1981, the year of this budget request.

Last year, the unaudited total for FY 1978 was given as $1,844,000. The audited total at year's end was $1,873,336, with a $1,411 balance or carry-over of non-appropriated funds. Last year at this time, the estimated total for FY 1979 was given as $2,520,000. At the time of the OMB submission on September 1, 1979, the estimated total was $2,375,000. The unaudited total at year's end is $2,343,977, with a Consultative Council membership reserve of $27,439 and a non-appropriated fund balance of $27,431; the $2,344,000 total was used in Fig. 2.

This time last year, a total of $3,310,000 was projected for FY 1980 in the Institute's testimony, and on September 1, 1979, $5,849,000 in the Institute projection for OMB, based on information then available. Although it is too early in the fiscal year to support a modification of this latter projection, it appears likely that the total will at least equal or exceed $4,500,000. The possibility that the $5,849,000 will not be realized would be due to a smaller than anticipated level of service grant and contract activity which in turn would be due to programmatic changes outside the control of the Institute.

For FY 1981, a total of $5,220,000 is being projected, based on an appropriated-funds request of $625,000 as contained in the President's Budget. These data are shown in Fig. 2.

FY 1981

	FY78 (PY-1)				FY79 (PY)				FY80 (CY)				FY81 (BY)			
	Appropriated Funds	General Support	Service Grants and Contracts	Subtotals	Appropriated Funds	Fee Income and General Support	Service Grants and Contracts	Subtotals	Appropriated Funds	Fee Income and General Support	Service Grants and Contracts	Subtotals	Appropriated Funds	Fee Income and General Support	Service Grants and Contracts	Subtotals
A. ADMINISTRATION																
1. General	413	94	118	625	115	114	306	535	149	115	647	932	104	231	524	859
2. Planning and Development	113	0	0	113	200	0	0	200	28	36	114	178	16	35	78	129
3. Information Services	41	4	0	45	52	4	0	56	17	22	66	105	42	23	52	117
B. OPERATIONS																
1. Consultative Council	140	0	0	140	214	56	0	270	162	148	41	351	111	167	62	340
2. Technology & Programs																
(1) Regulatory - Criteria & Standards	90	0	652	742	135	26	1088	1249	199	194	3394	3787	200	222	2888	3310
(2) New Technology - Evaluation and Prequalification	90	0	0	90	8	0	0	8	145	65	0	210	104	111	104	319
(3) Data Collection & Dissemination	113	0	6	119	26	0	0	26	50	30	206	286	48	56	42	146
Subtotals	1000	98	776		750	200	1394		750	685	4414		625	845	3750	
TOTALS	1,874,000				2,344,000				5,849,000				5,220,000			

Fig. 2

During the FY 1978-1979 period, appropriated funds declined from $1,000,000 to $750,000, or by 25 percent. During this year, funds from other sources increased from $875,000 to $1,645,000, or 88 percent. This resulted in an overall increase in operating funds of 28 percent -- i.e., from the aforementioned $1,877,336 to $2,243,977.

In FY 1980, appropriated funds are again $750,000; however, as a percentage of the total they are expected to decline further to perhaps 17 percent or less. Although this proportional decline is encouraging from the standpoint of achieving self-sufficiency by FY 1983, unfortunately the increase in non-appropriated funding is occurring in the service grant and contract area rather than in the area of fee income and general support which would be a better measure of the

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Institute's success in carrying-out its basic mission. The failure to obtain the level of initial capital funding as originally authorized by the Congress, has seriously hampered the Institute's ability to pursue these missions in such a manner as to establish sound, on-line, self-sustaining programs, and at the same time establish and organize the Institute.

Nevertheless, the high and rising level of activity and funding will enable the Institute to devote a greater percentage of appropriated funds to mission activities. Because of the interlocking nature of the Institute's total program, all activities will be discussed here under the column headings in Fig. 2.

Appropriated Funds

1. Administration

General Administration, Program Planning, and Information Services are categorized as administrative functions, and, as noted earlier, 35 percent of the appropriated funds are devoted to these functions.

a. General. Under this heading are the overhead expenses of the Institute, including those of the Board of Directors and that part of the Executive Office of the President that relates to overall management of the affairs of the Institute; and the expenses of the offices of the two vice presidents (the Office of the Vice President - Planning and Development has been discontinued, with these functions being carried-out within the the Executive Office of the President).

b. Program Planning. In FY 1979, based upon completion of the three state-of-the-art studies reported last year -- one each in the regulatory, new technology, and data collection and dissemination areas -- the Institute completed a "Proposed Five-Year Program Plan." This Program Plan was distributed to the full membership of the Consultative Council for comment and, based upon that comment, the Program Planning Committee of the Institute's Board, in concert with the Consultative Council Steering Committee (see Fig. 1), established priorities

which became the basis for the FY 1980 program and the program presented herein. The Program Planning function, then, will be devoted to recycling the Five-Year Program Plan to insure that the Plan remains a dynamic planning and programming tool. Further, this function will be concerned with articulation of the plan, planning for its execution, and the development of a research agenda that addresses existing and emerging unsolved issues, as well as pursuing alternative courses for long-range funding of the Institute to ensure both self-sufficiency and a balance between public and private general support.

c. Information Services. This program of the Institute is designed to maintain communications with the Institute's constituency and the public. A monthly newsletter, Building Sciences, is published to maintain contact with those involved in, interested in, and affected by the work of the Institute. The printing and publication activities of the Institute are managed under this department, including all reports of the Institute offered for sale or required by law -- i.e., the annual report to the President and the Congress. In addition, in FY 1981, it is intended that a new publication will be in full stride -- the Building Science Directory (BSD). BSD, once published by the former Building Research Institute, will be reissued in a new and even more useful format as a guide to public and private institutions, their programs and their key personnel, in the field of the Institute's mission.

The total of appropriated funds for these purposes will be $162,000.

2. Operations

Because the basic administrative costs of the Institute, including the offices of the vice presidents, are covered under "Administration," the funds devoted to Operations, whether in- or out-of-house, are entirely direct in the sense that they support direct operating activities.

a. Consultative Council. Membership in the Consultative Council, as noted earlier herein, has grown from some 240 to approximately 600 members during the past year. Primary emphasis was placed on organizational members during the past year to insure the earliest possible representativeness in the Council membership. Therefore, currently there are some 237 organizational members with an additional 110 representatives, 223 individual members, and a number of subscribers. To illustrate this representativeness, without indicating the importance of any particular group, the following organizational members are cited:

American Concrete Institute
American Consulting Engineers Council
American Council of Independent Laboratories, Inc.
American Gas Association
American Home Lighting Institute
American Institute of Architects
American Iron & Steel Institute
American Plywood Association
American Society of Heating, Refrigeration and Air Conditioning Engineers, Inc.
American Society for Testing and Materials
American Telephone & Telegraph Company
Town of Amherst Building Department
Applied Technology Council
Architectural Aluminum Manufacturers Association
Architectural Record
Asphalt Roofing Manufacturers Association
Association of the Wall and Ceilings Industries, International
Associated General Contractors of America
Building Design and Construction Magazine
Building Officials and Code Administrators International, Inc.
Building Owners and Managers Association, International
Builders Hardward Manufacturers Association, Inc.
Brick Institute of America
California Building Industry Association
Chesapeake Center Division, The Chesapeake Life Insurance Company
City of Cincinnati Building Department
Community Associations Institute
Contractors Association of West Virginia
Copper Development Association, Inc.
Council of American Building Officials
City of Dallas Building Inspection Division
Navy Department, Naval Facilities Engineering Command

University of Florida College of Architecture
Geauga County, Ohio Sanitary Engineer
Governors Office of Economic and Community Development,
State of West Virginia
Gypsum Association
Hardwood Plywood Manufacturers Association
City of Hayward, California
Home Ventilating Institute
Housing Advisory Council, Ltd.
University of Illinois Department of Architecture,
Small Homes Council-Building Research Council
Illuminating Engineering Society of N.A.
Institute of the Ironworking Industry
International Association of Electrical Inspectors, Inc.
International Brotherhood of Electrical Workers
International Association of Plumbing and Mechanical Officials
International Conference of Building Officials
Metal Building Manufacturers Association
Mineral Insulation Manufacturers Association, Inc.
MIT Department of Architecture
Montgomery County, Maryland Government
National Electrical Contractors Association, Inc.
National Association of Home Builders
National Association of Home Insulation Contractors
National Association of Home Manufacturers
National Bank of Washington
National Building Granite Quaries Association, Inc.
National Building Materials Distributors Association
National Clay Pipe Institute
National Concrete Masonry Association
National Conference of States on Building Codes and Standards, Inc.
National Construction Industry Council
National Consumers League
National Corporation for Housing Partnership
National Electrical Manufacturers Association
National Fire Protection Association
National Forest Products Association
National Home Improvement Council
National Lime Association
National L-P Gas Association
National Lumber and Building Material Dealers Association
National Society of Professional Engineers
National Woodwork Manufacturers Association
New York State Division of Housing and Community Renewal
Oak Ridge National Laboratory
Township of Pennsauken
Plumbing Manufacturers Institute
Portland Cement Association
Post-Tensioning Institute
Producers' Council, Inc.
Professional Builder Magazine
Prudential Insurance Company of America
Rockdale County Georgia, Engineering Department
City of Rockville, Maryland, Division of Licenses & Inspection

Sheet Metal and Air Conditioning Contractors
National Association
Sheet Metal Workers' International Association
Sisters of St. Mary
Society of the Plastics Industries/Plastics Pipe Institute
Specifying Engineer Magazine
Texas A&M University/College of Architecture and
Environmental Design
Thermal Insulation Manufacturers Association, Inc.
City of Toledo, Division of Inspection
Trowel Trades Local 14 of Michigan
United Brotherhood of Carpenters and Joiners of America
U.S. Army Construction Engineering Research Laboratory
U.S. League of Savings Associations
U.S. Veterans Administration, Office of Construction
West Virginia Society of Architects
City of Worcester, Mass., Department of Code Inspection
City of Zion, Illinois

Numerous individual companies, builders, contractors, professional firms, and similar organizations also have become participants in the Council, creating a body of individuals that have contributed a vast amount of time and talent to the identification and resolution of common problems in the broad public interest. The program to expand the membership will continue throughout FY 1980 and FY 1981.

As indicated in Fig. 1, the Council has taken three major steps during the past year -- creation of advisory panels to assist in the work of the Institute; initiation of the membership divisions; and preparatory work for the creation of State and area councils.

The advisory panels provide one mechanism for representative hearings on matters before the Institute. In fact, such hearings are virtually continuous throughout the conduct of both mission programs and projects and service contract and grant activities. Participation in advisory panels is voluntary; however, this participation is marshalled by a balanced, appointed steering committee that can give more concentrated attention to the work.

At the beginning of FY 1980, the Council held its first annual meeting with more than 260 in attendance. At this meeting, the National Executive Committee was first seated as an elective body. Since then, the Council has moved with increasing speed to organize its divisions which will define their own agendas in the areas of the Institute's mission and provide advice and counsel to the Board of Directors.

The first division organized was the Performance Criteria, Standards and Regulations Division. The second will be the division on Introduction of New Technology. The third will be Energy Systems and Conservation, of which the Thermal Insulation Committee (formerly the Insulation Task Force), that has been operating for more than a year and a half, will become an operating element. Nearly 200 members of the Council have already volunteered to participate in the energy division.

During FY 1981, it is anticipated that the membership of the Council will reach 1200 to 1600 members, and that all of the planned divisions, including the division on consumer/user interests, will be activated. The latter, the consumer/user group is viewed as a major step to bring the viewpoint of consumers and users of buildings to bear on such matters as the definition of performance objectives and performance being achieved in housing and building throughout the nation. Already consumer participation in the Council has been significant and the intent is to continue to foster and, to the extent possible, support such participation. By devoting a separate division to consumer/users, it will be possible to not only give high visibility to their concerns but enable them to define their needs and desires independent of those who must respond to those needs and desires.

Specifically, then, in FY 1981 the program of the Council will include the following:

- Expand the membership to the extent possible, the goal being to reach 1200 to 1600 members.
- Activate the remaining divisions of the Council.
- Sustain the Thermal Insulation Committee as a discrete part of the energy division, and maintain the Task Force on Liabilities, Warranties, and Guarantees that will have been created in FY 1980 as an element of the Introduction of New Technology Division.
- Provide continuing assistance to State and local groups wishing to establish counterpart councils.
- Organize and service advisory panels for the review of programs and projects being carried out by the Institute.
- Provide continuing membership services, including the monthly newsletter Building Sciences.
- Organize and conduct the Council's annual meeting and such speciality conferences, symposia, and workshops as are needed to ensure representative input to the Institute in its planning and programs.

$111,000 has been budgeted for these activities of the Council.

b. Technology and Programs. As noted earlier herein, having completed its state-of-the-art studies in the three principal areas of the Institute's mission, and having integrated the findings into a long-range program plan that has been and will continue to be debated and refined, the Institute will continue the following priority projects that will have been initiated in FY 1980:

In the regulatory area (B.2.(1), Fig. 2):

- Based upon analysis of selected Federal, State and local regulations affecting the building process, develop and obtain a consensus on a cost/benefit/risk analysis methodology.

- Establish a program for monitoring the development of Federal statutes and regulations affecting the nation's housing and building.

During FY 1980, it is planned to analyze selected regulations in an effort to determine whether there is any consistency in cost/benefit/risk relationships. The issue is not whether there should be regulations but whether those who must make decisions on existing and proposed regulations have a means for assessing their impact and the balance achieved among the vast array of regulations that affect individual structures or classes of structures.

During FY 1980, the Institute intends to follow-up its work in identifying the full range of Federal regulations impacting the building process and the sources of such regulations. During FY 1981, it is intended to establish a program to monitor developments in this area so as to highlight overlaps and conflicts and enable all interested parties to achieve an awareness of the evolving regulatory climate.

For these two projects, $200,000 has been budgeted.

In the new technology area (B.2.(2), Fig. 2):

- Identify and analyze the performance objective of selected housing and building regulations.

In order to achieve a performance orientation to building regulation, it is necessary to understand the performance levels currently being achieved or achievable with current regulations. Different performance levels may be justifiable on the basis of factors of safety, repairability, replaceability, longevity, and other factors, but doubtless there are numerous situations where performance levels differ with no good reason. There doubtless also are situations where performance requirements are counterproductive. Inasmuch as the ultimate objective is to effect a transition from prescriptive to performance regulations, the intricacies of achieving this objective must be better understood.

For this project, $104,000 has been budgeted.

In the information area (B.2.(3), Fig. 2):

- Continued development of an information system.

The third primary mission of the Institute is to create a system for the collection and dissemination of technical data and information, particularly as it relates to criteria, standards, and other technical provisions for building regulation. The state-of-the-art study in this area revealed the existence of a vast number of components that could become parts of such a system. A matrix must be constructed and means devised for filling gaps, eliminating duplications, and making the whole known and functional.

For this project $48,000 has been budgeted.

Fee Income and General Support

1. Administration

The same functions as noted under Appropriated Funds are performed with the proportionate share of fee income and general support. However, general support grant funds -- currently there is only one such grant and that from the Department of Energy -- are devoted exclusively to administration at the present time. Otherwise, funds shown under Administration in Fig. 2, are derived from an overhead charge of 35 percent on operations, and from the sale of publications and similar revolving fund information service programs. It also is anticipated that some general support funding will be developed in connection with program planning activities. The total of such funds is projected as $289,000.

a. Consultative Council. A total of $225,000 is anticipated in fee income from dues and other activities of the council, $58,000 of which goes to

administration (35 percent) and the remaining $167,000 to direct activities of the Council as described earlier herein.

The Council will hold a major conference on metrication in the building industry in response to a joint request from the U.S. Metric Board, the American National Metric Council, and the National Bureau of Standards. This conference is intended to fully explore the pros and cons of metric conversion in building and will be supported partially by fee income and partially by grants.

b. Technology and Programs. Funding that is sought and/or obtained in support of the basic mission activities of the Institute apart from that which comes to the Institute as Appropriated Funds, are categorized as Fee Income and General Support.

For example, a portion of funds that will be obtained in FY 1980 and that are projected for FY 1981 in the Regulatory area (B.2.(1)) for support of the Building Seismic Safety Council (see Fig. 1), are categorized as general support because a specific service in response to an outside request will not be involved. The BSSC will be funded through membership fees, general support grants, and service grants and contracts.

A program is being explored with the U.S. Army Corps of Engineers Construction Engineering Research Laboratory to access the Laboratory's environmental regulations data system and make the information available to the building community and public at large. This program, if it materializes, would be budgeted under B.2.(3), Data Collection and Dissemination, Fig. 2.

The total of such funds for FY 1981 is estimated as $389,000.

Service Grants and Contracts

As noted at the outset herein, the service grants and contract activity of the Institute has become a major factor in its overall budget. Most such work is in direct response to requests from Federal agencies for advisory services, research and technical studies, and technical management services. Grants from the private sector that contribute to services in the public interest also have been received and are expected to be received in FY 1981. (No private funds are accepted for proprietary services.)

1. Administration

The administrative functions, that were described under Appropriated Funds, will be partially supported by an overhead charge as shown in Fig. 2 ($654,000). The overhead rates are negotiated and, as noted earlier, every effort is made to achieve a balance between direct and subcontract charges that will produce the same 35 percent charged on other funds. This is not always possible because of the wide variation between in-house and out-of-house work. As a policy, and consistent with provisions of the Institute's authorizing legislation, every effort is made to work with and through existing organizations and to keep the Institute's staff at modest levels. As a consequence, at times subcontract activity reaches as high as 80 percent on a given service grant or contract, which makes the achievement of the 35 percent average difficult. Overhead costs for physical space, accounting, management, and similar services are measurable and therefore negotiable to ensure rationality and equitability.

2. Operations

a. Consultative Council. Only a modest amount of service grant and contract activity is expected directly with the Council; therefore, a modest level of $62,000 has been projected for FY 1981 (Fig. 2). At present, for

example, the Committee on Home Energy Conservation (CHEC) has, in cooperation with the Department of Energy, mounted a major program to publicize the need for energy conservation in the home. This program is basically a public relations effort — i.e., an energy conservation awareness effort. This work is expected to continue and does involve a modest level of service grant and contract activity. Doubtless there will be similar activities of the Council that will entail service grants and contracts.

b. Technology and Programs. The Institute has been cited in several key pieces of energy legislation, most notably Title III, Public Law 94-385, which treats the Building Energy Performance Standards (BEPS), and the 1978 National Energy Conservation Policy Act which treats Residential Energy Efficiency Standards (REES). In addition, NIBS has been called upon to assist in an ever-widening array of programs and projects related to its mission. Some of these including those cited, are:

- Advisory and management services for the Department of Energy (DOE) in connection with the development and promulgation of Building Energy Performance Standards (BEPS).
- Advisory services to the Department of Housing and Urban Development (HUD) with respect to the Residential Energy Efficiency Standards (REES) program -- a program which is expected to extend into the standards implementation phases, including assistance in the task of education and training that will be needed to achieve effectiveness in the years ahead.
- Advisory services to HUD related to building code development, promulgation, and maintenance at the State and local levels.

- Analytical work for HUD concerning its Mobile Home Construction Safety Standards.
- Data collection services for DOE concerning State's Energy conservation standards for new and renovated buildings.
- Services for HUD in development of rehabilitation guidelines for existing building.
- Assistance to the Council of American Building Officials in a review of its report to the U.S. Fire Administration on trade-offs between automatic fire-suppression systems and other fire control means in building.

Several of these and other service programs are projected to continue into FY 1981, with the heaviest concentration being in the regulatory area (B.2.(1), Fig. 2), and in energy conservation and utilization within this category. A total of $3,750,000 is projected as income from service grants and contracts, some of which is projected on the basis of past experience without specific knowledge as to what those services might entail.

Public Service

The Institute, as part of its overall responsibility has assisted in a wide variety of unfunded activities -- e.g.:

- Assistance to the General Accounting Office in such widely different efforts as computer-aided building design and construction management; insulation and energy conservation; and housing costs.
- Assistance to the Consumer Product Safety Commission with its work in the areas of insulation and architectural glazing.
- Testimony before the Federal Trade Commission concerning its proposed rule on standards and certification, and assistance with its various activities related to thermal insulation and housing performance.

Summation

In order to place the need for and use of appropriated funds in the proper perspective, it is necessary to present the total program of the Institute as has been done herein. The goal is to achieve self-sufficiency in 1983, and by that time or as soon as possible thereafter, to have sufficient general support income, equally balanced between public and private sources, to permit the Institute to continue to pursue its basic mission in a vigorous and objective manner.

In 1981, it is expected that appropriated funds may account for no more than 12 percent of the total of all funds received and expended by the Institute. The requested appropriated funds are nevertheless extremely important, because they are the only funds currently available to the Institute for pursuit of its basic mission activities that ultimately must become the base for the services the Institute can provide in the public interest.

Figure 3 summarizes the data shown in Fig. 2 by "Sources of Income" and "Expenditures." In the case of expenditures, the Federal object classes are used except for "Program Implementation and Grant/Contract Performance." This latter object class has been devised to indicate those funds that will be used to carry-out mission and service activities other than through core operations of the Institute.

Figure 4 shows actual and estimated expenditures, by Federal object classes of the requested appropriated funds only. The large "Other Services" item is due to the fact that there is no other object class under which contracted-out mission activities can be shown.

Personnel compensation has decreased in terms of the proportion of appropriated funds devoted to this purpose. The salaries of the President and the two vice presidents have not been increased since they were lowered in fiscal year 1979.

FY 81

PROJECTED OPERATING BUDGET
(dollars in thousands)

		FY79 Actual	FY80 Est.	FY81 Est.
A.	SOURCES OF INCOME			
	1. Appropriated Capital Funds	750	750	625
	2. Fee Income and General Support	203	685	845
	3. Service Grant/Contract	1446	4414	3750
		2,399	5,849	5,220
B.	EXPENDITURES			
	11.8 Personnel Compensation: Special Personal services payments	496	436	468
	12.1 Personnel benefits: Civilian	121	118	126
	21.0 Travel and transportation of persons	136	83	83
	23.2 Communications, utilities, and other rent	165	163	162
	24.0 Printing and reproduction	80	20	51
	25.0 Other services	405	124	121
	26.0 Supplies and materials	34	75	59
	31.0 Equipment	30	42	35
	---- Program Implementation & Grant/Contract Performance	877	4,788	4,115
	99.0 Total obligation	2344	5,849*	5,220

* As noted at the outset of this Budget Justification, this figure may need to be reduced but to no less than approximately $4,500,000.

Fig. 3

NATIONAL INSTITUTE OF BUILDING SCIENCES

FY81 BUDGET OBJECT CLASSIFICATIONS

OBJECT CLASSIFICATION (in thousands of dollars)					
Identification code 20-1806-0-1-376		1978 Actual	1979 Actual	1980 Est.	1981 Est.
11.8	Personnel compensation: special Personal services payments.....	225	235	194	158
12.1	Personnel benefits: Civilian...	56	58	52	43
21.0	Travel and transportation of persons.....	91	65	72	61
23.2	Communications, utilities, and other rent.....	94	69	76	64
24.0	Printing and reproduction.....	35	43	47	40
25.0	Other services.....	437	250	276	233
26.0	Supplies and materials.....	16	17	19	16
31.0	Equipment.....	46	13	14	10
99.0	Total Obligations.....	1,000	750	750	625

Fig. 4

In addition to the funded work discussed herein, it should be noted that the Institute has been, and to an ever-increasing degree expects to be, the beneficiary of a substantial amount of contributed time of many highly qualified people from all sectors of the economy, public and private. For example, in FY 1979, it is estimated that between the Board of Directors, the Consultative Council, and other voluntary efforts, some 7430 hours of time were donated to the Institute plus the rather substantial corollary travel and related expenses. In just the first four and one-half months of FY 1980, some 5070 hours of time have been contributed, or 82 percent higher than in the previous year at this time.

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WEDNESDAY, APRIL 16, 1980.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

JOHN W. MACY, JR., DIRECTOR
GORDON VICKERY, ADMINISTRATOR, U.S. FIRE ADMINISTRATION
GLORIA M. JIMENEZ, ADMINISTRATOR, FEDERAL INSURANCE ADMINISTRATION
FRANK A. CAMM, ASSOCIATE DIRECTOR, PLANS AND PREPAREDNESS
WILLIAM H. WILCOX, ASSOCIATE DIRECTOR, DISASTER RESPONSE AND RECOVERY
DAVID McLOUGHLIN, ASSISTANT DIRECTOR, TRAINING AND EDUCATION
ROBERT VOLLAND, DIRECTOR, FINANCE AND ADMINISTRATION

	1979 actual	1980 estimate	1981 request	Difference
Appropriation	$655,348,000	[1] $768,534,000	$1,252,591,000	+$484,057,000
Permanent positions (Direct) [2]	2,361	2,425	2,414	−11
Total compensable workyears (Direct) [2]	2,387	2,385	2,411	+26

[1] Includes $322,900,000 in pending program and $3,704,000 in pending pay raise supplemental requests.
[2] As reflected in the Appendix of the President's Budget.

Mr. BOLAND. The Committee will come to order.

Today we will take up the budget justifications for the Federal Emergency Management Agency.

We are delighted to have with us today the new Director, John Macy, who is a favorite of this Committee. You were here back in 1955 when I first joined this Committee.

Mr. MACY. That is correct. I was Executive Director of the U.S. Civil Service Commission.

Mr. BOLAND. And it has never been run better.

Mr. MACY. It is reassuring to hear you say that, because I have been listening to the advocates of reform referring to those as the "bad old days."

Mr. BOLAND. You had a good staff man who was in charge of the retirement program then.

Mr. MACY. Warren Irons. I was checking my archives last night, as long as we are reminiscing, my first appearance before this Subcommittee was in 1949. I was carrying heavy books for other witnesses.

Mr. BOLAND. And now they carry them for you.

Mr. MACY. It shows if you last long enough, other people will carry books for you. And also the agencies I once defended disappeared, both the Atomic Energy Commission and the Civil Service Commission.

Mr. BOLAND. You have been carrying books for years, at Wesleyan and the other teaching facilities. Why did you get back into the public service? You had many nice jobs out in the private sector.

Mr. MACY. That is what my colleagues here keep asking me. However, seriously——

Mr. BOLAND. First, I want to say that this is the most difficult budget we have to track; of all the 21 agencies, this is by far the most difficult.

Incidentally, who is the budget officer?

Mr. MACY. Bob Volland.

Mr. BOLAND. We have had the opportunity to review FEMA's budget for the second consecutive year and through our guidance we hope you will do a better job next year. I can understand it is very difficult to pull together all the activities that were performed by all these agencies prior to the establishment of FEMA. We understand the difficulties.

Anyhow, we are delighted to have you back in public service, and wonder whether or not they put you in charge because you happen to know the Chairman of this Committee.

Mr. MACY. That may be it. I have been wondering, but you know, they retread old tires to get additional mileage out of them. I am trying to get additional mileage out of what I consider to be a modern reorganization which should have decided benefits for the American people.

Mr. BOLAND. If you, with the help of Gordon Vickery, Gloria Jimenez, Frank Camm, Bill Wilcox, David McLoughlin, and Richard Green can pull it all together into one cohesive agency, you will have performed a great service for the government; and so, we are glad to have you here today.

We are delighted to have Gordon Vickery, the Administrator, the U.S. Fire Administration. The Fire Academy is doing well. You have all the money you need at Emmitsburg?

Mr. VICKERY. Almost.

Mr. BOLAND. What did you pay for the facility?

Mr. VICKERY. Three and a half million; we could sell it today for 25—we would like to.

Mr. BOLAND. We are delighted to have Gloria Jimenez, the Administrator for the Federal Insurance Administration and Frank Camm, the Associate Director for Plans and Preparedness. Mr. Camm, how do you feel about the charter legislation on intelligence?

Mr. CAMM. I think it is moving along in the right direction; I think there should be such legislation.

Mr. BOLAND. You have a magnificent background in national intelligence. In any event, we are glad to have your expertise and knowledge which will lend a lot to a controversial and what could be a terribly expensive program. You have it in the right hands.

Mr. Wilcox, we are glad to have you back again. Have you had any problems this year?

Mr. WILCOX. Threatened earthquakes and no snow. We have had no snow declarations. However, we are prepared to answer any questions about the subject, in any event.

Mr. BOLAND. Of all the problems associated with disasters, snow, I think, was the most controversial, and yet it was not the worst disaster. Everybody can live with snow; floods and hurricanes are difficult, but everybody wants his sidewalk cleared.

Where is Dave McLoughlin?

Mr. MCLOUGHLIN. Right here.

Mr. BOLAND. You look pretty good. You have not been here before, have you?

Mr. MCLOUGHLIN. No.

Mr. BOLAND. For us, it will be an education to listen to you, but in any event, we are glad to have you.

We will place the biographical sketches of Mr. Macy, Mr. Camm, and Mr. McLoughlin in the record at this point.

[The biographical sketches follow:]

JOHN W. MACY, JR.

John W. Macy, Jr., is Director of the Federal Emergency Management Agency (FEMA).

Under the President's Reorganization Plan No. 3, approved by Congress, FEMA consolidated in one agency closely allied Federal programs involved with preparedness, mitigation, and response to national emergencies ranging from natural and manmade disasters to nuclear attack.

Mr. Macy joined the Federal government in 1939 as an Administrative Assistant in the Social Security Board. He held increasingly important positions with the War Department, Atomic Energy Commission and the Department of the Army, and was Executive Director of the Civil Service Commission, 1953–1958.

From 1961 to 1969, Mr. Macy was Chairman of the Civil Service Commission and Special Assistant to the President with responsibility for search and evaluation of candidates for Presidential appointment. He was awarded the Presidential Medal of Freedom.

He has served as President of the Corporation for Public Broadcasting, President of the Council of Better Business Bureaus, Public Member of the Board of Governors of the American Stock Exchange, and president of a management consulting firm.

His international service includes chairmanship of the U.S. Delegation of the International Institute of Administrative Sciences, special consultant to the U.S. Agency for International Development, and appointment by the United Nations Secretary-General to membership on the International Civil Service Advisory Board.

Mr. Macy has an extensive background in education, having served as a consultant, instructor, lecturer, and governing board member of several colleges and universities in the United States. From 1958 to 1961, he served as Executive Vice President of his alma mater, Wesleyan University in Middletown, Connecticut.

He was graduated with honors and distinction with a bachelor of arts degree from Wesleyan University, and performing graduate study in public administration at the American University and government internship in Washington in the National Institute of Public Affairs. He has been awarded honorary doctor of law degrees from 11 universities.

Mr. Macy was born April 6, 1917, in Chicago, Illinois, and resides in McLean, Virginia.

FRANK CAMM

Frank Camm is Associate Director for Plans and Preparedness in the Federal Emergency Management Agency. In this capacity, he supervises planning and preparation for (1) Federal assistance in natural and civil emergencies, (2) U.S. mobilization planning, including the national stockpile, and (3) nuclear attack, including Civil Defense and Continuity of Government.

Mr. Camm graduated from West Point in the top of his class with a commission in the Corps of Engineers. Significant events in his early career include command of a battalion at age 23, selection with 40 officers to join the Manhattan Project to take over the atom bomb from the scientists, Pentagon staff work on nuclear war, early promotion to colonel, and service in Okinawa, where he had to cope with over a dozen typhoons.

In 1963, as the only military director in the newly formed Systems Analysis office under Dr. Enthoven, he drafted memos for the President on tactical nuclear war. In 1967 he installed the "McNamara Line" of sophisticated sensors and munitions

across the top of South Vietnam. And in 1968 he returned to the Pentagon to structure the post-Vietnam Army.

In 1969 he was promoted to brigadier general and moved to San Francisco to manage the $200 million per year Corps of Engineers construction on Army and Air Force bases West of the Rockies and on river and harbor and civil emergency work in California, Nevada, Utah, and Arizona. In this capacity, he had firsthand experience in the 1971 Los Angeles earthquake; in alleviating numerous floods, forest fires, and mud slides; and in coping with nuclear radiation hazards and fallout shelter surveys.

In 1972 he served with the Atomic Energy Commission supervising the billion dollar annual program of nuclear weapons R&D at Los Alamos, Livermore, and Sandia Laboratories; testing at Las Vegas; and production in eight factories across the United States.

In late 1973 he served as military director for the blue ribbon civilian Army Material Acquisition Review Committee. Six months later he joined the Army Staff to supervise strategic plans and operations, organization, requirements, and command-control and to help in domestic emergencies.

In 1975 he was promoted to lieutenant general and became Deputy Commanding General of the U.S. Army Training and Doctrine Command, running all Army schools and developing Army doctrine, tactics, and equipment needs.

Upon retirement from the Army in 1977, he served two years as Deputy to the Director of Central Intelligence, organizing the first national level office to concert all-source collection of national intelligence worldwide by a dozen Federal agencies.

Mr. Camm holds masters degrees from Harvard University in civil engineering (top student) and George Washington University in international affairs. He is a graduate of the Advanced Management Program at Harvard Business School. He is a registered Professional Engineer in California and the District of Columbia. He is also a graduate of the Army Engineer School, the Command and General Staff College, and the National War College.

DAVID MCLOUGHLIN

David McLoughlin is the Assistant Director of Training and Education for the Federal Emergency Management Agency (FEMA).

Under the President's Reorganization Plan No. 3, approved by Congress, FEMA consolidated in one agency closely allied Federal programs involved with preparedness, mitigation and response to national emergencies ranging from natural and manmade disasters to nuclear attack.

Mr. McLoughlin joined the Federal Government in 1957 as an instructor in the Federal Civil Defense Administration's Chemical/Biological/Radiological Defense School at Battle Creek, Michigan. In 1962, he became Director of the Special Training Department of the Office of Civil Defense, Staff College. He was named Deputy Director, Region IV, of the Defense Civil Preparedness Agency in Battle Creek in 1971.

From 1976 until his appointment as FEMA Assistant Director of Training and Education, he served as planning staff supervisor on terrorism for the Federal Preparedness Agency, Washington, D.C.

Mr. McLoughlin's service includes participation in two National Security Council studies related to the role of civil preparedness in U.S. strategic posture. He was also selected to be a member of the Presidential Reorganization Project which resulted in the creation of the Federal Emergency Management Agency.

Graduated with a Bachelor of Science degree from the University of Illinois, he received his Master of Arts and Doctor of Education degrees from Western Michigan University.

Mr. McLoughlin was born February 22, 1934, in Forrest, Illinois and resides in Annandale, Virginia.

Mr. BOLAND. As your justifications indicate, FEMA was proposed by the President in June of 1978. The first two components, the Federal Insurance Administration and the Fire Administration, were established in the new agency April 1, 1979; the remaining functions were phased in effective July 15, 1979.

I have read your statement and it is a good one. Tell us how quickly you have learned the machinations of this labyrinth.

General Statement

Mr. Macy. I have endeavored to be a rapid learner. Since you have read the statement, I would like to underscore a number of the points in the statement which hopefully will elaborate on the direction of the Federal Emergency Management Agency, some of the accomplishments during the first year, the program for the future, and then the financial resources which we believe are necessary in order to carry those efforts forward.

As you indicated in your opening remarks, the presentation last year on March 22 was just prior to the establishment of the agency. Gordon Vickery, newly confirmed as the Administrator of the U.S. Fire Administration, was wearing a second hat as the Director. I came on board and relieved him of that hat the 1st of August, and since that time we have been endeavoring to achieve what the President and the Congress had in mind in the creation of this Agency.

In view of our past association, I would like to assure you that in taking on the assignment that the President has given me as Director, I am enthusiastic in my belief that this reorganization can be highly beneficial. Even though my fingerprints are on some of the earlier actions which led to separation of some of these activities in the past, I believe in the context of today and tomorrow, this reorganization, which brings together agencies that have concern for planning and preparedness, for mitigation, response and recovery, is appropriate within a single agency and that the objective of providing a single point of contact for the States and the local governments is also sound in achieving a capacity to respond to emergencies of all kinds.

Emergency response for the most part has to be handled at the local level.

U.S. Fire Administration

As far as the individual elements of the Agency are concerned, I would like to start with the Fire Administration. Gordon Vickery will elaborate on my opening comments when I have concluded. The Agency was transferred from the Department of Commerce and became a part of FEMA April 1. Its responsibilities for research, data collection and analysis, training and education for the fire service across the country are extremely important functions. It is one of stimulation and assistance to the various elements across the country which are concerned with the basic mission of reducing the losses of life and property which continue from fires.

You mentioned the National Fire Academy. That is one of the accomplishments of the past year. Gordon Vickery and his group have acquired, redesigned, and refurbished the fine campus of the St. Joseph's College at Emmitsburg, Md. They dedicated it on October 8 of last year, and the first class matriculated on January 1. From my academic experience, that was a remarkably prompt and efficient operation. The Academy will be important for the fire service. There will be primary emphasis on fire protection management and fire service technology. It will be there as an important educational and training resource for representatives of the fire service, more than a million of them across the country.

In the fire program, in the course of the past year, emphasis has been given to an attack on the disease of arson which has spread through our communities and is one of the most rapidly growing crimes.

In addition, the Fire Administration has emphasized the importance of reducing the residential fire risks that exist through the development of sprinkler systems, smoke detectors, and other devices.

Federal Insurance Administration

You referred to the Federal Insurance Administration, and I want to comment on the progress that that agency has made during the past year under Gloria Jimenez' direction.

The national flood insurance program is proceeding in a new direction, shifting from a heavy emphasis on the mapping effort to a program of in-depth technical assistance in the areas where there is a high degree of vulnerability to flooding.

In addition there has been initiated a program of State assistance to facilitate the involvement of States in dealing with floodplain management and, generally, in the mitigation of conditions that lead to repetitive flooding.

The insurance program has been through its third year under direct Federal control, under a contract with EDS. The volume in policies in the past 2 years has grown from 1.1 to 1.8 million; and the coverage from $32 billion to $36 billion. In 1979, 90,000 claims were processed, in contrast to 40,000 in 1978.

The new program of direct Federal control has resulted in savings of $15 million the first year and $16 million the second year.

A new feature which will be important in future service in that program is a map information facility which is about to go into operation.

In addition, I would like to comment on the fact that the Federal Insurance Administration has become a partner in considering other issues of an insurance nature that relate to emergency management.

For example, the Federal Insurance Administration is working with the Fire Administration in connection with the insurance problem as it relates to arson. They are working with the mitigation and research organization with respect to earthquake insurance.

Plans and Preparedness

The new FEMA unit that has been created from the former DCPA and FPA also includes other elements of a plans and preparedness nature. It is the unit which Frank Camm heads, Plans and Preparedness. It covers the attack preparedness program, continuity of government, and mobilization planning. These activities in the national security area constitute a continuing responsibility from the earlier agencies, but the program as organized includes planning in other emergency areas as well. This is a unit of FEMA which is directly concerned with providing leadership to the other Federal agencies which have responsibility in the emergency management planning area.

One of the purposes in creating this unit was to provide a coordination of effort across agency lines, so that resources available in

other agencies that related to emergency management, could be synchronized, could be orchestrated, for the benefit of the American people.

Also this unit is the center for the planning effort in conjunction with States and municipalities.

DISASTER RESPONSE AND RECOVERY

Next I would like to make reference to the disaster response and recovery area headed by Bill Wilcox, who is well known to you. Their responsibility is to carry out the authorities of the Disaster Relief Act and to administer the President's Disaster Relief Program.

In the past year, there were 46 Presidentally declared disasters, and anticipated expenditures from those declarations are in the area of $700 million.

It is interesting to note that of the disasters declared, less than 12 resulted in 80 percent of the expenditure, 3 of them, 66 percent of the expenditures.

I would like to point out that not all of the requests received from the Governors gained Presidential approval. There is a careful analysis to assure that the damage assessment reveals that there is need for Federal involvement in a particular disaster. The Federal services are supplementary to those provided by State and local government.

I think it is important also to note, Mr. Chairman, that the responsibility of the Federal Emergency Management Agency through this program is one of coordination of Federal activities. We have recently had a meeting of our key people to prepare more of them to serve as Federal Coordinating Officers. This is the position that is created by the statute which permits a joining together of the various Federal programs in order to meet the needs within Federal authority in a given disaster.

MITIGATION AND RESEARCH

The mitigation and research activity has been identified in order to give proper emphasis to the research effort in the new agency. Rather than continuing a research effort in various other organizations, we have brought it together under Richard Green as a separate entity within the organization. It is a unit that will be concerned with the use of research and development as it exists throughout the Federal government which can be applied to particular situations in the emergency management arena.

This is not an agency that will build an in-house research capability of its own. It will utilize those capabilities that exist elsewhere, and the primary objective will be to utilize research in an application form to reduce the degree of risk and danger that exists in various conditions.

Two specific programs are assigned to this particular office. One is the earthquake hazard reduction program, in response to the Act of 1977 in this area. There is increasing concern about the preparedness for earthquakes, particularly in California, but in other parts of the country as well. This agency has been assigned by the

President the lead responsibility to coordinate Federal efforts to reduce the vulnerability to earthquakes.

The other program is the national dam safety program. This is also in response to Congressional action in that area and a collaborative effort with other agencies of the government in assuring that the dams in this country are equipped to meet emergencies that arise over a period of time.

TRAINING AND EDUCATION

The Training and Education Office has also been identified as a separate unit within FEMA with the fundamental mission of increasing the capability of those who are engaged in emergency management activity. One of the specific steps that has been taken is the creation of the Emergency Management Institute, which will be a co-located element at Emmitsburg on the Saint Joseph's College campus. It will be operated in close collaboration with the National Fire Academy and will involve the transfer of the former civil defense staff college from Battle Creek, Michigan, to Emmitsburg in order to have a consolidated training institution for the Agency.

ADMINISTRATIVE ACTIVITIES

Those are the principal programs. In the course of the year we have obviously been involved in many administrative actions in order to bring about the consolidation of the various agencies which existed in other parts of the Government previously. We have been faced with a number of problems in that administrative process. Probably the most serious problem has been difficulty in securing physical space in which to achieve the consolidation. At the national level, we have been only moderately successful. We have been able to reduce our locations from eight to five. In the regions we have established 10 regional offices in the standard Federal regional centers, and we are in the process of consolidating at those locations.

In some cases there has been resistance to that relocation because of the necessity to move people to new locations.

I would be less than candid if I did not admit some disappointment in the delay in accomplishing some of the administrative actions. I had hoped by the time this hearing came around, it would be possible to indicate that all of the administrative actions necessary to carry out the reorganization had been fully accomplished. I think we are about 92 percent of the way, but the last 8 percent still has to be pursued.

SUPPLEMENTALS

You will notice in our statement that there is reference to two supplementals for fiscal year 1980. I just mention those in passing, and we can devote further time to them if you wish. One relates to a replenishment of the President's Disaster Relief Fund. The funds appropriated for 1980, $194 million, have been virtually exhausted because of the high volume of disaster incidents that have occurred already this year.

A request for a supplemental was submitted some weeks ago in the amount of $314 million. A number of disaster projects have been given conditional approval, dependent upon the availability of funds. It would be our urgent plea, Mr. Chairman, that early consideration be given to that supplemental because there will undoubtedly be outcries from those places around the country now under disaster designation but without the funds that go with the determination.

The second supplemental relates to an assignment given to the FEMA by President Carter on December 7 last with respect to radiological emergency planning. In the aftermath of the Three Mile Island event, the Kemeny Commission studied all aspects of that emergency and concluded among other recommendations that there should be greater consideration given to emergency planning in the offsite areas adjacent to the nuclear generating plants. That recommendation was supported by the President, and the Federal Emergency Management Agency was given the executive assignment of proceeding to work with the States to develop offsite emergency plans for all of the nuclear generating plants for review in accordance with new standards resulting from the Three Mile Island experience, and to have the review of those plans completed by the end of June.

We are proceeding with that program, utilizing some of the planning funds that are available through the existing appropriation, but this has necessitated a reassignment of work which we believe still needs to be done. The amount in the supplemental request is $8.9 million.

REORGANIZATION SAVINGS

In the supporting material accompanying Reorganization Plan No. 3, of 1978, was the claim that the reorganization would produce a reduction in the number of employees from 200 to 300, and that there would be a reduction in appropriations required in the neighborhood of $10 to $15 million. I believe after 8½ months with the Agency that those objectives, over time, are appropriate. We have in the request before you some reduction in the number of employees, and although there is not a total reduction in the appropriation requested, we believe that through the organizational consolidation and the ability that we hope to be able to achieve in the coming year that we can begin to see the achievement of those goals.

You mentioned in your opening comment the difficulty you have in tracking the budget in this appropriation. We share that dissatisfaction. We are in the process of reviewing our programs with the objective this spring of coming up, in conjunction with the OMB, with a new structure which we would like to discuss with you and your colleagues as a more effective way in which to deal with the financial requirements of this Agency, and also to have a closer relationship of the appropriation structure to the management of the programs and the organization of the agency.

So, we share dissatisfaction, and hopefully we can overcome that in the coming year.

BUDGET REQUEST

Now specifically with respect to the fiscal year 1981 request, the total amount is $1,252,591,000. Seventy-eight percent of that is in two funds: $603 million are in the National Flood Insurance Fund. This is a repayment to the Treasury for the funds borrowed in order to meet the needs of this program through last September. The second fund is the one I have referred to in connection with the 1980 supplemental, that is, the President's Disaster Relief Fund. In this budget, the request is for $375,570,000, which was estimated on the basis of experience over the past five years, and the amount that was authorized for the President's budget. If it proves not to be enough in 1981, the process of other years will be followed, namely, the submission of a supplemental.

The balance of $274,021,000 is in two appropriations. One is the appropriation for Emergency Planning Preparedness and Mobilization, and that amount is $160,121,000, which represents an increase of $28.6 million over the previous year. The principal portion of that increase is in what has been traditionally described as the civil defense area. This will be discussed by Frank Camm in greater detail, but I would like to just mention that the approach by the FEMA and the Administration is to follow through with the President's policy decision 41, which, in September of 1978, established the direction for civil defense. The civil defense amount is roughly $25 million above last year, which in real dollars represents about a 12 percent increase, more of an increase than in other programs in the budget.

The focus of that increase is different from previous years because instead of using a shotgun we are using a rifle to focus on the counterforce areas of the country, those areas designated by the Federal government as the location for ballistic missile sites, for SAC bases, and nuclear submarine facilities. Those 51 locations are in 31 different States, and in the proposal that you have before you, we would utilize the augmentation requested in the budget of roughly $25 million to provide a greater degree of protection for the civilian population within the vicinity of those particular locations. We would continue at the present level other aspects of crisis relocation, which is the basic civil defense program at the present time.

The other appropriation is Hazard Mitigation and Disaster Assistance, which includes the funding for the U.S. Fire Administration, the National Fire Academy, the Federal Insurance Administration, and the expenditures necessary to sustain the Disaster Response and Recovery staff. In that particular instance, we are requesting $113.9 million, which is a slight decrease of $6.6 million which is attributable to the change in the flood studies program which I mentioned earlier in discussing the Federal Insurance Administration.

CONCLUSION

So in conclusion, Mr. Chairman, I believe that the budget which is before you and your colleagues on the Subcommittee is a responsible one. We are seeking to repay the borrowing from the Treasury to reacquire the flexibility which the borrowing authority provides us in administering the flood insurance program. We are

requesting what we believe to be a reasonable level of funding to meet our disaster response requirements. We are asking for sufficient funding to demonstrate conclusively the means by which a viable national civil defense system may be developed and implemented. In all other areas of our responsibilities we are holding the line and actively seeking ways in which the available funding can be made to do more.

This, Mr. Chairman, concludes my highlighted summary. It may have taken me longer than if I had read the statement, but I wanted you to have the benefit of my own expression of conviction concerning the importance of this Agency and its programs and the determination that the management of the Agency has to fulfill the objectives set forth by the President and Congress in approving this reorganization plan.

This is our first appearance before you as an agency. I believe we have made progress during the past year. There is still a long road to travel, and we believe in traveling that road. We will endeavor to manage the resources made available to us to meet the needs of the American people in the area of emergency management.

My colleagues are here and prepared to give brief supplementary remarks if that meets with your approval.

[The statement follows:]

I am pleased to appear before this distinguished Committee in support of the President's request for appropriations for the Federal Emergency Management Agency (FEMA) for fiscal year 1981. A great deal has transpired since my colleague, Gordon Vickery, appeared before you last year in support of FEMA's first appropriations request. With the Committee's indulgence, I would like to cover the highlights of the past year's activities before discussing the Agency's plans for the future and the funding necessary to support them.

The Federal Emergency Management Agency was created by Reorganization Plan No. 3 of 1978. That Plan called for the consolidation of five agencies and several Federal programs dealing with preparing for, mitigating, responding to and recovering from a wide variety of emergencies. On April 1, 1979, the first step in implementing the Reorganization Plan was taken in Executive Order 12127 with the creation of FEMA and the transfer of authorities and functions assigned to the United States Fire Administration and the Federal Insurance Administration to the new Agency. These transfers were authorized by the Plan, as was the assignment of Emergency Broadcast System Management, a program transferred from the Executive Office of the President and the Secretary of Commerce. As promised, on July 20, 1979, the President transferred to FEMA, by Executive Order 12148, the programs and authorities relating to civil defense, Federal disaster assistance and Federal preparedness activities. At that time, my nomination as Director of the new Agency was before the Senate, and after confirmation, I assumed the assigned duties on August 1.

I moved immediately to complete the selection of FEMA's top management team, and I am proud to introduce them to you today. They are: Gordon Vickery, United States Fire Administrator; Gloria Jimenez, Federal Insurance Administrator; Frank Camm, Associate Director, Plans and Preparedness; William Wilcox, Associate Director, Disaster Response and Recovery; and David McLoughlin, Assistant Director, Training and Education.

While the budget justification generally describes the activities and functions for which this staff is responsible, I would like to take a few minutes to cover representative activities in their respective areas over the past several months.

UNITED STATES FIRE ADMINISTRATION (USFA)

One of our important responsibilities is the conduct of the Fire Prevention and Control Programs authorized by the National Fire Prevention and Control Act of 1974. This legislation authorizes a comprehensive Federal program of fire services

support through research, data collection and training and education, and has made a very strong contribution to FEMA's emergency planning, mitigation and response functions.

I was pleased to be present for the official opening of the National Fire Academy in Emmitsburg, Maryland on October 8, 1979, and even more pleased that we met our schedule for matriculation of the first class on January 21, 1980. We have conducted a complete review of the course offerings, program objectives, and target audience needs. As a result, the educational program for fiscal year 1981 will emphasize two major program areas: fire protection management and fire service technology. The Academy will continue its emphasis on student instructors who can return to their communities as "change agents." An Academy outreach program is also being developed to provide increased educational and training opportunities for those fire service personnel not attending resident instruction. The outreach program will be delivered through existing State training facilities to include local colleges and universities. Principal beneficiaries of this outreach program will be the volunteer fire service community.

In January of this year, the USFA held its Fifth Annual Conference in New Orleans, with arson prevention and control as its central theme. The United States Fire Administration also presented a report to the Congress titled, "Arson, the Federal Role in Arson Prevention and Control," which outlined actions required in management of arson prevention programs, investigation and prosecution of arson, removal of economic incentives to arson, and dealing with psychologically-motivated arsonist. We are fulfilling our responsibility for emergency management by coordinating the Federal anti-arson efforts.

While arson is a priority, the major fire problem in terms of life loss continues to be the residential fire. In this area, we are pursuing such activities as development of low-cost residential sprinkler systems, continuing work to improve the reliability of smoke detectors in residences, using senior citizens to conduct home safety surveys, holding public fire education programs and continuing analysis of upholstered furniture ignitions.

The United States Fire Administration, in cooperation with other organizations, is working to improve fire-fighter safety and health in such areas as protective clothing and equipment, hazard identification in the fire-fighting environment, burn prevention education programs and the physical fitness of fire fighters.

Cost-effective fire protection is ultimately achieved at the local government and individual level, and involves two major types of activity; a good definition of the nature of the fire problem and the delivery of fire prevention and public education programs to attack the problem. We are addressing the former requirement through the activities of the National Fire Data Center and the latter through USFA's Office of Planning and Education.

FEDERAL INSURANCE ADMINISTRATION (FIA)

With Gloria Jimenez's leadership, we are instituting a dramatic change in the National Flood Insurance Program (NFIP), authorized by the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended. We are redirecting emphasis from what has been largely a mapping effort to an in-depth technical assistance effort—concentrating on communities that have both a substantial flood potential, and considerable flood plain development or pressure for such development. We anticipate, as a result of this effort, a reclassification of the flood prone status of 7,000 to 10,000 communities and an overall reduction in future study costs of around $300 million.

A facet of this program redirection is a State Assistance Program to aid State and local governments in understanding more fully the actions required to meet the objectives of the NFIP. Also, we are undertaking a program this year to implement Section 1362 of the National Flood Insurance Act of 1968, as amended, to reduce the amount of property exposed to the hazard of recurring floods.

The insurance component of the NFIP is now in its third year of operation under direct Federal control. Over the past two years, the number of policies has risen from 1.1 million to 1.8 million, with coverage going from $36 billion to $72 billion. We received 90,000 claims in 1979, compared with 40,000 in 1978. Claims in the last two years represented, in dollar terms, 68 percent of all claims incurred in the NFIP's ten year history. Despite this increase in activity, Federal operation of the program has produced savings of $15 million in the first year and $16 million in the second year, with no sacrifice in the quality of service.

In a further move to improve the level of service, we are developing a map information facility designed to ultimately replace the existing system of map

distribution to lenders and agents. We anticipate that this will permit us to provide more accurate information on a more timely basis to lenders and agents.

As a prime example of the types of benefits which the President expected to accrue from this reorganization, FIA and USFA have jointly been working closely with insurance industry groups to adopt appropriate measures to assure that FAIR (Fair Access to Insurance Requirements) Plans—administered under FIA's Urban Property Insurance Programs—do not contribute to arson-for-profit schemes, and to provide appropriate early-warning indicators that arson may be contemplated.

PLANS AND PREPAREDNESS OFFICE

The creation of FEMA has provided the President with an organization to deal effectively with all aspects of civil protection and readiness in consonance with national security concerns. Under the Reorganization Plan and Executive Orders 12127 and 12148, FEMA is charged with a comprehensive set of responsibilities for civilian emergency readiness stemming from the Federal Civil Defense Act of 1950, the National Security Act of 1947, the Defense Production Act of 1950, the Strategic and Critical Materials Stockpiling Revision Act of 1979 and other statutes.

We have seen recently a heightened interest in the national security programs for which FEMA is responsible, and an increased commitment to move on with attack preparedness, continuity of government and mobilization planning programs.

Within FEMA, we have organized to consolidate in the Plans and Preparedness Office all of our authorities for emergency readiness at the Federal, State and local levels. This will enhance the effectiveness of Federal emergency programs and assistance, and simplify and streamline our efforts to support State and local initiatives for comprehensive emergency management.

An important outcome of this action is FEMA's capability to use its resources effectively in averting all forms of disaster which confront our nation—a specific purpose of the Congress and the President in establishing this Agency. As an example, the President, in responding to the recommendations of the Kemeny Commission on the accident at Three Mile Island, directed FEMA to assume responsibility for offsite nuclear emergency planning and response, in recognition of the relevance of this activity to the ongoing nuclear attack preparedness programs which are also a part of our charter.

DISASTER RESPONSE AND RECOVERY OFFICE

I need not dwell at length with this Committee on our recent history in administering the President's Disaster Relief Program under the Disaster Relief Act of 1974. Suffice it to say that in the year FEMA has been in existence, there have been 46 Presidentially-declared disasters and emergencies, with total estimated requirements for these declarations exceeding $700 million.

The larger and more costly of these include Hurricane David and Frederic and the mudslides and flooding in California and Arizona. However, it is interesting to note, especially in this budget-conscious year, that of the 46 declarations, fewer than a dozen account for 85 percent of the disaster relief funding requirements.

Only three declarations comprise 66 percent of these requirements. This testifies to the supplemental nature of the Disaster Relief Act and, additionally, validates the role of the individual State in this effort.

Clearly, Federal disaster assistance is going where it is most needed. This is partly due to the fact that only needed assistance programs are activated in some cases, and partly because not every request for assistance results in a declaration. Because of the supplemental nature of this program, of the 70 requests received since April of 1979, only 42 resulted in a major disaster declaration, three resulted in emergency declarations, and seven were granted for fire suppression assistance.

The combination of the Federal disaster response authorities and flood plain management and mitigation authorities in one agency holds promise for major steps to assure that, after a disaster, the future vulnerability of the stricken area is significantly reduced. Disaster Response and Recovery and the Federal Insurance Administration are working together to encourage disaster-stricken communities to correct previous land use problems.

MITIGATION AND RESEARCH OFFICE

This Office is the focal point for our research and development activities. Its work is directed at increasing the capabilities of the United States to predict, prevent and respond to emergencies and disasters and to recover from their impact. The Office manages research activities which relate to the entire spectrum of FEMA's responsibilities—from natural hazards to nuclear attack.

One major set of responsibilities which were assigned to FEMA upon its creation were those relating to the Earthquake Hazards Reduction Act of 1977. Through Mitigation and Research and other FEMA offices, we are discharging assigned responsibilities to provide overall coordination of the National Earthquake Hazard Reduction Program, to examine the appropriate role of insurance in mitigating the impacts of earthquakes, and to develop response plans and provide assistance to State and local governments in doing the same. Because of the nature of the threat and the potential magnitude of the catastrophe, we are presently devoting particular attention to earthquake hazard reduction activities in California.

In addition to these activities, FEMA is charged with providing guidance and oversight to the National Dam Safety Program.

TRAINING AND EDUCATION OFFICE

It is not my background in education alone that brought me to establish such an organizational unit in FEMA. As a practical matter, FEMA has very few operating programs. Much of what the Agency is tasked to do depends upon its ability to marshal and coordinate the application of resources—human, financial, and material—which reside in other Federal agencies, in other levels of government, and in the private sector. Training and education is a major portion of the foundation upon which we must build preparedness and response capability throughout the nation.

Over the last several months, we have done substantial work to identify the potential audiences for our training activities and the appropriate messages and delivery mechanisms. We are proposing to signify our new approach to training through establishment of the Emergency Management Institute, which will build on the former Defense Civil Preparedness Staff College, but which will have a considerably broadened training mission, a difference in focus and approach, and a new location—sharing the facilities of the National Fire Academy in Emmitsburg, Maryland.

OTHER ACTIVITIES

Since I became Director of FEMA, my associates and I have devoted considerable time to meeting and engaging in substantive discussions with the wide range of groups which have an interest in or are directly affected by FEMA's activities. Given the nature of the program and organizational changes involved in the creation of the Agency, I believe it fair to say that some "creative tensions" developed between us and some of these groups as we more carefully define and focus our program activities and directions. We do not take lightly the difficulties involved in melding a number of programs into a coherent whole, but I believe we have established open channels of communication with concerned interest groups that will provide for a healthy airing of views as our efforts proceed.

AREAS OF CONCERN

I do not wish to leave the Committee with the impression that the past year has been one of unequivocal success—there have been and continue to be problems as well. A fundamental issue with which we have been wrestling since before the Agency was formed and which we have not yet solved completely is the problem of space. The regional structure of the new Agency was spread among thirty separate locations. We are still trying to implement our plans to reduce this number to sixteen.

In the Washington, D.C. area, we have made some progress in reducing what were originally eight locations to five. The funding estimated to be required to complete these efforts, and to undertake the relocation and establishment of the Emergency Management Institute, is the subject of a reprogramming request which is now before the Committee. Additionally, I have found that there was insufficient recognition of our travel requirements in the fiscal year 1980 presentation to the Committee. We neglected to identify travel costs for field engineers now on our staff whose travel was previously paid by the Army, and reimbursed under a contractural arrangement, nor did we specifically estimate the travel requirements related to disaster area response and recovery operations which, by agreement, are not to be charged against the Disaster Relief Fund. The Committee will be presented with a request to raise the legal ceiling on FEMA travel costs in light of this situation.

With full recognition of the budget problems faced by the Congress and the Administration, I regret the inability to have moved more rapidly on fiscal year 1980 supplemental requests for disaster relief and radiological emergency planning activities. Uncertainty over the time when funds may be available has markedly slowed our efforts to meet the President's radiological emergency planning assign-

ment, and has generated considerable strain in the management of our rapidly-dwindling disaster relief funds. I urge the Committee to complete action on these requests as rapidly as possible.

SAVINGS FROM CONSOLIDATION

In transmitting Reorganization Plan No. 3 to the Congress, the President endorsed the assessment of his Reorganization Project that the consolidation should result in savings of 200–300 permanent positions and $10–$15 million. I believe this to be a reasonable goal to achieve, over time, but the budget which you have before you does not reflect savings of this magnitude, for several reasons.

First, the President made a commitment to the career civil service that no Federal employee would lose a job as the result of the reorganization. We have adhered scrupulously to that commitment. Second, the realization of savings must follow the achievement of a comparative degree of organizational consolidation and stability. I have already alluded to our situation regarding physical consolidation.

We have made important beginnings, however, and efforts are now underway which hold potential for markedly increased efficiencies in the operation of our programs. The budget before you reflects fewer positions than were transferred to FEMA upon its formation. We have provided for a field representative for fire programs in each of our ten regions without increasing ceiling. We are pressing forward with further development of the Combined Application and Verification Process (CAVP) for Individual Disaster Assistance, which will provide a single application form in place of at least 16 application, verification and certification forms presently in use by three separate programs—SBA home and personal loans, Federal and State temporary housing, and the State individual and family grant program—and as a result, will also eliminate approximately 20 percent of the staff required when the three programs were carried out independently.

We have established a career-ladder job series in our regional offices that will provide our people, after appropriate training, with the opportunity to expand their work experience to encompass a number of different program areas and permit us to make more efficient use of individuals' skills in meeting regional program requirements. We are also undertaking an effort to streamline our assistance processing and administration systems to reduce paperwork and provide more efficient service to the recipients.

I look forward, with confidence, to being able to report marked progress in this area at next year's hearings. I note, however, that the successful completion of some of these initiatives may not be directly reflected as an absolute reduction in the budget totals. They will represent a more efficient or heightened level of service within the budget totals—a form of savings not easily documented, but savings nonetheless.

APPROPRIATION STRUCTURE

In a preliminary effort last fall and in a more focused process now underway, we have been devoting considerable time to the more precise identification and interrelationship of FEMA's programs. I am not satisfied that the present appropriations structure is the best reflection of these programs, and I understand that the Committee may share this view. As we finish our spring program review, we will be consulting with the Office of Management and Budget and the Congress on possible alternatives to the present structure. We proceed in this effort mindful of the concern of FEMA's numerous legislative Committees that we not impair their ability to carry out their responsibilities in the funding process.

FISCAL YEAR 1981 APPROPRIATIONS REQUESTS

I am here today to support appropriations requests of $1,252,591,000. Of this total, 78 percent is for two funds administered by FEMA; the National Flood Insurance Fund, for which $603,000,000 is requested, and the President's Disaster Relief Fund, for which $375,570,000 is requested. The remaining amount, $274,021,000, is requested for the Emergency Planning, Preparedness and Mobilization appropriation ($160,121,000) and the Hazard Mitigation and Disaster Assistance appropriation ($113,900,000). I would like to discuss each of these, in turn.

NATIONAL FLOOD INSURANCE FUND

The National Flood Insurance Program is financed by a Fund established in the Treasury pursuant to the Federal Flood Insurance Act of 1956, as amended. Premiums from flood insurance policies are deposited in the Fund and disbursements for the settlement of flood insurance claims are taken from the Fund.

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In recognition of the fact that flood insurance would be provided initially on a subsidized basis and that, accordingly, the premium income would not cover losses and expenses, the Congress authorized borrowing from the Treasury in the amount of $500 million, with an additional $500 million to be available with approval of the President and notification to the Congress. The second increment of $500 million was requested during fiscal year 1979. We are requesting an appropriation to repay the first $500 million, plus $103 million which was then estimated to be the amount required through September 30 to meet the requirements growing out of Hurricanes David and Frederic.

I understand there is congressional interest in controlling the administrative expenses of the National Flood Insurance Program. I suggest that the use of appropriated funds to achieve this control is not equitable to the general taxpayer. My plan is to increase the expense portion of the flood insurance premium by January 1, 1981, to fully support the administrative operations. By doing this, we will be charging the direct beneficiaries of the program, the policyholders, and I believe will provide the control incentive that Congress desires. The rate will be periodically reviewed by our actuary and revised accordingly. Further, we plan to come to you annually for appropriations to repay our outstanding indebtedness to the Treasury. This will give the Committee an opportunity to review the administrative costs of the program.

DISASTER RELIEF (FUNDS APPROPRIATED TO THE PRESIDENT)

The request of $375,570,000 for fiscal year 1981 is based on an average of disaster experience over the past several years. Recognizing that inflation continues to have an effect and also that averages are fallible, as attested by this year's experience, it is always possible that additional funds may be required during 1981. If so, we will promptly submit a supplemental request. As the Committee requested, we have examined alternative approaches for estimating the level of funding required and alternative mechanisms for making funds available. We are left with the conclusion that, when trying to predict acts of nature, there is no permanently satisfactory solution.

EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION

We are requesting $160,121,000 for the Emergency Planning, Preparedness and Mobilization Appropriation—an increase of $28,561,000 over the total amount anticipated for fiscal year 1980.

Of this increase, $25,005,000 relates to requirements associated with the development of improved civil defense capabilities on a demonstration project basis in jurisdictions near strategic offensive military installations ("counterforce" areas). Under this approach, rather than trying to do a little more of everything, everywhere, we will focus our efforts on specific areas where results can be most definitive and helpful. I hasten to point out that this does not mean we will focus on these areas to the exclusion of others—we will continue our ongoing programs across the nation. In fiscal year 1981, however, we plan, by concentrating our efforts, to demonstrate conclusively the efficacy of the civil defense system which we would propose to install nationwide.

The remaining increases in this request relate to increased staff support costs, an increase in funds requested for research and systems development for activities not related to civil defense programs, and funds to cover leased communications tariff increases.

While this represents the increases requested for fiscal year 1981 the appropriation also supports activities relating to Federal continuity of government, general emergency planning, preparedness and management activities, and emergency resource planning.

HAZARD MITIGATION AND DISASTER ASSISTANCE

The request for the Hazard Mitigation and Disaster Assistance appropriation in fiscal year 1981 is $113,900,000, a decrease of $6,654,000 below the fiscal year 1980 amount, including the pay supplemental request. This occurs as a result of the redirection of the Flood Insurance Program which I referred to earlier and a correlative savings estimated at $7.9 million, which is offset primarily by staffing cost increases. The appropriation funds the activities of the Federal Insurance Administration, the United States Fire Administration and the National Fire Academy, the flood studies and surveys activities just referred to, the continuing disaster response and recovery activities and FEMA's executive direction and support staff costs.

SUMMARY

I believe the budget request for FEMA is a responsible one. We are seeking to repay our borrowing from the Treasury to reacquire the flexibility which borrowing authority provides us in administering the National Flood Insurance Program. We are requesting what we believe to be a reasonable level of funding to meet our disaster response requirements. We are asking for sufficient funding to demonstrate conclusively the means by which a viable national civil defense system may be developed and implemented. In all other areas we are holding the line, and are actively seeking ways in which the available funding can be made to do more. This concludes my prepared statement, Mr. Chairman. My staff and I will answer any questions the Committee may have.

Mr. BOLAND. Thank you very much, Mr. Macy. We will get into the areas which your colleagues have jurisdiction over. Your statement is fine. When we get a lengthy statement, we ask for a highlight, and the highlights usually take longer than reading the written statement.

Mr. MACY. I hope the highlights were illuminating.

SIGNIFICANT ACHIEVEMENTS

Mr. BOLAND. As you indicated, this is not an easy task, to consolidate five agencies. I would think the consolidation of any agencies, whether on State, local, or Federal level is a difficult task because there are so many areas and individuals which have to be considered. But that was the purpose of the Reorganization Plan No. 3, to bring together these activities into a single cohesive unit. The reorganization that you have been effecting during your 8½ months as director, appears to be traveling in the right direction.

This Agency now has been in operation for a year. What would you point to as the most significant achievement or accomplishment you have experienced over that period of time or are there any? The savings are not there yet. The $10 to $15 million savings that the President projected when he recommended this reorganization in 1978, will not be realized for some time. You have reduced personnel partly through the diminution of personnel, by 11 permanent positions in this budget for fiscal year 1981. I would not expect there to be much of a reduction in personnel for a while.

Mr. MACY. I think the reduction will tend to be obscured because in the course of time, there will be additional programs and functions assigned to this Agency. One of the illustrations is the use of the Agency to take leadership in the emergency planning for offsite areas adjacent to nuclear generating plants. So there will be a tendency to see this Agency as a leadership element and as other emergencies are identified, to assign those responsibilities to it.

Mr. BOLAND. Are you are saying you will achieve greater productivity?

Mr. MACY. Exactly, and that is the primary intent. We believe by bringing together these agencies, we can develop an emergency management profession which will involve a number of different programs and gain greater utilization and greater productivity.

Mr. BOLAND. That is the purpose of it, and that purpose is one that is laudable, of course, and it has been a long time in coming.

The ability of this one Agency, FEMA, to audit, supervise, to control the various functions spread among many agencies into this

one particular agency, will result in better utilization of the programs themselves and a savings for the government.

What about achievements? Are there any notable achievements?

FIRE ACADEMY AND ARSON PROGRAMS

Mr. MACY. I think the Fire Academy and the initiation of the arson program by the Fire Administration with support from FEMA.

Mr. BOLAND. There is a lot of rhetoric, but I do not see a lot of action.

Mr. MACY. We worked with LEAA in the development of some grants to States.

Mr. BOLAND. How are you doing with LEAA?

Mr. MACY. I think Gordon Vickery did remarkably well in convincing them they should place some of their money into the arson program.

Mr. BOLAND. Have you any idea how much LEAA spends in trying to control arson?

Mr. VICKERY. Nine million dollars this year.

Mr. BOLAND. What do they do with the $9 million?

Mr. VICKERY. Most of the programs are being coordinated by the U.S. Fire Administration and FEMA. There are a number of effective programs. In New Orleans this January we brought together for the first time all the people involved in the arson problem, prosecutors, judges, police, firemen——

Mr. BOLAND. This problem is nothing new. Why was this not done before? We have been in the area of trying to solve the arson problem before FEMA was established. When was the Fire Administration established?

Mr. VICKERY. Five years ago.

Mr. MACY. What I am saying is, the presence of FEMA assisted in activating that program, providing support, coordinated it with other agencies of the Federal government, and brought into focus a concern about the arson issue. Materials have been developed, and training programs provided. We now have particular emphasis on arson at the Fire Academy.

Mr. BOLAND. You do not train the arsonists on how to start the fires, do you?

Mr. MACY. We try to train to detect arsonists.

Mr. VICKERY. We have six major programs through LEAA and some through the Fire Administration. In 100 cities, we are bringing together individuals in an arson task force concept; 100 separate groups are working nationwide in addressing this problem and bringing together important elements in their communities.

In Boston, we have developed the "early warning arson system." The concept that worked up there is now being adapted in other cities.

Mr. BOLAND. Where are the greatest incidents of arson?

Mr. VICKERY. In Chicago. Those who may have seen "20-20," that was an example of what is occurring. It did not have the attention it had been getting in other cities from LEAA and ourselves. I am speaking from a long-time experience in having problems with police chiefs. If there is one single thing that has been

achieved in the relation to FEMA, LEAA, and the U.S. Fire Administration, this has provided for the first time a cooperative effort among all elements of criminal law enforcement activity.

Mr. BOLAND. I think that a cooperative effort is good; getting those involved in this problem to talk to each other.

What else?

PROGRAM REDIRECTION

Mr. MACY. I think there has been substantial achievement in the flood insurance program, in the efforts to bring about action in the local communities, to move structures out of the flood plain where there is frequent flooding. I believe the development of the map locator facility which I referred to is a significant step forward in facilitating——

Mr. BOLAND. It would seem to me—in your statement, you say we are redirecting emphasis that has been largely a mapping effort to an in-depth technical assistance effort.

Why are you doing that?

Mrs. JIMENEZ. If we do not do that, help the communities understand what it means to control the development in their flood plains, the crazy development which has taken place in this Nation will continue. We need to educate the communities on how to develop away from the flood plains and to identify structures that should be relocated out of there.

Mr. BOLAND. Are you reducing your mapping function?

Mrs. JIMENEZ. Substantially. This year we are only going to start about 330 studies.

Mr. BOLAND. In your opening statement, you say, "We anticipate, as a result of this effort, a reclassification of the flood-prone status of 7,000 to 10,000 communities and an overall reduction in future study costs of around $300 million."

Can you elaborate on that statement?

Mrs. JIMENEZ. The essential budgetary meaning of that is that we will not have to map those communities. The cost of mapping has skyrocketed. It costs us about $55,000——

Mr. BOLAND. When you are talking about reclassification, what are you saying?

Mrs. JIMENEZ. They do not have serious flood problems. Some are terribly small communities.

Mr. BOLAND. So, there is no necessity for mapping them?

Mrs. JIMENEZ. Absolutely not.

Mr. MACY. Previously, the idea was to map the whole United States.

Mr. BOLAND. We went into this before FEMA came into existence a year ago when we had the Insurance Administration up before us, as you well know.

Mrs. JIMENEZ. It is simply not cost-effective to study all those communities.

Mr. BOLAND. All right. That is the second achievement. What is the third?

Mr. MACY. Insofar as disaster assistance is concerned, I think the effort Mr. Wilcox and his people have given in response to emergencies has been noteworthy. The principal incidents were hurricanes David and Frederic on the Gulf Coast, where the response

was prompt and there was a high degree of collaboration. Obviously, you never have 100 percent satisfaction, but they were faced with a number of special problems which came up in that particular disaster, as they do in all disasters.

So, I think as we were moving ahead to consolidate and create the new Agency, we were able to administer the ongoing program in the disaster area in a more effective way.

Illustrative of that is the combined application form which is an effort to bring together in a single official document the information requirements of a number of different agencies. This has been tested during the past year in three different emergencies. We need one further test, and hopefully this will become a part of our regular practice. This gives a more sympathetic approach to a victim in a disaster and also facilitates the securing of the necessary information in order to comply with the statutes.

Mr. BOLAND. I do not think anybody can quarrel with the way the Federal disaster response and recovery program is working. That is one activity I think we can take great pride in.

You have some legislative proposals with respect to Disaster Response and Recovery. Have you submitted those proposals to the Congress?

LEGISLATION

Mr. WILCOX. These proposals have been reviewed in the Federal Emergency Management Agency and forwarded for further review by the White House. Hopefully they will be forwarded to Congress on a timely basis in the near future.

Would you like me to outline them?

Mr. BOLAND. Just briefly. Are there many proposals?

Mr. WILCOX. I believe there are two or three important ones. First, we are proposing that there be more substantial and more explicit cost sharing by the States and in some cases by the local governments in the disaster response costs with respect to permanent restorative work for damaged public facilities.

We would estimate that that change by itself would do two things: First of all, it would encourage a little more restraint on the part of local and State governments in asking for Federal assistance. It is always very easy to ask for 100 percent of anything. But when you are asking for 75, you may be just a little more constrained.

Secondly, even if there were to be no cutback of the type I have just described, we have determined that it would save about $50 million in a typical disaster year, more some years than others.

Among the other legislative proposals, one would reduce the auditing requirements. We are spending an enormous amount of administrative money in auditing small disaster projects. We think that is not really necessary and there are other ways of assuring those checks.

Mr. BOLAND. Off the top of your head, do you have any idea what the total cost of small disaster projects runs to on an annual basis?

Mr. WILCOX. The administrative auditing costs?

Mr. BOLAND. Not only the auditing costs, but the total cost to the government.

Mr. WILCOX. Small disasters cost relatively little because, as Mr. Macy indicated, of the 46 declarations, fewer than one dozen accounted for 85 percent of the disaster funding requirements; three comprise 66 percent. So a large percentage of them cover a comparatively small amount of money, perhaps as little as $3 or $4 million per disaster, not that that is a small amount, but comparatively it is.

Mr. BOLAND. What are you going to do with respect to auditing the small disaster requests or activities?

Mr. WILCOX. The present stipulation is that when the total community application is under $25,000 in cost, it need not be audited by the Federal government.

Our proposal is that each individual project under $25,000 be exempt from the Federal auditing requirements because we are spending large amounts of money in auditing these small project applications, and we believe we could save several million dollars a year by not auditing these small projects.

It is not the disasters which would not be audited. It would be the small project applications from local governments. I will supply additional information for the record.

[The information follows:]

DISASTER ASSISTANCE

Section 419 was based on earlier studies by the Office of Emergency Preparedness when that office was responsible for the program. Those studies indicated that 73 percent of the Project Applications (representing all of the individual projects for a local government applicant) approved by that agency over a four-year period were for damage in amounts of less than $25,000. At the same time, these applications accounted for less than 10 percent of the funds obligated for public assistance. Section 419 provides an "in lieu contribution" for applicants which have sustained damage eligible for reimbursement under Section 402, and for requirements for emergency measures and debris removal under Sections 306 and 403 of the Act, respectively, provided that the total eligible for such reimbursement is less than $25,000. The section gave the local government flexibility in the use of disaster relief funds without the added onus of complicated recordkeeping and audit. This was because the funds which were received for a number of different losses could be used by the State or locality either for Section 402 purposes (repair, reconstruct, restore or replace public facilities), for some, or all of the damaged facilities, for Section 306 (emergency work), Section 403 (debris removal) or any combination as it saw fit. With inflation that has occurred since Public Law 93-288 was enacted in April 1974, the $25,000 limitation in Section 419 provides less disaster assistance to an eligible grantee now than was originally intended.

In addition, the eligibility of debris removal and emergency work under Sections 403 and 306 is based directly upon the fact that such work is considered in the public interest or necessary to save lives and to protect and preserve property, public health and safety. However, it is not reasonable to give an applicant the option of accomplishing such necessary work, or leaving it undone and spending the funds on other projects. This can be done under the current Section 419. In other words, if there is room for an alternate decision concerning how those funds should be spent, then the work is not eligible as emergency work under Section 306 and may not be in the public interest under Section 403. Particularly for smaller projects of permanent restorative work, the wisdom is questionable of approving Federal funding for such work and permitting the grantee to use this funding for other projects that are not disaster-related.

Development of an Automated Public Assistance System has now enabled FEMA to manage grants on an individual project (line item) basis and accumulate statistics for individual Damage Survey Reports. Such experience indicates that individual projects (line items) under $25,000, based on a recent sample, comprise about ninety-two percent of all approved individual projects and represent approximately thirty-two percent of the total funds obligated for public assistance grants.

An appropriate legislative change to place the $25,000 on an individual project basis would enable FEMA to focus increased attention on the management of fewer

individual projects but those which represent the bulk of funds obligated. It would also enable FEMA to concentrate on reducing the excessive time consumed by applicants on larger restoration projects with the attached cost increase due to inflation (such as the California hospitals destroyed in the 1971 earthquake). It is estimated that significant savings would also accrue to eligible grantees (State and local government and private non-profit grantees) due to reduced administrative costs for projects under $25,000, and concurrently enable them to focus attention on the significant larger dollar value project.

Adequate safeguards could be built into the system, including appropriate regulatory safeguards. These would include a requirement for the grantee to submit a listing of all completed projects to FEMA with the Regional Director retaining the option of performing final inspection and audit on selected projects.

Mr. BOLAND. These appear to be proposals that sound like they would add effectiveness to the program in some ways. As the director's statement indicates, 70 requests were received since April of 1979 for major disaster declarations and only 49 were honored.

Mr. WILCOX. It says 46 here, Mr. Chairman. Actually, since this was typed there was one additional one.

Mr. MACY. We have one every day, it seems.

Mr. BOLAND. You could have one every hour on the hour from some State Governors.

Mr. WILCOX. We anticipate as many as possibly 6 right now from 6 different States.

APPROPRIATION LANGUAGE

Mr. BOLAND. Every time some phenomena occurs the immediate decision is to declare it a disaster area. You see it all the time.

Some of the legislative proposals with respect to local contributions might be a good one. As you know, oftentimes the appropriation bills are passed before the Authorization committees act upon legislation affecting particular programs.

What about a limitation in the appropriation bill concerning local contributions? We could always include a limitation indicating there ought to be a contribution on the part of local communities. That is what you want, isn't it?

Mr. WILCOX. Do you mean a floor?

Mr. BOLAND. No. I mean limiting the amount of money that can be spent by your shop and insisting on a——

Mr. WILCOX. I think that would probably be a mistake because it is the really big disasters where the greatest needs occur.

Mr. Macy mentioned Hurricanes Frederic and David. Three States which had disasters in connection with those two hurricanes represented 66 percent of the funds that he referred to in his testimony. So I think a dollar ceiling would be unwise.

The legislation is quite good with respect to this matter at the present time in that it requires that the Federal government role be supplemental and that the President find that the situation is beyond State and local capabilities.

There are various formulas that could be developed with respect to State and local contribution. We would be happy to engage in any staff discussions on it.

TOP MANAGEMENT STAFF

Mr. BOLAND. Let me ask you about your success in hiring people for the Agency's top management positions. I understand there are 8 out of 17 top positions that have not been filled. Is that correct?

Mr. MACY. No, that is not correct. I don't know where that figure came from. There are 2——

Mr. BOLAND. The Government Accounting Office noted that as of December 4, 1979, 8 of the 17 top positions were vacant? Was that correct?

Mr. VOLLAND. As of the time of the GAO report.

Mr. BOLAND. What about the situation now?

Mr. VOLLAND. Subsequently, all have been filled.

Mr. MACY. You apparently have more knowledge of what figures they used.

Mr. BOLAND. What about now? How many of those 17 positions are now vacant as of the end of the last month?

Mr. MACY. As the Director of the Agency, I will say there is one Presidential appointment that is vacant at the present time. That is that of the Deputy. There is one staff position as Equal Employment Officer vacant, and there is one regional directorship that is vacant. Beyond those three I do not know of what they speak.

Mr. BOLAND. That is fine. Apparently you have filled some positions since the GAO reported on December 4 of last year.

Mr. MACY. Oh, yes.

TRANSFER OF FUNDS

Mr. BOLAND. On November 21 you wrote to me advising of the Agency's intention to use funds for purposes not set forth in the 1980 budget submission. Of course, you are aware that the Committee's 1980 Report limits transfers of funds among the components of FEMA to $250,000 without prior approval of the Committee.

I presume you are abiding with that guideline, correct?

Mr. MACY. Yes, indeed.

Mr. BOLAND. And by that limitation?

Mr. MACY. The intention of the letter of November 21 was to advise you of the plans that were in process then to transfer the Staff College of Civil Defense from Battle Creek to Emmitsburg, Maryland, and the funds that would be reprogrammed in order to accomplish that relocation.

Mr. BOLAND. And also to indicate the proposed realignments. How many locations and people will be involved in that proposal?

Mr. MACY. The relocations that remain to be accomplished are at three different sites. One is the relocation in order to complete the Region 3 consolidation in Philadelphia. The activities of the civil defense program have been at Olney, Maryland and the view is to consolidate that staff in the Federal regional city of Philadelphia.

A second is a transfer of some 22 people from Battle Creek, Michigan to Chicago in order to consolidate the program staff there.

And a third proposal that has been deferred until a later date is a transfer of some 26 personnel from Thomasville, Georgia which was the location of the Defense Civil Preparedness Agency previous to the regional headquarters being in Atlanta.

In that particular instance we have indicated that we will not transfer any personnel not wishing to make the move while we further study the consolidation in Atlanta.

Our objective in all of the regional locations was to bring together the various agencies in the Federal regional city in order to have the benefit of combined use of their talents and, secondly, to have a location which was adjacent to the regional offices of other agencies in order to carry out our coordinating responsibility for the Federal government at large.

In the other 7 locations it has been possible to accomplish these moves without an extensive movement of personnel. Our objective is to reduce our locations from 30 to 16. We will continue to operate the 6 Federal Regional Centers which are the centers which were established by the Civil Defense Agency, hardened sites that could be used as alternate locations.

We will continue to use them as alternate locations and we will man them with communciations and engineering personnel working in conjunction with the regional offices.

Mr. BOLAND. What about the transfer of the former Defense Civil Preparedness Agency's Staff College from Battle Creek, Michigan to Emmitsburg, Maryland. How many people are currently working at the Staff College in Battle Creek?

Mr. MCLOUGHLIN. There are 27.

Mr. BOLAND. How many do you estimate would relocate to Emmitsburg?

Mr. MCLOUGHLIN. We expect the administrative and secretarial staff will probably not move. There probably will be about half of them, between 13, 14 or 15.

Mr. BOLAND. You indicated the total cost of relocation would be $3 million. Is that estimate holding now?

Mr. MCLOUGHLIN. The relocation costs for the equipment and staff are about $360,000.

Mr. MACY. The balance of the cost is for additional improvements at the Emmitsburg site, renovating facilities.

Mr. BOLAND. The total cost for reallocation would be $3 million, including $2.7 million for renovating the facilities. Is that still a valid estimate?

Mr. MCLOUGHLIN. Yes, sir.

Mr. BOLAND. Have you identified the 1980 programs that you would propose not to fund in order to accommodate the relocation?

Mr. VOLLAND. For the movement of the regional offices, we are proposing to take funds from the flood studies and survey activities and from the funds currently available for Disaster Relief Administration. For the movement of the Staff College and the activities at Emmitsburg, we plan to use funds which are available now for information and education activities in the Emergency Planning, Preparedness and Mobilization appropriation.

Mr. BOLAND. Mrs. Boggs?

DISASTER RESPONSE

Mrs. BOGGS. Mr. Chairman, thank you.

I have just come from an underwater location to report to you very wearily about the success of the coordinated efforts that I see

and the difference in this disaster from what I have seen in previous ones.

The coordination is working splendidly. I think that you will find that many of the estimates of damage and all of the problem areas that you have mentioned, dealing with damage reporting will be expedited and improved because the disaster administrator for the region, Mr. Winkle, was able to come over immediately and set up a command post, was able to coordinate with State and local officials and all the various agencies encompassed in FEMA, to have an on-site inspection.

We had difficulty because we could not get there by land and tornadoes in the area made it difficult to get aloft in the helicopter. Finally, though, with the cooperation of the State police, we were able to get a sufficiently large helicopter to survey the damage at its peak and immediately identify areas of potential difficulty and to be able to then coordinate all of the programs with the Corps of Engineers, with the Civil Defense, with the volunteer fire departments, et cetera.

Of course, Mrs. Jimenez who had been with me in a similar situation two years ago knows the difficulties we had had at that time of even having the local officials show up to talk with and assist the irate citizens. We had to take a couple of megaphones to calm them down. But this time the local officials were in full cooperation immediately with Mr. Winkle and his operation.

I want to give you a firsthand report that FEMA is working. It is one of the finest moves, I think, that the Congress has ever taken and that the Administration has undertaken. There will be difficulties, of course, but I think we will have a much more valuable assessment of what has happened and is happening and we will be able to, in a more appropriate way and in a much more professional way be able to advise the President on whether a major disaster really does exist or not.

Mr. MACY. Thank you very much. It is very gratifying to have that report from the firing line.

Mr. BOLAND. Well, Louisiana has had many disasters in years gone by. I am sure that with every reoccurring disaster, that the Administration, in trying to bring relief to the area, gets better and the clear indication from you is that the cooperation here is excellent.

ARSON PROGRAM

Mrs. BOGGS. You know, Mr. Chairman, the problem of arson provides a further example of this coordinated program. Again, it was such a good use of government monies. We had all the land out at the Michud where we closed down some of the space operation. The government has made innovative uses of that, including using it as a site for a new fire academy situation. They have done it in conjunction with Delgado College which is a vocational training city college. Delgado already has a program for training firemen, fire personnel and fire administrators.

To bring all of those groups together, including the harbor fire people and so on, was a masterful thing that was done in an area where arson could be devastating to the entire city, particularly to the old city.

I would like to compliment the FEMA on that as well.

EMERGENCY MANAGEMENT COUNCIL

Mr. BOLAND. Thank you very much, Mrs. Boggs.

Last year in the hearings on page 495, we discussed the authority of the Emergency Management Council. As I understand it, the Council would meet when necessary to focus attention at the Presidential level and further coordinate Federal disaster responses. Has the Council met yet?

Mr. MACY. Yes. There has been one meeting of the Council to discuss matters pertaining to the civil defense program and some of the other activities of FEMA.

Mr. BOLAND. Is it envisaged that the Council will meet periodically to insure better Federal coordination or will it meet just to coordinate the Federal response to certain major disasters?

Mr. MACY. It will be called together when necessary to meet the needs of coordination in specific policy or incidents.

HEADQUARTERS CONSOLIDATION

Mr. BOLAND. Now we have talked about regional realignments. What about headquarters? You indicated that not everything is rosey in the Agency and one of the difficult parts is, of course, space requirements. Finding suitable office space in Washington, of course, at any price is extremely difficult, as I'm sure you know only too well.

How many Washington offices do you currently have and where are they and how are they spread out. What sort of consolidation plans do you have in mind?

Mr. MACY. We have five locations at the present time. The headquarters building is at 1725 I Street, the Premier Building. The Federal Insurance Administration continues to be located in the HUD Building. Certain elements of Planning and Preparedness continue to be in the GSA Building. The Disaster Response and Recovery Unit is in the Logan Building at 1111 18th Street, and the Fire Agency is primarily accommodated in a building at 2400 M Street.

So we have those five locations. It looks as though it is going to be quite some time before we have a location where the entire staff can be consolidated in one place. We would have roughly 900 people in headquarters for headquarters activities and we have given an estimate to the GSA for about 183,000 square feet for a total consolidation of all of our activities.

Mr. BOLAND. When do you expect the consolidation will occur? Will it occur in 1980 or 1981?

Mr. MACY. My experience, Mr. Chairman, with space decisions in Washington, D.C. is such that even though I am a gambling man, I am not going to put any money on any specific date.

I have talked with Mr. Freeman of the GSA about this. He is sympathetic to the needs, but he has tremendous demands from other sources within the Federal government. The best guess he can give me is 1983.

SAVINGS FROM CONSOLIDATION

Mr. BOLAND. Last year we also discussed savings which would accrue from consolidating the Federal emergency programs. The President's reorganization message indicated that $10 or $15 million annually in savings should be realized due to the creation of FEMA, partly through the elimination of some 300 positions.

Mr. Jett stated last year that savings would occur even without collocation of offices, and that the savings were targeted for a two-year period. Do you hold to that now?

Mr. MACY. I would hold to his projection. I don't know what crystal ball he had on March 22, 1979. It must have been pretty good.

Mr. BOLAND. Would Mr. Jett like to comment?

Mr. JETT. It is just as clear today as it was, sir.

Mr. MACY. He is still with us. He is the General Counsel of the Federal Emergency Management Agency and a very valuable member of the management team.

Mr. BOLAND. The 1980 budget submitted last year included 2,401 positions. This year the 1980 estimate assumes 2,425 positions. This is despite the advertised savings due to attrition and the Congressional reduction applied to executive direction to encourage consolidation and savings. I also notice that although positions declined minimally in 1981, I think I said 11, to 2,414—that is still more than the original 1980 request and doesn't appear to reflect much attrition.

Mr. MACY. The actual number of positions transferred from the other agencies and made available to FEMA as reflecting overhead positions in the other agencies total 2,522. Generally, I am using that as the base point from which to project future staffing.

I think I should also comment that there have been some additional activities absorbed within that number. For example, we have agreed that there should be a fire representative in each of the 10 regions. We are absorbing those positions within the total number that we have at the present time. We have quite a number of vacancies that exist at the present time. We are in the process of determining what the impact of the President's freeze will be on our ability to fill those vacancies.

Mr. BOLAND. I was going to ask that question. What effect will that freeze have on your ability to fill the vacancies?

Mr. MACY. The present limitation is filling 1 of every 2 vacancies that occur. At the attrition rate that we have, this will mean that relatively few positions would be available for filling.

In the President's guidance, however, there are opportunities for some exceptions, particularly with respect to critical programs where human life is involved. It is our anticipation that we will make a request for a restoration of some of the vacancies that we have at the present time.

REGIONAL REALINEMENT

Mr. BOLAND. Let me ask you—with reference to the last page of your November 21 letter, whether I understand the regional staffing alignment correctly.

Boston, Massachusetts, Region 1, is a Federal Regional city and the staff, as I understand it, is located in Boston is 50; correct?

Mr. MACY. That is correct.

Mr. BOLAND. The relocation facility is in Maynard, Massachusetts and the staff is 26, for a total of 76 in this particular region; correct?

Mr. MACY. That is correct.

Mr. BOLAND. Are the staffs in the Boston office and the 9 other regional offices assigned to particular functions such as, fire, insurance, plans and preparedness, disaster et cetera?

Mr. MACY. They are assigned to those functions. They came into the Agency from the other organizations that existed. The fifty in Boston came from the Federal Preparedness Agency, the Federal Insurance Administration, the Defense Civil Preparedness Agency, and the Federal Disaster Assistance Administration.

What we have done is create a staffing structure with a regional director heading up all of those programs and a limited administrative unit available to him. Then we have organized the office so that the regional units are roughly comparable to the units in the national office.

So there is a plans and preparedness unit. There is an insurance unit. There is a disaster response and recovery unit.

Now the ones that are moving from Maynard in the Boston case are the professionals who have been engaged in civil defense activities exclusively prior to the creation of FEMA. They will now become a part of the plans and preparedness staff in the Boston office. There will remain in Maynard a small unit, I believe it is about 24 people, who are concerned with communications and engineering and with the preservation of that facility as an alternate site in the event of an emergency.

Mr. BOLAND. And that is true of the other nine regions, too?

Mr. MACY. The pattern is different, depending upon the size of the region, the number of States that are involved, the number of disaster-prone locations they have, et cetera.

We worked out a staffing formula so the largest regions, Chicago and Atlanta, have slightly over 100 people all told and the smallest region which is Seattle, has around 60. So that we have a total of 800 people or 800 positions allocated to the 10 regional offices based upon a judgment as to what their workload would be to carry out all of the programs that are decentralized to the regional offices.

Mr. BOLAND. Thank you.

Mr. Coughlin?

SAVINGS FROM CONSOLIDATION

Mr. COUGHLIN. Thank you, Mr. Chairman.

Most of the questions I have I will reserve for going through the justifications. I certainly appreciate your being here. Having just paid my income taxes, I am acutely aware of the cost of the Federal government.

During last year's hearings, and you referred to this in your statement and the Chairman has touched on it, the witness stated that the reorganization would result in a 10 to $15 million saving and elimination of 300 positions by attrition over 2 years. Now is that going to be realized?

Mr. MACY. That is still our objective.

Mr. COUGHLIN. A year has gone by now.

Mr. MACY. A year has gone by. That is why I indicated the base of 2,522 positions as the point from which we would achieve reduction in relation to the activities that were absorbed at the time the Agency was created.

Mr. COUGHLIN. What reduction has been acomplished so far?

Mr. MACY. To date we have roughly 300 vacancies, but those vacancies we need to fill in order to meet our workload requirements. We are actually showing in the budget a reduction of 15 positions for 1981, but we will continue as we consolidate and stabilize the organization to see if we cannot achieve a higher degree of productivity and reduce the number of people.

Our reduction has been controlled to some extent by the decision that there would be no reductions in force, that no one, as a result of a reorganization, would lose a position.

Mr. COUGHLIN. You have too many vacancies now. You might not fill a lot of them.

Mr. MACY. This is due to attrition and due to the fact that it does take time under our personnel system in the government generally to fill vacancies. It is largely that, combined with a signficant number of retirements that occurred in the course of the reorganization.

Now under the authority that is available to organizations that are in the process of this kind of change, it was possible for a number of individuals who were eligible for retirement to retire earlier at their option during this period of time.

Mr. COUGHLIN. You say you have reduced the number of positions by 15.

Mr. MACY. The number actually transferred to FEMA is reduced by 15. The number that are onboard at the present time is 2,123. So that this is actually 399 below the number that was transferred at the time the Agency was created.

But I am not saying that the 384 vacancies we now have are a reduction. I am saying that we have not been able to fill those particular positions that are authorized. Now 105 out of the 384, as of February 29, were positions where we had made a recruit commitment but had not completed the process. So actually the number of actual vacancies was 279.

The reason for that particular date is that that is the date the President cited as the effective date of the freeze.

Mr. COUGHLIN. Thank you, Mr. Chairman.

DISASTER FUND STATUS

Mrs. BOGGS. Mr. Chairman? Something just occurred to me. I know it is not pertinent to this conversation except that having complimented the coordination of the Agency and its effectiveness in restoring the faith of the people in the government, all of that will not be to much avail if there is no money in the President's fund.

How much money is left in the President's fund?

Mr. MACY. The President's Disaster Relief Fund that was replenished by the appropriation in 1980 is down to virtually zero. A

request for supplemental funding was submitted to the Congress by the President several weeks ago because it was anticipated by Mr. Wilcox and his people that the number of disaster declarations at that particular time would produce contingency commitments at a level that would exceed the amount of money in the fund.

The request from the President was for a supplemental of $314 million which now appears to be a very modest request in light of the additional disaster declarations which have occurred since the time it was submitted.

It is the view of the management of the Agency that there is a serious need for action on that supplemental in order to respond to disaster conditions that already exist because very quickly we will begin to have not only floods of water but also floods of mail from those who believe that they are eligible for payments under disaster assistance programs and are not able to receive those payments because there is no appropriation available.

Mrs. BOGGS. I certainly hope we will be able to expedite that situation. Thank you.

Thank you, Mr. Chairman.

EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION

Mr. BOLAND. We will turn to the Emergency Planning, Preparedness and Mobilization account, on page 6 of the budget justifications. You are requesting a total of $160,121,000 for this activity, an increase of 23.5 percent above the $129,621,000 appropriated in 1980. Three changes in the appropriation language are proposed in 1981, each dealing with sections of program authorizations. What is the significance of these changes?

Mr. MACY. Mr. Jett?

Mr. JETT. Sir, the only change that I am aware of is the fact that the language citing the Strategic and Critical Materials Stockpiling Act fails to cite the Act that was just enacted by the Congress.

The 1950 Act was just superseded, and the new Act is the Strategic and Critical Materials Stockpiling Revisions Act of 1979. We can provide that new citation to the staff.

Mr. BOLAND. Are you indicating that there has only been one change?

Mr. JETT. That is the only change I am aware of, sir. That change should be made. It is not correctly reflected in the language before you.

Mr. BOLAND. The last phrase on page 6 indicates that additional authorizing legislation will be proposed. What specific activities—in programs and dollars—require authorization in 1981?

Mr. JETT. Under this provision, on this page, the Civil Defense Act requires annual authorization and an authorization bill has been submitted by the Administration. It is now before the Armed Services Committees of both the House and Senate. The other authorizations cited on this page are continued authorizations. The Defense Production Act, as you may be aware of, is now in the stage of being renewed by the Congress. The current sense of the Defense Production Act expires on May 27, but both Committees are acting on that. The Banking Committee is acting on it now.

STATE AND LOCAL PREPAREDNESS

Mr. BOLAND. The next page, contains a tabular summary of program activity. State and local preparedness appears under Plans and Preparedness. The 1980 justification included $80,000 for this subactivity in the 1979 column. Actual 1979 experience was zero. The 1980 current column of the 1981 justification reflects $80,000 footnoted that it represents a deferred appropriation enacted in fiscal year 1965 which is available until expended.

What exactly do you mean by deferred appropriation?

Mr. VOLLAND. Well, perhaps the language was not quite appropriate, sir. It is the carryover balance of appropriations enacted in 1964 and 1965. The original purpose of this was to provide grants to States for resource preparedness activities. The obligation of that money was originally anticipated to have taken place during fiscal year 1980. If it is not obligated, a rescission proposal will be sent up to the Congress. It is in a deferred status right now pending examination by us and OMB on whether the funds may now be appropriately used for the purpose for which they were originally intended. If not, we will propose a rescission.

Mr. BOLAND. What is the purpose of State and local preparedness activity?

Mr. VOLLAND. The original purpose for which the money was appropriated was to assist State and local governments in the development of resource management plans.

Mr. BOLAND. Why were no obligations incurred in the program in 1979?

Mr. VOLLAND. There was no occasion to use the money. There was no agreement between the Agency and OMB at this late date as to appropriate purposes to which the funds might be put since that program is now essentially defunct and we are reviewing this year whether that should be carried on the books any further.

Mr. MACY. This is an inheritance, Mr. Chairman, that really has little validity in the context of current programs. As Mr. Volland has said, it would be our intention to review this currently and to propose a rescission with respect to it for next year.

CURRENT YEAR COLUMN

Mr. BOLAND. Fine.

The Committee asked FEMA to include a budget estimate column of the current year in its justification material. The purpose of this, of course, was to highlight any changes occurring within the year as well as from year to year. The 1981 budget estimate column should be identical with the 1980 estimate submitted last year. However, comparing page 7 with a similar page in the 1980 justification, page 553 of the hearing volume, I see that this is not the case. The 1980 request for State and local civil protection and planning assistance was $33,499,000. This year's justification reflects $29,479,000, a difference of $4,020,000. Last year the Federal-State-Local Communications and Warning Systems reflected $8,640,000. The 1980 budget column on page 7 reflects $12,660,000—again a $4,020,000 difference. How do you explain that?

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Mr. VOLLAND. I believe, sir, that this is an error in taking the Congressional reduction.

Mr. BOLAND. Detail for the Committee precisely how the $5.4 million reduction was applied? Provide both program areas and dollar reduction for the record.

[The information follows:]

REDUCTIONS

The fiscal year 1980 budget estimate column on page 7 of the justificaton is in error. State and Local Civil Protection and Planning Assistance in this column should read $33.499 million with a current estimate of $28.068 million reflecting a Congressional reduction of $5.431 million which was taken in the National Shelter Survey Program and in Emergency Operations Pilot Projects.

Federal-State-Local communications should read $8.640 million in the budget estimate and the current estimate columns. No reduction was taken in this program.

Mr. BOLAND. Were any activities eliminated completely?

Mr. VOLLAND. Yes, sir, the emergency operating centers pilot projects.

OBJECT CLASSES

Mr. BOLAND. Turn to page 8, the Object Classifications schedule. Comparing the 1979 experience with the plan reveals some interesting variations. For example, personnel compensation was expected to be $33,182,000. Actual was $29 million—are you following me on that?

Mr. VOLLAND. Yes, sir.

Mr. BOLAND. Actual was $29,033,000, a difference of $4,149,000 or 12.5 percent less. What accounts for this?

Mr. VOLLAND. Basically, a large number of vacancies and the fact that estimates were included in fiscal year 1979 for overhead activities which were anticipated to be transferred but were not in all cases transferred before the end of the fiscal year.

Mr. BOLAND. What are personnel compensation costs in 1980 to date?

Mr. VOLLAND. Sir, I will have to supply that for the record.

Mr. BOLAND. Fine, and also indicate how many workers that represents?

Mr. VOLLAND. Yes, sir.

[The information follows:]

PERSONNEL AND COSTS

For the six month period October 1979 through March 1980 the personnel compensation costs are:

[Dollars in thousands]

Appropriation	Amount	Average permanent full-time positions
Emergency planning, preparedness and mobilization	$18,757	1,401
Hazard mitigation and disaster assistance	15,037	870
Disaster relief	5,997	0
Total	$39,791	2,271

Mr. BOLAND. Personnel benefits of $3,059,000 were planned. Actual benefits were $3,396,000—or 11.7 percent of compensation. Why did benefits increase more than 10 percent above the plan when compensation was less than 12 percent?

Mr. VOLLAND. Sir, I will have to go back and supply a more detailed answer for the record. My estimate is that that reflects retirements to a certain extent.

[The information follows:]

PERSONNEL BENEFITS

In both FPA and DCPA, predecessor agencies to FEMA, there were more retirements than the average prior to the reorganization into FEMA. In addition, FEMA was given "early out" retirement authority which encouraged more people to retire in fiscal year 1979. Lump sum annual leave payments for these retirements increase the personnel benefits actually paid in fiscal year 1979.

Mr. BOLAND. The actual 1979 standard level user charges were 18.8 percent—or $399,000 less than planned. Yet in 1980, you reflect an increase of $824,000. What accounts for the 1979 shortfall?

Mr. VOLLAND. The estimates that were originally put together for the Federal Emergency Management Agency anticipated a more rapid consolidation of facilities than has been the case.

Again, I will have to go back and check for the record sir, but my estimate or my guess is that a couple of activities or a couple of locations were not included in the estimates.

[The information follows:]

STANDARD LEVEL USER CHARGE (SLUC)

The fiscal year 1979 estimate for SLUC in the fiscal year 1980 budget estimates of $2,120,000 was based on assumptions of consolidation of space in the headquarters and regional offices. The current estimate for fiscal year 1980 shows an increase of $924,000 because all of these consolidations will not occur in fiscal year 1980.

Mr. BOLAND. In the 1980 estimates you go from $2,120,000 to $3,044,000. That is almost a $1 million increase.

Mr. VOLLAND. Yes, sir, but this also reflects in part the anticipation that regional consolidation would have occurred considerably sooner.

Mr. BOLAND. Rent, Communications, and Utilities had been planned at $19,989,000. Actual expenses were only $14,997,000. Conversely, the other service estimates had been $28,075,000 while the actual expenditure was $36,161,000. These, of course, are significant deviations that I suppose would lead to some question about the validity of your 1981 request. What about these substantial variations of plan? Is it due to the newness of this Agency or what?

Mr. VOLLAND. Sir, with respect to the estimates as between 1979 and 1980, we will provide a detailed analysis of each of these for the record. But for purposes here, the estimates for the Federal Emergency Management Agency were constructed on the basis of the budgets as prepared by the former parent organizations of FEMA, in other words the Department of Housing and Urban Development had already put together its budget for fiscal year 1980 at the time FEMA estimates were consolidated.

The same was the case with DCPA, GSA, et cetera. The extrapolations which were made in order to compile the budget estimates were, we found in many cases, rough estimates at best, because of the lack of detailed knowledge.

[The information follows:]

RENT, COMMUNICATIONS, AND UTILITIES

The actual obligations for fiscal year 1979 in the fiscal year 1981 budget show a decrease to the estimate for fiscal year 1979 in the fiscal year 1980 budget because the latter included certain contractual items which should have been shown in object class 25. Actual obligations were made in object class 25 reflecting a large increase.

OTHER SERVICES

Actual fiscal year 1979 obligations show a large increase over the estimate because of the reason given under "Rents, Communications, and Utilities" plus each of the former parent agencies of the FEMA components continued to perform administrative support for its former component through the end of the fiscal year. Payment to these agencies for this service was charged to this object class which accounts for additional increases over the original estimates.

TRAVEL ESTIMATES

Mr. BOLAND. As you know the Committee takes special interest in Agencies travel budgets. For a number of years, the HUD—Independent Agency Appropriations Act has carried a general provision which limits travel expenses to the amounts contained in the budget estimates unless changed by Congress. The 1980 current estimate reflects an increase above the amount which applies to section 401—the general provisions. I realize that the Hazard Mitigation account reflects a decrease in the current year so that the Agency in total would not be in violation of Section 401.

However, it was the Committee's intention with respect to Section 401 that it applies to each appropriation account for which a travel estimate is submitted. I am sure that the 1981 can be worked out to accommodate both the Agency and the Committee.

Let me ask you whether or not you have any trouble living with the Committee's guidelines on travel?

Mr. VOLLAND. No, sir; we believe we can live within the Committee's guidelines on travel. We have a request which is being reviewed at the present time by the Office of Management and Budget and will be submitted to the Committee for some relief with respect to this particular appropriation.

Due to the fact that in the fiscal year 1980 estimates travel associated with an activity that had formerly been performed within the Department of Defense under a contractual arrangement was not identified in the budget as a travel expense but since it is now part of the Federal Emergency Management Agency it is appropriately reflected as travel and not a contractual expense.

It is for this reason that the——

Mr. BOLAND. What are the travel obligations to date?

Mr. VOLLAND. I will have to provide that for the record, sir.

[The information follows:]

Travel costs

[In thousands of dollars]

Travel obligations for fiscal year 1980 through Jan. 31, 1980 are:	
Emergency planning, preparedness and mobilization	$514
Hazard mitigation and disaster assistance	499
Disaster relief	670
Total	$1,683

In response to the questions covering object classes and an explanation of the fiscal year 1979 and 1980 estimates in the fiscal year 1980 budget justifications, these estimates were developed for FEMA by the President's Reorganization Project (PRP) staff in August 1978, prior to the activation of FEMA. The PRP staff developed FEMA's fiscal year 1980 budget from submission by the five major components now reorganized into FEMA using their best assumptions and knowledge at the time. Some of the assumptions and decisions made by the PRP staff are not the actual situations now that FEMA is an agency, thus there are many changes reflected in the fiscal year 1981 submission. We believe our fiscal year 1981 estimates are more valid than the estimates for the two previous years.

Mr. BOLAND. Mr. Macy, you indicated, on page 12 of your statement that the Committee will be presented with a request to raise the legal ceiling of FEMA travel costs in light of the situation which you describe above. The Committee will consider this when it is transmitted.

For the record, provide an object class breakdown of the $9.5 million 1980 Congressional reduction in the Civil Defense Program.

[The information follows:]

1980 CONGRESSIONAL REDUCTION

[Dollars in thousands]

	Reduction	Object class
Research and systems development	$3,000	25
Emergency operating centers pilot projects	4,000	25
National shelter survey	1,700	25
Training and education	800	24
Total	$9,500	

Mr. BOLAND. Supplies and Materials costs are more than tripling in the 1980 current estimate, to $2.9 million. What accounts for this phenomenal increase?

Mr. VOLLAND. Sir, the only account that I can give for that is that the budget as originally constructed for FEMA completely underestimated the cost of putting a new agency together.

FINANCIAL ASSISTANCE

Mr. BOLAND. Turn to page 10, Financial Assistance to States. The 1981 budget estimate of $39,034,000 is identical to 1980. For the record, update the chart which appeared on page 24 of last year's justifications. Also provide the State and local funding contribution that is assumed in developing the allocations depicted on page 13 of the 1981 justification.

[The information follows:]

STATE AND LOCAL MANAGEMENT

	Actual FY 1979	Estimate FY 1980	Estimate FY 1981
STATE LEVEL:			
Positions	1,274	1,281	1,281
Full Time	1,212	1,207	1,207
Part Time	62	74	74
Work Years	1,233	1,244	1,244
Participants	55	56	56
Funds	$12,454,849	$13,112,000	$13,200,000
Personal Services	10,331,399	10,706,000	11,352,000
Travel	493,995	520,000	528,000
Other	1,629,455	1,886,000	1,320,000
LOCAL LEVEL:			
Positions	4,507	4,540	4,540
Full Time	2,349	2,400	2,400
Part Time	2,158	2,140	2,140
Work Years	3,428	3,470	3,470
Participants	2,520	2,545	2,545
Funds	$22,545,151	$23,988,000	$23,900,000
Personal Services	20,000,772	21,210,000	20,554,000
Travel	532,888	550,000	956,000
Other	2,011,491	2,228,000	2,390,000
TOTAL:			
Positions	5,781	5,821	5,821
Full Time	3,561	3,607	3,607
Part Time	2,220	2,214	2,214
Work Years	4,671	4,714	4,714
Participants	2,575	2,601	2,601
Funds	$35,000,000	$37,100,000	$37,100,000
Personal Services	30,332,171	31,916,000	31,906,000
Travel	1,026,883	1,070,000	1,484,000
Other	3,640,946	4,114,000	3,710,000

ALLOCATION OF STATE FUNDING

FEMA makes the allocation of Personnel and Administrative (P&A) Expenses funds to the States; the States determine the amount to be used at the State level and then sub-allocate the remainder to their political subdvisions. These funds are matched dollar-for-dollar by State and local governments and therefore they match the same amount as shown.

Mr. BOLAND. Federal finance assistance to State and local governments has remained fairly constant during the past few years. Of course, if inflation is considered, the effect has been less Federal support. Let me ask you what your request to the Office of Management and Budget was for this activity.

Mr. MACY. The request was at this level——

Mr. BOLAND. And whether or not the State and local governments have picked up the financial slack occasioned by increased costs or whether or not civil preparedness programs have been given a lower priority as a result of inflationary pressures.

Mr. MACY. In most instances the States have picked up the difference and sustained the number of people in the personnel and administrative activities that are covered in this particular item.

This particular program is under intensive review and evaluation in FEMA at the present time. We have heard many reports about how these funds have not reached the point intended and we believe that the entire program needs to have an evaluation in conjunction with State and local people so that we can be assured that the funds are being invested in the development of a civil defense system that would respond in the event of an emergency.

Mr. BOLAND. On page 12, the table at the bottom of the page indicates that 4 percent or $1,484,000 of State and local assistance funds in 1981 will be for travel. Last year the estimate was $1,070,00 or 2.8 percent. With no increase in the total, why should travel increase by 38 percent?

Mr. VOLLAND. This distribution is based in part, sir, on State and local program papers which are presented by each of the States to the regional offices, indicating the types of activities which will be undertaken with the use of these funds during the fiscal year.

The only answer I can give is that those papers as approved by the regions, must have indicated an increased requirement for travel.

EMERGENCY OPERATING CENTERS

Mr. BOLAND. On page 14, no funds were requested in 1980 or 1981 for State and local management operating centers. How many centers were constructed during the life of this program?

Mr. CAMM. About 1,200.

Mr. BOLAND. Do you have any idea what the total cost was to the Defense Civil Preparedness Agency?

Mr. CAMM. It is about $80 million but we will refine it for the record.

[The information follows:]

COST OF EMERGENCY OPERATING CENTERS

There were 1127 EOCs constructed at a cost of $82 million in Federal matching funds (50/50 basis) commencing in fiscal year 1962 and extending through fiscal year 1978.

Mr. COUGHLIN. Are all these operational at the present time?

Mr. CAMM. Virtually all of them are. Some of them are in standby status; in other words they will be operational when an emergency arises but most of them are.

Mr. COUGHLIN. Then they are potentially operational?

Mr. CAMM. Yes.

Mr. COUGHLIN. Since the program is now discontinued, these are not down the chute?

Mr. CAMM. No, they are still there.

Mr. COUGHLIN. Thank you.

Mr. BOLAND. Do you have any idea what percent of these emergency centers could not survive a first strike?

Mr. CAMM. It would depend on the nature of that first strike, whether or not the strike was over.

Mr. BOLAND. That is a good answer, of course.

Mr. CAMM. The point is that a number of them are in the risk areas, those areas which could be attacked if the enemy were to make a concerted strike against not only our counterforce and military targets but also our populated areas.

Of course, most of those would not survive because we are not building them to provide blast protection. We are building those that we can to provide fallout protection which means that people——

Mr. BOLAND. I thought we built centers years ago to provide blast protection.

Mr. CAMM. Even years ago we were not building blast protection centers.

Mr. BOLAND. Is this what you are building now, centers to provide blast protection?

Mr. CAMM. No; we are not. We are trying to provide fallout protection.

Mr. BOLAND. I thought we were building fallout centers years ago, too.

Mr. CAMM. We were then, but we have just never completed the program.

FISCAL YEAR 1979 LAPSE

Mr. BOLAND. I forgot to ask you one other question on fiscal year 1979. The 1979 obligations for emergency preparedness were $125,537,000. You lapsed a total of $9,418,000. In 1980, you requested supplemental funding of $3,704,000 for pay raise costs. Why shouldn't we be able to assume that within the 1980 program there is sufficient flexibility to absorb the pay raise?

Mr. VOLLAND. With respect to the 1979 estimate, the lapse as I understand it is twofold: the first is the fact that as the agencies began to consolidate a number of people chose to leave the agencies during the period 1 April through the end of the year; and additionally, the apparent lapse results from the fact that the Treasury reports to which these schedules have to tie, at the time the books were closed, did not accurately reflect total obligations for the end of the fiscal year. The estimate in the President's appendix was incorrect. I can provide the detail of that for the record.

[The information follows:]

FISCAL YEAR 1979 OBLIGATIONS

The breakdown of the total actual 1979 obligations for the Emergency Planning, Preparedness and Mobilization Appropriation is as follows:

[In thousands]

Financial assistance to States	$39,956
Plans and preparedness	61,066
Warning and communications	22,216
Information and education	5,416
Executive direction	4,373
Total obligations	$133,027
1979 appropriation:	
DCPA	$96,500
FPA (adjusted)	36,570
Pay raise supplemental	1,885
Total	$134,955
Total 1979 unobligated balance lapsing	$1,928

FEMA has worked with the former parent agencies, OMB and Treasury in reconciling the six appropriations/accounts which funded the former component agencies. These six appropriations/accounts were merged into the EPPM appropriation at different times during fiscal year 1979 but were accounted for through the former parent agencies.

PLANS AND PREPAREDNESS

Mr. BOLAND. We will turn to plans and preparedness on page 15. The total request of $84,164,000 is $20,907,000 above the 1980 current estimate. How many FEMA employees are devoted to this program? You may supply that for the record.

[The information follows:]

PLANS AND PREPAREDNESS PERSONNEL

The estimate of $84,164,000 for the budget line item, Plans and Preparedness, for fiscal year 1981 supports 1,294 permanent full-time employees.

The following is a distribution of the 1,294 permanent full-time employees by program level:

Radiological defense	18
State and local civil protection and planning assistance	542
National security affairs	706
Research and systems development	28
Total	1,294

RADIOLOGICAL DEFENSE

Mr. BOLAND. The bottom of page 15 indicates an additional $500,000 is required in 1981 in the radiological defense activity for equipment engineering. What is the base program in 1980 for equipment engineering? You may supply that for the record.

[The information follows:]

RADEF EQUIPMENT ENGINEERING

Base program for 1980

Engineering development of new advanced concepts for low cost radiological instruments for use in shelters and for use by State and local emergency services, vital facilities and essential industries by the U.S. Army Electronics Laboratories	$60,000
Production engineering of low cost direct reading dosimeters based on existing technology by FEMA staff of FEMA Radiological Instrument Test Facility with small contract assistance (Joint Project with Naval Electronic Systems Command)	60,000
Applications engineering support by DOE's Oak Ridge National Laboratory	55,000
Utilities and other operational support for the FEMA Radiological Instrument Test Facility by the Naval District of Washington, D.C	25,000
Test equipment and supplies for Radiological Instrument Test Facility	20,000
Special overpack to permit shipment of radiation calibration equipment in accordance with NRC regulations	30,000
Subtotal	250,000
Program staff	275,000
Total	$525,000

Mr. BOLAND. How do you propose to use these funds?

Mr. CAMM. We plan to use these funds in order to improve our ability to get cheap radiological defense instruments. We have a program that is well along now toward designing a cheaper type of radiological defense instrument. We are in the process of proving the production capability of that, so we can be on standby in case we have to surge toward a higher civil defense capability.

Mr. BOLAND. How successful do you think you will be in acquiring cheap radiological equipment?

Mr. CAMM. We are really quite successful. We have already had prototypes that have been developed and we have several manufacturers who are in close contact with us.

Mr. BOLAND. Can you give us an example of the type of equipment you would purchase? Incidentally, the estimate for the base program is $525,000 for 1980.

Mr. CAMM. A dosimeter, which is a device for measuring how many roentgens you have absorbed—we have developed ways to machine it and put it together out of plastics. Previously, it was out of metal. The machining and assembly processes are a lot cheaper than they were before.

Mr. BOLAND. What is the present cost, vis-a-vis the past cost?

Mr. CAMM. If I remember correctly, and I would like to correct the record, but using the old practices would be on the order of $30 to $50 each, whereas under the new process, $10 to $15 each.

Mr. BOLAND. On page 16, you detail the $1,975,000 request for radiological defense equipment.

How much is for new equipment and how much for replacement?

RADIOACTIVE TRAINING SOURCE SETS

Mr. CAMM. One million of that was to replace radioactive training source sets which need to be replaced. The other $975,000 is to provide the surge capability.

Mr. BOLAND. You indicate the need for replacement of radioactive training source sets in 1981. What is the usable life of a set?

Mr. CAMM. I guess it is around 10 to 15 years.

Mr. BOLAND. In the last sentence, you indicate that "these will be especially important for surge RADEF training." What do you mean?

Mr. CAMM. One of the efforts we are addressing this year is how to face the fact that resources to commit to radiological defense and civil defense are limited. We must prepare now for the possibility of a serious escalation in international tension which could cause the national leadership to decide suddenly to commit major additional resources toward improving our present civil defense capability. What this does is attempt to make sure we are ready. We would like to have on the shelf a production capability if we have to surge to do it.

Also one part of it is there are certain very special types of plastic not normally used in industry that we plan to develop a small stockpile of so if we have to surge, we have ability to do so on short notice.

RADIOLOGICAL DEFENSE OFFICERS

Mr. BOLAND. Also explain the new program on page 16—$880,000 for State Radiological Defense Officers. How was this budget request developed?

Mr. CAMM. It is in conjunction with the new initiative that Mr. Macy mentioned earlier in our civil defense effort which is to focus the increase in civil defense funds on a specific target area to improve our civil defense capabilities around our counterforce target areas, principally the SAC bases and the nuclear submarine bases. Specifically to improve our capabilities to protect the people who live there and are considered by most people to be at most risk.

Mr. BOLAND. How will these funds be used?

Mr. CAMM. To provide a radiological defense officer for each of the 31 States which has counterforce targets. That officer will coordinate and assist in assuring that the many thousands of radiological defense personnel that would be provided among the States largely on a volunteer basis are identified, trained, equipped——

Mr. BOLAND. That sounds good, but why shouldn't the States pay for RDO's with Federal assistance funds?

Mr. CAMM. Because the threat is a threat from the outside the United States, and the Constitution of the United States provides that defense of the citizens is a Federal responsibility as opposed to a State responsibility.

Mr. BOLAND. You say—because the threat is from outside the United States?

Mr. CAMM. That is right. It is the Federal responsibility to deal with this.

Mr. BOLAND. How will the $880,000 be distributed among the 31 States?

Mr. CAMM. It will be distributed by contract. Each State will receive the funds and they will then hire this RDO officer.

Mr. BOLAND. Will all 31 States be covered?

Mr. CAMM. Yes.

Mr. BOLAND. What would be the full-year cost of this program in fiscal year 1982?

Mr. CAMM. That will depend on the extent to which the civil defense budget is adjusted in fiscal year 1982, but I think this amount is based on 9 months—I would guess it would be something like $1.2 million in 1982.

Mr. BOLAND. Is it possible for you to list the States and the funding under this program?

Mr. CAMM. Yes.

Mr. BOLAND. You may do that for the record.

[The information follows:]

RADIOLOGICAL DEFENSE OFFICERS

The 31 Counterforce States are as follows:
Region 1: Maine, Massachusetts, and New Hampshire.
Region 2: New Jersey and New York.
Region 3: (None).
Region 4: Florida, Georgia, Mississippi, North Carolina, and South Carolina.
Region 5: Indiana, Michigan, and Ohio.
Region 6: Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.
Region 7: Kansas, Missouri, and Nebraska.
Region 8: Colorado, North Dakota, South Dakota, Utah, Wyoming, and Montana.
Region 9: Arizona and California.
Region 10: Idaho and Washington.

The $880,000 for fiscal year 1981 will be divided among these 31 Counterforce States. The salary, travel and administrative expenses will vary among the States. It is estimated that the 9 month cost will average $28,000 per State.

RADIOLOGICAL DEFENSE PROGRAM STAFF

Mr. BOLAND. Why are program costs increasing from $238,000 in 1980 to $557,000 in 1981—an increase of 234 percent? Permanent positions are remaining constant at six.

Mr. VOLLAND. My information is that there is approximately a $44,000 increase in that line item, as compared with the original——

Mr. BOLAND. On page 576 of last year's hearings, program staff was estimated at $238,000 and full-time personnel is 6. On page 22 of the justifications the total is $557,000, while the number of permanent full-time personnel remains at six.

Mr. VOLLAND. The number reflected in this program, sir, is 18, not 6.

Mr. BOLAND. It is 18 and not 6; is that right?

Mr. VOLLAND. Yes, sir. The table was incorrect and should read 18.

NUCLEAR CIVIL PROTECTION PLANNING

Mr. BOLAND. On page 23, you are requesting a $14,474,000 increase for State and local civil protection and planning assistance. An increase of $2,071,000 is requested for "accelerated" nuclear civil protection planning. What do you mean by accelerated?

Mr. CAMM. In the 31 States which have counterforce targets in them, we are focusing the additional resources primarily on improving the protection around those target areas. It includes addition of some nuclear civil protection planners, I believe it is 60, to be able to expedite that planning.

Mr. BOLAND. Do we understand that consultants perform most of this work?

Mr. CAMM. No, sir, they are State employees, hired by the State, funded by us.

Mr. BOLAND. Does FEMA ever review the plans for accuracy or feasibility?

Mr. CAMM. That is correct, we review them.

Mr. BOLAND. On page 23, there is a notation here to the effect that nuclear civil protection planning is provided by contracts.

Mr. CAMM. That is correct.

Mr. BOLAND. So really, I suppose in a sense you can call them consultants.

Mr. CAMM. No, they are full-time employees of the State.

Mr. MACY. I think the term contract is confusing. It is a contract with the State whereby the Federal government provides funds for this purpose. But the performance of the function is by State employees.

Mr. BOLAND. Will NCP planning be accomplished in all the 50 States in 1981 or just the 31 counterforce States?

Mr. CAMM. We already have about 155 planners working in all the States. With this increase in resources for civil defense this year, we are focusing that increase in the 31 counterforce States. We will continue in the other States as before.

Mr. COUGHLIN. Will you explain the pilot tests of the crisis relocation plans?

Mr. CAMM. Yes. This is the sort of thing these nuclear civil protection planners are planning. We divide the communities into two types, risk areas, which are where we think nuclear weapons may land, and host areas, where we would move people so they are not where the weapons land. Two-thirds of the population live in risk areas. In light of the increase in nuclear warheads the Soviets could put against the United States, we feel it necessary to protect that two-thirds of the American population, 140 million, by making plans to move them from where they are now out into the countryside, perhaps an hour's drive away. The crisis relocation plans are the plans that describe how they will do that. They say the people living in this section of town will go out highway umptyump and go to such and such a town, and a host plan will be prepared in that location and tell them where to go, you take 1,500 to that church, 2,000 to that school, et cetera.

So, the plans are of two kinds.

Mr. BOLAND. Have the locations been selected for this pilot program?

Mr. CAMM. The pilot program is for all the counterforce areas. There are 31 of them.

Mr. BOLAND. How many people would be relocated under the plan?

Mr. CAMM. About 5 million, I believe—7½ million.

Mr. MACY. It is about 5 percent of that total 140 million.

Mr. BOLAND. Are the tests voluntary?

Mr. CAMM. I am not sure I know what tests——

Mr. BOLAND. This is a pilot program. You are apparently asking people to go into the 31 counterforce areas you mention. Do you not have to get people to move from the risk area into the host area?

Mr. CAMM. We just set the plan up and have exercises with the local authorities and leadership, but we would not want to incur the cost of moving that many people. It is an expensive operation and is not necessary. As long as we have a plan in place and have an exercise for key officials—we like to have an exercise each year to make sure everybody can implement this.

NATIONAL SHELTER SURVEY

Mr. BOLAND. An additional $448,000 is requested in 1981 for the national shelter activity. What was the base in 1980?

Mr. CAMM. We will supply the answer to that.

[The information follows:]

NATIONAL SHELTER SURVEY IN FISCAL YEAR 1980

In fiscal year 1980, $2.239 million has been programmed for shelter surveys. The fiscal year 1981 request is for $2.687 million.

Mr. BOLAND. I am looking at one of the tables here which indicates——

Mr. CAMM. The amount is $2,239,000 was the base.

Mr. BOLAND. Looking on page 579 of last year's hearings, the national shelter survey base estimate for fiscal year 1980 was $3.9 million.

Mr. CAMM. There was a reduction which brought it down to $2,239,000.

Mr. BOLAND. Why does it require an additional $448,000 to survey 51,000 fewer facilities?

Mr. CAMM. The effort involved in surveying facilities is determined by what type of facility it is. The effort needed to survey facilities in the risk areas is about seven times as much as it is in the host areas. In the risk areas, we are taking into account not only what the fallout protection is, but also does it have any blast protection at all. If there are some people who are caught there before you have time to evacuate, you want to have some degree of protection. So the amount of effort required is not directly related to the number of facilities involved unless you take into consideration the difference between risk and host areas.

Mr. BOLAND. The table on page 30 indicates the total number of facilities to be surveyed as opposed to those in 1980.

Mr. CAMM. The risk area one has gone up 10,000.

Mr. BOLAND. Fine. We will recess until 1:30 this afternoon.

AFTERNOON SESSION

CIVIL DEFENSE PROGRAM EMPHASIS

Mr. SABO [presiding]. The Committee will come to order.

My apologies for missing most of your testimony this morning, although I was here briefly and read your statement.

Mr. Camm, last year Mr. Tirana indicated that the 1980 budget request represented the first phase of a multi-year, billion dollar effort to upgrade U.S. civil defense capabilities. Annual costs were estimated to average about $230 million in fiscal years 1980 through 1984. I am going to quote from Mr. Tirana's prepared statement, which appears on page 488 of the 1980 hearing volume.

Mr. Tirana was addressing a Presidental decision dealing with civil defense:

> One option stressed crisis relocation, the civil defense program alternative which the Secretary of Defense had decided to implement in fiscal year 1980, subject to policy and budget review.
>
> The President's policy decision supported the Secretary's program recommendation, which was designed to result ultimately in survival of at least two-thirds of the U.S. population in a large-scale, mid-1980's attack, given at least a week in which evacuation plans were executed and other preparations made.
>
> . . . The fiscal year 1980 request of $108.6 million represents the initial step toward implementing President Carter's and Secretary Brown's program decisions. . . . This funding lays the groundwork for developing crisis relocation capabilities at an accelerated pace in fiscal year 1981 and future years.

Thus, I am mystified by the statement under shelter marking on page 16:

> In line with the overall emphasis for civil defense activities in fiscal year 1981, shelter marking will be resumed in and near areas containing U.S. 'counterforce' military installations . . .

Last year the major new civil defense plan was to relocate people away from strike areas. This year it appears to be to protect them in place. It makes me wonder if we have a coherent civil defense policy.

How do you respond? Has the emphasis changed in the past year?

Mr. CAMM. The emphasis is the same as last year. The expression "near" means outside of the blast effect areas. We are emphasizing two types of protection for people in those risk areas. One type is if the weapons land before we have a chance to relocate them, we want to have a place where they can be protected, so we are not stopping marking any shelters which do exist within those risk areas. However, our interests primarily will be out in the host areas.

SHELTER MARKING AND STOCKING

Mr. SABO. Is this a return to the program of the 1960's when the DCPA marked and stocked large numbers of shelters?

Hasn't the General Accounting Office, among others, raised many questions concerning the efficacy of that endeavor?

Mr. CAMM. It is a return to the attempt to mark shelters which have been determined as being suitable as shelters. It is not a return to stocking them the way they were stocked in the 1960's. In those days the primary stocking was for food, which has since deteriorated. We are not intending to stock with food now, but we intend to equip the shelters with ventilation and sanitation kits and water, the minimum essentials which hopefully will allow people to survive in them.

Mr. SABO. How does the 1981 civil defense estimate compare to Tirana's $230 million forecast given last year?

Mr. CAMM. It would have started the first year at $140 million and gone up over the 5 year period. Because of the reduction in the civil defense budget last year, we are still at that last year and we would still consider the $120 million we are getting a good step toward the $140 million we would have preferred to have had.

Mr. SABO. How do you answer the questions raised by the GAO? Specifically, the GAO felt using private buildings on a voluntary

basis was unsatisfactory. The GAO also found many instances of rancid food, errors in inventory and poorly ventilated shelters. How will this program avoid the errors that plagued it in the past?

Mr. CAMM. The matter of food I have already taken care of, I believe. At the last minute, when the people occupy shelters, it is our intention they take whatever food they can. A human being in terribly adverse circumstances can live 2 weeks with only water. We are putting in ventilation kits to take care of the problem of heat forcing people from shelters. Part of the question which had to do with the use of private shelters and so forth, I am not that aware of the details of the GAO report, but discussions with many people indicate to us there is a good prospect under the extremely dire circumstances we would see here, that indeed they would permit us to use those shelters. In fact the very process of marking them insures their letting us do so. So I do not think that is a problem.

MOBILIZATION DESIGNATION PROGRAM

Mr. SABO. Paragraph D on page 16 indicates that $2,355,000 will be needed in 1981 to reimburse the Department of Defense for mobilization designation. Precisely what will the Department of Defense do in 1981 in this regard? Also, how was the $2,355,000 figure developed?

Mr. CAMM. The figure was developed based on the number we have now, about 1,400, 1,200 of which are in the State and local communities. It is to pay for their going on 2 weeks active duty per year and modest amounts of money for travel and training in addition to that. The Department of Defense covered those costs themselves as long as DCPA was within the Department. Now that FEMA has taken over the program, the Department of Defense is expecting us to reimburse them.

Mr. SABO. Exactly, how was the figure developed?

Mr. CAMM. By multiplying the number of people by the number of weeks of active duty, and also they can make estimates of how many go on training.

Mr. SABO. For the Committee files, provide the DOD directive 4000.19.

Mr. CAMM. Yes, sir.

Mr. SABO. Also, for the record provide the February 15, 1979 letter addressed in the justification.

Mr. CAMM. Yes, sir.

[The information follows:]

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

15 FEB 1979

COMPTROLLER
(Administration)

MEMORANDUM FOR THE DIRECTOR, DEFENSE CIVIL PREPAREDNESS AGENCY

SUBJECT: Reserve Support of U.S. Civil Defense Activities

References: (a) Director, Defense Civil Preparedness Agency Memorandum, Subject: "Funding by DoD Departments of Non-DoD Agency Programs," December 27, 1978
(b) DoD Directive 4000.19, "Basic Policies and Principles for Interservice, Interdepartmental, and Interagency Support," March 27, 1972

Your memorandum of December 27, 1978 (reference (a)), requested that the Department of Defense continue to provide Reserve Program support to U.S. Civil Defense activities on a non-reimbursable basis after transfer of the Defense Civil Preparedness Agency (DCPA) to the proposed Federal Emergency Management Agency (FEMA). Specifically, this would involve retention of current arrangements for the assignment of Reserve Mobilization Designation (MOBDES) personnel to Civil Defense organizations and the retention of the U.S. Army Reserve Civil Preparedness Support Detachments assigned to the eight DCPA emergency operating centers throughout the country.

We believe that the Department of Defense should continue its MOBDES and Support Detachment programs in support of Civil Defense activities after cognizance over those functions has been transferred to the FEMA. In addition, since these programs are included in the DoD FY 1980 budget, the Department will fund them through the coming fiscal year.

We do not believe, however, that the Department should continue funding for FY 1981 and thereafter. The programs in question directly support the mission responsibilities being assigned to the FEMA. For that reason, decisions regarding the required level of Reserve support should be made by the FEMA, based upon overall agency objectives and program priorities in competition with the emergency preparedness resource requirements, and defended before Congress as part of the FEMA total program.

Accordingly, beginning in FY 1981, Reserve support to the FEMA through MOBDES Civil Defense assignments and the U.S. Army Reserve Civil Preparedness Support Detachments will be provided on a reimbursable basis in accordance with DoD Directive 4000.19 (reference (b)). The level and cost of such support should be determined through mutual agreement between the FEMA and the Military Departments.

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Our decision to provide this support on a reimbursable basis does not indicate any reduction in the Department's commitment to wholehearted cooperation and support for the U.S. Civil Defense program. The necessary support agreements can be developed in a way which will allow Reserve support of Civil Defense to continue as currently organized and operating, if that is determined by the FEMA to be consistent with its mission objectives.

D. O. Cooke
Deputy Assistant Secretary of Defense

Mr. SABO. Is the DOD performing this service in 1980 at no cost to FEMA?

Mr. CAMM. That is correct.

EMERGENCY OPERATING CENTERS

Mr. SABO. In 1980, $4 million was requested to construct 30 emergency operations pilot projects. This activity was deleted in response to the Congressional reduction, correct?

Mr. CAMM. Not completely deleted. As I understand it, the conference committee agreed to the use of moneys for those purposes, but because of the reduction in money last year we did not have moneys left for that purpose. So the moneys were deleted but not the authorizations.

Mr. SABO. Does that mean that you consider it a lesser priority? How many centers will be constructed with the $5.5 million requested for 1981?

Mr. CAMM. We plan to construct 12 new ones and to improve another 25.

Mr. SABO. Precisely what will the upgrading involve? Better equipment, hardened sites?

Mr. CAMM. Equipping with communication equipment, and protecting them from EMP.

Mr. SABO. What is EMP?

Mr. CAMM. When a nuclear weapon goes off it creates a surge of energy with a voltage which is high enough to blow out your electricity. If you encase the EOC, that is one of the ways to protect it, also to protect the EOC's against fallout.

Mr. SABO. Page 28 indicates that "the nationwide program goal is to upgrade 1,962 State, area, and local direction and control systems and to provide new construction in 509 host area locations."

Would you agree that this could be a multi-year program that could ultimately cost many tens of millions?

Mr. CAMM. Yes.

Mr. SABO. What was your request to OMB for this program?

Mr. CAMM. Could I supply that for the record?

Mr. SABO. Yes. Will you also indicate where it ranked in your ZBB priorities?

Mr. CAMM. Yes.

[The information follows:]

EMERGENCY OPERATING CENTERS (EOC's)

We estimate that it will cost about $312 million extended over a seven year period. For this amount we would upgrade 1662 EOC's, construct 509 EOC's and equip 1124 EOC's.

Key State and local officials exercise direction and control of emergency operations from EOC facilities. Thus direction and control contributes to the reduction of casualties in a number of ways. For example, during a crisis period relocation (evacuation) operations would be directed from EOC's, and the net effect of having EOCs would be to increase the effectiveness of evacuation operations, thereby reducing the number of people at risk to the direct effects of an attack. During the attack and early post attack period EOCs would direct radiological defense operations by providing instructions to the public concerning protective actions to take and informing them of when they could leave shelter.

EOC's are also valuable in natural disaster operations. EOC's, together with trained staff, are an essential component of a balanced emergency response capability for all types of major disaster operations, including attack.

Emergency Operating Centers (EOC's) appear in all levels of ZBB ranking. The EOCs appeared in the minimum ZBB level at $1.5 million and in the intermediate decrement and current levels at $4 million. The $5.5 million was selected from the enhanced level. The need for a positive EOC program in the host areas is of the highest priority. As an absolute minimum we should provide minimum essential communications equipment and minimum modifications to existing buildings and mobile units.

Mr. SABO. Who will make the decisions as to which centers to upgrade or build?

Mr. CAMM. We will make the decisions based on queries to States and localities for nominations, and we will review those to make sure those that protect the most lives will get the highest priority.

Mr. SABO. Will all requirements be satisfied in the 31 counterforce States before funding centers in the other 19 States?

Mr. CAMM. Yes, under this budget. We do not fund centers in other States. In subsequent years, dependent on our funding, we will move in other States as well.

DIRECTION AND CONTROL COMMUNICATIONS

Mr. SABO. $1.9 million has been requested in 1981 for a new activity: State and local direction and control communications.

Relate the figures concerning EOC's in paragraph L to those in paragraph J. Exactly how would the funds be used?

Mr. CAMM. They are to interconnect those centers. It is necessary those centers be able to communicate with each other. We have a concept we call the backbone of communications within a State. We want the EOC's out in the rural areas where they are less likely to be destroyed to be able to communicate with each other and have a survivable State command structure which these communications will provide.

Mr. SABO. The numbers seem to be different in the two paragraphs.

Mr. CAMM. The numbers are different, I believe, because they are talking about different aspects, one having to do with existing EOC's and their status, whereas down below, we are talking about the communications that we have in mind overall in the localities as well as in the State regions. We have, I would say, three types of EOC's, a central State EOC, State area EOC's, and locality EOC's. There is a mixture of discussion among them.

Mr. SABO. Would you elaborate that for the record?

Mr. CAMM. All right.

[The information follows:]

EMERGENCY OPERATING CENTERS (EOC's)

The figure of 1962 EOC's to upgrade shown in paragraph "J" on page 28 of the budget estimate is a typographical error and should be 1662. This agrees with the upgrading figures in paragraph "L" (458 State Area EOC's plus 1204 Low Risk Area EOC's, total 1662). The 509 new construction figure in paragraph "J" agrees with paragraph "L" (209 State Area EOCs plus 300 Low Risk Area EOC's, total 509).

There are three categories of EOC's, the primary State EOC, State Area EOCs and local EOCs. Within the local EOC category we have two types: one for host areas called Emergency Operating Centers capable of operating for 14 days; the other for risk areas called Command Centers. Except for the Command Centers, the EOC's, in order to operate under fallout conditions, are provided radioactive fallout protection, electromagnetic pulse protection, 14 day fuel supply and separate life sustaining systems which the Command Centers do not have. However, the Command Centers are able to excercise direction and control of emergency operations

during a pre-attack period of increased tension when it may be necessary to relocate people from risk areas to host areas and also during natural disasters or other peacetime emergencies.

DIDS RECEIVERS

Mr. SABO. What is meant by the sentence: "In addition, some funding may be needed to provide radio receivers for warning in the reception area of the Edgewood, Maryland, Decision Information Distribution System (DIDS) low-frequency warning transmitter"?

Mr. CAMM. At the time we wrote this we were considering whether or not there would be sufficient funds for us to increase the number of radio receivers for that. However, we have just determined we will not go for that until fiscal year 1982.

Mr. SABO. How much money is involved?

Mr. CAMM. It would be a substantial amount by the time we get finished. I do not know the exact amount.

Mr. SABO. There is no money in 1981 for that?

Mr. CAMM. No.

Mr. SABO. So we are likely to see substantial requests in 1982 or some subsequent time?

Mr. CAMM. That is right.

PROGRAM STAFF

Mr. SABO. Page 29 indicates that funding for program staff increases 24.7 percent in 1980—from $16,501,000 to $20,574,000. What accounts for this phenomenal increase within the year?

Mr. VOLLAND. This relates to the establishment of two additional regions.

Mr. SABO. What two regions?

Mr. VOLLAND. New York and Kansas City. It is a redistribution within the appropriation total of funds in specific line items. The additional costs are moved into this program as a result of the fact that the people are now working in this program area.

Mr. SABO. Where did the additional funding come from?

Mr. VOLLAND. It was pulled from other activities within the organization.

Mr. SABO. Will you be specific on that for the record?

Mr. CAMM. Yes.

[The information follows:]

ENGINEERING SUPPORT SERVICES

In fiscal year 1980, as reflected in the chart on page 29, 109 Corps of Engineers employees, transferred to FEMA, are shown in the line item "Program Staff." In fiscal year 1979 these employees are funded in the line item "Engineering Support Services," thus the increase. All of these employees are regional staff.

Mr. SABO. Page 17 describing the $1,521,000 1981 increase states it is "a direct result of Reorganization Plan No. 3 and the program emphasis for 1981."

As we discussed earlier, one of the stated reasons to establish FEMA was to save money. This appears to be a step in the wrong direction, doesn't it?

Mr. VOLLAND. Let us get back to my earlier point. This is an increase within this program area, but not an increase in the appropriation or funding level totally. It is a reflection of the fact

that in the current fiscal year we have redistributed within program activities the resources that were consolidated in FEMA. This is an attempt now to reflect more accurately the program distribution of these resources.

Mr. SABO. Provide the number of permanent positions and total compensable workyears for each column listed on the page. The 1980 justifications, page 583 of last year's hearings, indicated 433 permanent personnel. Page 33 of the 1981 justifications reveals 972. Can you elaborate on this?

Mr. VOLLAND. No, sir, I cannot. It results basically from what we believe to be a more appropriate distribution of the resources to this particular program area and relates back basically to the need which we have found through a number of sections in the budget to reallocate among the programs which were originally established in the 1980 budget.

Mr. SABO. Would you provide more detail for the record?

Mr. VOLLAND. Yes, sir.

[The information follows:]

PLANS AND PREPAREDNESS STAFF

Sir, the 972 figure on page 33 of the fiscal year 1981 justification is in error. It should be 542. The 433 figure on page 583 of last year's hearing did not include 109 positions for the Corps of Engineers personnel which were transferred to FEMA.

For all Plans and Preparedness the distribution of personnel is as follows:

Program:	*Permanent positions*
Radiological defense	18
State and local civil protection and planning assistance	542
National security affairs	706
Research and systems development	28
Total	1,294

CIVIL DEFENSE REQUEST

Mr. SABO. What are the total resources requested in the 1981 budget for civil defense? In other words, what is the 1981 number which compares with the $108.6 million requested last year? Also, what was your request to OMB for civil defense programs in 1981?

Mr. CAMM. The 1981 number in this request is $120 million. The request made to OMB was $136 million.

NATIONAL SECURITY AFFAIRS

Mr. SABO. Turn to national security affairs on page 34. Last year this program was called Federal Preparedness. The 1981 request reflects a modest decrease of $159,000 to $22,838,000. What accounts for the $1,540,000 increase in the 1980 current estimate?

Mr. MACY. What page?

Mr. SABO. Page 34. The table is on page 15.

Mr. VOLLAND. As mentioned earlier, the reason the numbers appear this way is because of the requirement to track with the schedules as printed in the President's budget. It reflects this way because of a redistribution between civil protection assistance and national affairs in the budget schedules as they were displayed. There is no specific program ramification associated with the difference in the numbers. We can provide the Committee with the

reason for the difference as it relates to $1.5 million error in the budget schedule itself.

Mr. SABO. Also, why is the requirement for this special facility changing from $7,446,000 in the 1980 budget estimate to $8,661,000 in the current estimate, to $7,603,000 in 1981?

Mr. VOLLAND. This again relates to the information I gave you. This ties back to the need to track the budget schedules and in no way reflects any substantive program level change in that particular line item. It is a matter of addition and subtraction.

Mr. SABO. I guess I do not know what that answer means.

Mr. VOLLAND. We are required to reflect in the budget justification material which appears in the appendix of the President's budget. There was an error in printing of the President's budget which flip-flopped a million and a half dollars between two line items. This change is a reflection of that.

Mr. SABO. What is the 1980 program level for the special facility? Is it the 8.6 shown here?

Mr. VOLLAND. It is the 7.5.

Mr. SABO. The request for Government Preparedness is more than doubling in 1981, to a $1,500,000. How many positions are associated with this activity in 1980 and 1981?

Mr. VOLLAND. Thirteen.

Mr. SABO. What is the reason for the big increase?

Mr. CAMM. The Government Preparedness people absorbed some people from the Defense Civil Preparedness Agency. When we reorganized and consolidated our people we took some people who performed a similar function in the Civil Defense Agency and moved them into this office.

Mr. SABO. So it involves no increased activity?

Mr. CAMM. Not overall.

Mr. VOLLAND. If I may be allowed to correct my earlier statement, it is 32 positions.

Mr. SABO. For the record, list the government agencies and specific responsibilities of each.

[The information follows:]

LIST OF DEPARTMENTS AND AGENCIES WITH CATEGORY A FUNCTIONS (MAY 15, 1980)

Executive departments: [1] Department of State, Department of the Treasury, Department of Defense, Department of Justice, Department of the Interior, Department of Agriculture, Department of Commerce, Department of Labor, Department of Health and Human Services, Department of Housing and Urban Development, Department of Transportation, Department of Energy, and Department of Education.

Agencies: Civil Aeronautics Board, Environmental Protection Agency, Federal Communications Commission, Federal Emergency Management Agency, Federal Reserve Board, General Services Administration, Government Printing Office, International Communication Agency, Interstate Commerce Commission, National Aeronautics and Space Administration, National Communications System,[2] National Telecommunications and Information Administration,[2] Nuclear Regulatory Commission, Office of Personnel Management, Selective Service System, Tennessee Valley Authority, United States Postal Service, and Veterans Administration.

Executive Office of the President: The White House, Central Intelligence Agency, Council of Economic Advisers, Domestic Affairs and Policy Staff, National Security Council, Office of Management and Budget, Office of Science and Technology Policy, and Office of Administration.[3]

[1] In order of succession.
[2] Policy guidance from OSTP.
[3] Recommended—not yet accepted.

RESPONSIBILITIES

The emergency responsibilities of Federal departments and agencies are set forth in Executive Order 11490, as amended by Executive Order 11921 of June 11, 1976. The following is an excerpt from section 102 of that:

"(b) The departments and agencies of the Federal Government are hereby severally charged with the duty of assuring the continuity of the Federal Government in any national emergency type situation that might confront the nation. To this end, each department and agency with essential functions, whether expressly identified in this order or not, shall develop such plans and take such actions, including but not limited to those specified in this order, as may be necessary to assure that it will be able to perform its essential functions, and continue as a viable part of the Federal Government, during any emergency that might conceivably occur. These include plans for maintaining the continuity of essential functions of the department or agency at the seat of government and elsewhere, through programs concerned with: (1) succession to office; (2) predelegation of emergency authority; (3) safekeeping of essential records; (4) emergency relocation sites supported by communications and required services; (5) emergency action steps; (6) alternate headquarters or command facilities; and (7) protection of Government resources, facilities, and personnel. The continuity of Government activities undertaken by the departments and agencies shall be in accordance with guidance provided by, and subject to evaluation by, the Director of the Federal Preparedness Agency (GSA).

"(c) In addition to the activities indicated above, the heads of departments and agencies described in Parts 2 through 29 of this order shall: (1) prepare national emergency plans, develop preparedness programs, and attain an appropriate state of readiness with respect to the functions assigned to them in this order for all conditions of national emergency; (2) give appropriate consideration to emergency preparedness factors in the conduct of the regular functions of their agencies, particularly those functions considered essential in time of emergency, and (3) be prepared to implement, in the event of an emergency, all appropriate plans developed under this order."

[Sec. 102 amended by EO 11921 of June 11, 1976]

FEDERAL AGENCIES

Mr. SABO. How many agencies are currently involved? Is it 36?

Mr. CAMM. Yes at the present time.

Mr. SABO. In recent years, the General Accounting Office has been critical of certain aspects of the continuity of government program. The GAO's major concerns were with control and effectiveness. One of the Federal Emergency Management Agency's predecessors, the Office of Emergency Preparedness, had some authority for executive agencies' emergency budgets. Is that correct?

Mr. CAMM. Yes, they did at one time, but no longer.

Mr. SABO. Do you think similar authority is needed by FEMA to assure a successful program?

Mr. CAMM. Not at this time.

Mr. SABO. What is the total amount Federal agencies have devoted to emergency plans and continuity of government in 1979, 1980, and 1981?

Mr. CAMM. We do not have an answer to that question. We are busily seeking it in order to manage the program and hope to have it this year.

Mr. SABO. Questions have also been raised concerning emergency teams of Federal agencies which would be responsible for continuing services during and after a major incident. Do you know how many vacancies currently exist on the emergency teams?

Mr. CAMM. I am sorry, we have three FEMA teams which we have staffed with people, but we do not have the answer concerning all the other Federal agencies. It is continuously changing. We

just had an exercise last month in which we took large numbers of those people of one team out and had an exercise.

Mr. SABO. How did it work?

Mr. CAMM. We learned a lot. We saw a lot we had to learn.

Mr. SABO. Have you ever tried to evacuate the Congressional leadership at one time?

Mr. MACY. That is beyond our exercising capability, but I might insert at this point, Mr. Chairman, the intention of this Agency is not to engage just in the development of paper plans but to conduct exercises, tests, and other demonstrations to ascertain through simulation and scenarios whether or not they will function, and the test Mr. Camm just referred to was very revealing in indicating how much more testing we have to conduct.

Mrs. BOGGS. Mr. Chairman, may I interrupt?

Mr. SABO. Mrs. Boggs.

Mrs. BOGGS. Did you do any of your testing in connection with TVA?

Mr. MACY. We had representatives from our Atlanta regional office associated with that test and we had six of our regions associated with us in the test Mr. Camm referred to. So our effort is not to just deal with continuity of government only at the national level but to give attention to those capabilities in States, regions, and localities.

Mr. SABO. Do you think you have sufficient information for the agencies to manage this program?

Mr. CAMM. Not as much as we want. We are still organizing to do that.

Mr. SABO. How would you assess the training emergency team members have received? In other words, do the team members know where to go and what to do in the event of an emergency?

Mr. CAMM. I would say those who practiced in this exercise now know. It has been our experience every time we have an exercise that those who were not there previously are learning in the process of the exercise. I would say the training still has many shortcomings.

Mr. SABO. The GAO concluded that the information needed during and after an emergency may not be available. How does your 1981 request address this issue?

Mr. CAMM. Part of the ongoing staff effort has to do with collecting data base information which we would have available to call on during emergencies to give an indication, for example, of where all the major power plants are in the country, or where all the major refining plants are, and so forth. We do have an ongoing program to collect and maintain current such a data base. We would have to operate off it.

OPERATIONS SUPPORT

Mr. SABO. You are requesting $9,649,000 for operations support, an increase of $223,000 above 1980. The justifications contain no mention of how these funds will be used. Page 41 goes directly from program coordination to the next activity—State and local preparedness. If the Committee treated this activity as cavalierly as the Agency, you would not have any 1981 funding for it.

Why is there not justification material for operations support?

Mr. VOLLAND. That was an error; it got left out. There was an error in the budget printing. Operations support has basically to do with the staff that handles the Agency's computer operations.

RESEARCH AND SYSTEMS DEVELOPMENT

Mr. SABO. Turn to page 42—Research and Systems Development. The 1981 request is $11,242,000, an increase of $3,298,000 above the 1980 current estimate. The 1980 current estimate is $3 million less than the original budget request—reflecting Congressional action, correct?

Mr. VOLLAND. Yes, sir.

Mr. SABO. What specific activities planned in 1980 were not undertaken due to the reduction?

Mr. VOLLAND. Primarily, studies which had been planned to support the continuity of government program population protection studies and studies having to do with the capability of critical industries to recover in a postnuclear attack situation. Other studies which had to be deferred or curtailed included inventory of mines for shelters and other studies having to do with the likelihood and levels of radiation in a postattack environment.

Mr. SABO. Applying 30 percent of the reduction to this area meant the 1980 program was less than 1979. Does this mean you view the research area as a lower priority?

Mr. MACY. No, Mr. Chairman, we believe this is an area which has been underfunded in the past, that there needs to be more emphasis on research and development in all aspects of emergency management. Most of the funding that was included in 1980 was transferred from the other agencies that became a part of FEMA. The increase from $7.9 million to $11.2 million is a reflection of the FEMA management's belief that there needs to be added attention given particularly to some of the research which relates to not only national security matters, but to manmade and natural hazards, and that such research can contribute through application to a mitigation of some of those risks. The increase which is reflected on pages 44, 45, and 46 represents an effort to set forth the first stage of a program of expanded research. This is set forth here with the recognition that research which relates to programs of emergency management may very well be conducted in other agency research and development programs. Part of the effort of this particular staff of 28 would be to identify individual agencies or groups of agencies which already have funds dedicated to research that can be beneficial in the emergency management field.

Mr. SABO. How much of the $11,242,000 requested in 1981 is intended for contracts?

Mr. VOLLAND. The majority of that amount would be for contractual services.

Mr. SABO. How many permanent positions are associated with this program?

Mr. MACY. Twenty-eight.

Mr. SABO. Is that different from last year?

Mr. VOLLAND. No, sir.

Mr. SABO. DCPA conducted research for many years. Was that research valuable and can you use it as a building block for your current research?

Mr. MACY. Yes, we are. In fact, much of the 1980 expenditures are really an extension or a continuation of research under contracts initiated by DCPA. We found that in 1980, we really had very little flexibility as an agency in pursuing new initiatives because of the commitments already made.

We certainly will utilize past efforts as the initial step on the ladder in establishing a more effective research program that not only deals with civil defense but all aspects of the much broader scope of programs assigned to the FEMA.

RESEARCH CONTRACTS

Mr. SABO. How many of these contracts go to universities versus private consultants?

Mr. MACY. I do not believe we have that, Mr. Chairman. We would be pleased to provide you with a breakdown along that line.

Mr. SABO. What has been the pattern?

Mr. MACY. It has been a mix. Quite a number of contracts have been with universities, but there have also been contracts with well-known and well-regarded private consulting firms such as the Stanford Research Institute and others.

Mr. SABO. List your 20 biggest contracts for the record.

Mr. MACY. Fine, we will do that.

[The information follows:]

Fiscal 1979 contracts

79-C-0214 Compare community planning relationship to response relationship, University of Minnesota	$78,026
79-C-0217 Develop alternative strategies for post attack recovery, Hudson Institute	200,000
79-C-0232 Layout of action programs to upgrade medical systems, National Capitol Systems, Inc.	79,916
79-C-0233 Develop cost options for upgrading shelters, Research Triangle Institute	149,878
79-C-0245 Study extinguishment of fires by blast waves, SRI	98,814
79-C-0247 System Effectiveness Model Analysis of Civil Defense, Center for Planning and Research	78,808
79-C-0248 Develop concepts for design of a system to provide shelter management capability, Far West Research Labs	79,862
79-C-0255 Upgrade relocation capability for industrial areas, State of North Carolina	75,000
79-C-0264 Mobile LF Warning System Feasibility analysis, Computer Sciences Corp	100,000
79-C-0265 Evaluate probability of survival in blast fire damaged regions, IITRI	75,000
79-C-0266 Energy conservation and the correlating nuclear disaster effects, New Mexico State University	75,000
79-C-0291 Develop a small scale modeling and simulation of nuclear weapon induced fire effects, Pacific Sierra	83,057
79-C-0293 Study on special problems of blacks and other minorities in an evacuation, National Capitol Systems	280,289
79-C-0297 Identify and prepare for hazardous material incidents, Mitre Corp	148,000
79-C-0320 Study of unconventional energy sources, California Academy of Sciences	75,000
79-C-0323 Development of a prototype system for hazardous materials data handling, Multnomah County, Oreg	136,500

79-C-0328 Develop emergency operating centers on community level in NYC, City of New York	$166,000
79-C-0244 Develop analytical models to interrate damage with attack, environment and target characteristics, LaJolla Institute	110,000
EMW-C-0239 Multi-protection design implementation, New Mexico State University	99,500
EMW-C-0240 Comprehensive emergency preparedness projects, U.S. Conference of Mayors	243,812
70-C-0218 Develop organizational relocation plan, Boeing Corp	397,963

HAZARDOUS MATERIALS

Mr. SABO. Relate this activity's work on hazardous materials to that of the EPA.

Mr. MACY. The Environmental Protection Agency has basic statutory responsibilities with respect to water and air. Their functions are predominantly regulatory, but they do have funds for research and development. A part of our effort in that particular field will be to bring the results of their research and the research of other agencies into our consideration in emergency management.

In the field of hazardous materials, we have found there are several Federal agencies which have portions of the responsibility, and there is need for bringing them together in order to have a consistent and consolidated program for response to emergencies such as the Love Canal, such as the explosions and spills which can occur with hazardous materials. We view our function as one of orchestrating that effort to try to produce some harmony in the Federal government's response with respect to emergencies.

Mr. SABO. How regularly do you confer with EPA?

Mr. MACY. We have I would say weekly discussions at various levels within the Agency. Mr. Costle and I meet at least once a month.

Mr. WILCOX. There is a national response team cochaired by EPA and the Coast Guard. FEMA is represented on that national response team to deal with problems of the type you refer to.

Also, there are regional response teams on which FEMA serves, so there is an ongoing dialogue that comes to a head when there are specific spills such as occurred in south Texas about a year ago.

EARTHQUAKE HAZARDS REDUCTION

Mr. SABO. What resources—dollars and people—are devoted to the earthquake hazards reduction program?

Mr. MACY. The earthquake hazard reduction program was transferred last year from the Office of Science and Technology Policy to FEMA. The transfer was one of those very neat Federal actions where the function was transferred but there was no money transferred. So actually the involvement in terms of money and staff has been rather limited. It was necessary for FEMA to reprogram its resources in order to support the work that was going forward? We have on our staff a top man in the seismic field, Charles Thiel, and we work very closely with USGS and the National Science Foundation which have substantial funds in this particular area.

In answer directly to your question—and I am a great one for evasive answers—the direct answer is that counting all our activities in the earthquake area, it would come to $1,096,000. This

includes work not only under this mitigation and research heading, but also some of the planning activities which are under Plans and Preparedness and the Federal Insurance Administration study of earthquake insurance which you referred to earlier this morning.

Mr. SABO. What major areas are you currently researching?

Mr. MACY. The current research which is being conducted by USGS and by the National Science Foundation is primarily addressed to identifying those precursors which would give advance geological warning of conditions that would indicate earthquake occurrence.

One of our own efforts is particularly addressed to what can be done to develop construction standards that will provide greater protection from seismic conditions. The part of our effort is addressed primarily to the mitigation of potential damage. Outside the research area, we are working very closely and with some urgency with representatives of the State of California, where we believe there is the earliest prospect of potential earthquake conditions. So this is a program while it is focused in Mitigation and Research, involves other components of FEMA as well.

Mr. SABO. As it relates to your reprogramming, I do not believe the Committee was notified of that. Was the reprogramming of such that fell within the guidelines?

Mr. MACY. I believe it fell below the threshold.

Mr. VOLLAND. The use of the word "reprogramming" in this context, sir, is not completely accurate. What we have identified here are funds which were within activities, justified before the committee at this time last year and have not been diverted from the purposes originally intended.

In the Plans and Preparedness office, for example, there was planned to be in fiscal year 1980 an ongoing study as to earthquakes. The Federal insurance activity had been planned for in the fiscal year 1980 budget and the Mitigation and Research request anticipated that this program would be required.

Mr. SABO. They are in different appropriation accounts, are they not?

Mr. VOLLAND. That is correct. What we provided you with is a summation across the Agency, not relating specifically to the EPPM account; $475,000 relates to earthquake loss studies.

Mr. SABO. What type of earthquake work do you coordinate with the National Institute of Building Sciences?

Mr. VOLLAND. We will supply that for the record.

[The information follows:]

COORDINATION OF EARTHQUAKE HAZARDS REDUCTION PROGRAM

We have utilized the expertise of the National Institute of Building Sciences in a significant undertaking in our earthquake hazards reduction program. The Institute has helped us form, in April 1979, the Building Seismic Safety Council (BSSC), an independent, voluntary body to enhance the public's safety by fostering improved seismic safety provisions.

A key element in the achievement of increased public (that is non-federal) earthquake safety is the continued development, evaluation and improvement of model seismic design provisions suitable for incorporation into local building codes and practices. An historically major impediment to achieving this objective has been that the diverse elements of the building community (professional societies, and labor, trade, model code, voluntary standards, public interest and public agency organizations) have not had a forum to develop such standards. This has been

remedied through the creation of the BSSC. The Council was formed through the efforts of organizations representing all segments of the building industry, and with the participation of this agency. The Council's objective is to promote the development of seismic safety provisions suitable for use throughout the United States.

EARTHQUAKE RESEARCH

Mr. SABO. Does FEMA maintain any communication with the People's Republic of China concerning earthquake research?

Mr. CAMM. We have had some people participating in discussions with that.

Mr. SABO. Does your discussion involve volcanoes?

Mr. MACY. Yes, indeed. This would be an area of concern, but I would say that our primary attention insofar as Mount Saint Helens is concerned is for response and recovery purposes and we have been kept very carefully informed as to the developments out there.

So far, it has been largely more a media event than one which calls for emergency management.

Mr. SABO. For the record, provide the 1980 and 1981 programs for the systems analysis and integration activity.

[The information follows:]

SYSTEMS ANALYSIS AND INTEGRATION

The Office of Systems Analysis and Integration:

Conducts problem definition studies on the extent of hazards and their impacts on the state of existing knowledge and the institutional response to hazards; and, to identify research and technology development requirements.

Conducts system studies and analyses to identify the technical, management, institutional and other issues which affect hazard mitigation and emergency management.

Supports problem focused research on hazard mitigation and emergency management which cross-cuts several hazards in such areas as: Social, administrative, political, legal, intergovernmental and environmental issues; economic impacts of emergencies and disasters; special patterns of behavior under emergency conditions; decision processes in emergencies; and, evaluation of emergency response activities.

Supports research on the impacts of potential terrorist activities.

Maintains contact with relevant outside groups to ensure the maximum coordination of program activities.

During fiscal year 1980 the Office's programs have focused on the social, political, and economic elements responding to the occurrence or threat of nuclear war, initiating several in-house problem definition studies and supporting limited counter-terrorism research investigations. The problem definition area investigations are on the subjects of subsidence and hazardous materials.

In fiscal year 1981 the emphasis on national security issues and terrorism will continue. Problem definition studies will be undertaken for a variety of natural and technological hazards areas with particular emphasis on multi-hazard situations, that is those involving several natural and/or technological hazards. These analysis are expected to form the basis for initiatives in future budget years.

CIVIL DEFENSE BUILDUP

Mr. SABO. The program summary for research and systems development on page 17 indicates that the $591,000 increase in systems development "provides for developing plans for a civil defense buildup over a period of about a year of markedly increased tension." Such a buildup could cost $1-2 billion. The project is addressed in more detail on page 46.

Is not this admission that the current civil defense program is ineffective?

Mr. CAMM. It is an indication that we recognize it will take several years to get our civil defense program to full maturity. It does indicate we are not satisfied with the extent we are prepared from the civil defense point of view.

Most of the effort in getting ready for this surge capability will be integrated in our civil defense program as it matures. We are just moving certain costs up earlier.

Mr. SABO. How do you plan to use the $591,000?

Mr. CAMM. To develop concepts and ideas and prepare for what we should do in case the national decisionmakers were to decide that we had to surge the civil defense capability. We recognize we have to improve a lot of operating centers. We have to speed up our determination of what shelters should be used; speed up our preparation of crisis relocation plans. Instead of having to do a lot of that in a crash situation, we want to get our thoughts in line and our ideas lined up so if the occasion arises, we can do it quickly rather than having to contend with the usual startup time. I will supply additional information for the record.

[The information follows:]

ONE-YEAR RAPID ENHANCEMENT

The "one-year rapid enhancement" system is not a program per se, but rather a hedge. The reason for developing the system is that international events would result in a decision to develop civil defense capabilities as rapidly as possible, by large expenditures (e.g., $2 billion). If such a change in perceptions ever occurred, time would be seen as more important than money.

The initial design of the rapid-enhancement system (now being completed) indicates that it may be possible to develop civil defense capabilities on a forced-draft basis, by large expenditures—but only if plans and preparations have been worked out in detail. The fiscal year 1981 projects (outlined above) are intended to provided this kind of detail.

It is important to note that a rapid-enhancement system can not meet the PD-41 policy objective of reducing the possibility of Soviet coercion during the relatively brief duration of an intense crisis. Notwithstanding this, however, a modest investment in planning for rapid buildup of civil defense capabilities is a prudent and essential hedge against the possibility of a marked change in perceptions of the need for civil defense.

Mr. SABO. Would you say the country is currently experiencing a period of markedly increased tension?

Mr. CAMM. It is to some extent, but not to the level for initiating such a surge.

EMERGENCY OPERATING CENTERS

Mr. COUGHLIN. I note that on page 27 of the justifications you indicate that you have $5,500,000 for emergency operating centers, and under the previous tab we discontinued that program. We just shifted it from one tab to another now?

Mr. MACY. No, this relates again to the program in 1981 for the counterforce areas. These would be emergency operating centers that would be constructed in conjunction with that particular program, where centers do not exist at the present time.

Mr. COUGHLIN. So the emergency operating center program is not discontinued?

Mr. MACY. No. It is being emphasized on a priority basis in conjunction with our concentration on the counterforce areas, which we feel are those of the highest vulnerability and risk at the present time.

SHELTER STOCKS

Mr. COUGHLIN. And on page 25 you indicate that you are funding shelter stocks. Do we stock a substantial number of shelters at the present time?

Mr. CAMM. Not at the moment, we do not.

Mr. COUGHLIN. Any shelters?

Mr. CAMM. For about the last 10 years we have not. Back in the 1960s we did stock them with food, but when the food deteriorated we did not replace it, and we are not intending to put food in this other than water, which will not deteriorate.

Mr. MACY. And again, it is in units that relate to the counterforce areas.

Mr. CAMM. Correct.

Mr. COUGHLIN. We are not undertaking a new program of putting supplies in shelters?

Mr. CAMM. Not food supplies.

Mr. COUGHLIN. Not food supplies.

Mr. CAMM. We are putting sanitation supplies and water and ventilation.

Mr. COUGHLIN. I might say that one of my neighbors during the great air-raid shelter crisis built a shelter of his own. He now has a nondeteriorating product that he keeps there for personal storage, a wine cellar.

Mr. MACY. That will be a life-giving resource in the event of attack.

Mrs. BOGGS. Renewable energy?

Mr. MACY. Renewable energy.

RESOURCES MANAGEMENT

Mr. COUGHLIN. On page 34 of your justifications you indicate that one of the purposes of the resources management program is to assure economic stabilization under all emergency conditions. I would suggest that perhaps that is where we are now. Can you assure economic stabilization at the present time?

Mr. MACY. This is in reference to conditions other than the present situation. This relates to wartime conditions and is part of the mobilization planning effort. This is a reflection of a long-time recognition of the necessity to have a governmental mechanism available in the event we had to move to that kind of mobiliziation.

Mr. COUGHLIN. I appreciate it. I just thought the Administration might need your advice right now.

Mr. MACY. I appreciate that, but I am not volunteering.

Mr. COUGHLIN. Thank you, Mr. Chairman.

WARNING AND COMMUNICATIONS

Mr. SABO. Turn to Warning and Communications on page 48. The 1981 request is $25,933,000—a 17 percent increase above the 1980 program level of $22,128,000. $505,000 of the $3,805,000 increase is for the national warning system. Page 48 indicates the funds are for 300 leased terminals. How many terminals does the system currently have?

Mr. CAMM. We have about 2,200 now dispersed throughout the country, and these 300 will be in addition to that in the counterforce areas where we are giving emphasis. The idea is that when we get warning that there are incoming missiles and that sort of thing coming in in great quantity, we want to be able to notify as many people across the country as quickly as possible.

We have this communication network in place, where we can notify all the major communities and activities throughout the country so they can get the warning out to the people that at least before the weapons land they can get into the basements or other shelters to minimize the losses that would result.

Mr. SABO. And where are 300 additional terminals needed?

Mr. CAMM. In the counterforce areas, near the SAC bases and Navy nuclear submarine bases.

Mr. SABO. How many of the 2,200 are currently in the same type of positioning?

Mr. CAMM. A number. I would have to provide for the record the exact number. You want to know how many of them are in the counterforce areas?

Mr. SABO. Yes.

Mr. CAMM. If I may, I will provide that for the record.

[The information follows:]

NAWAS TERMINALS IN COUNTERFORCE AREAS

There are approximately 350 host counties associated with the 31 counterforce areas. We would seek to place National Warning System (NAWAS) terminals in Emergency Broadcast System (EBS) stations in these areas to provide a capability to give attack information to the public via EBS. The exact number of stations to be equipped with NAWAS terminals can only be determined after negotiations with broadcast station management, and their agreement to accept the terminals. A total of 300 terminals is our best current estimate of the need. At present, there are no NAWAS terminals in EBS stations in counterforce areas.

RADIO COMMUNICATIONS

Mr. SABO. The Civil Defense National Radio System reflects a 56 percent increase in 1981 to $2,070,000. Most of the increase is for the purchase of the Olney, Maryland, Antenna Facility and for the remote operation of the Santa Rosa, California, facility. Is that accurate?

Mr. CAMM. That is correct.

Mr. SABO. Why do you want to buy the Olney facility?

Mr. CAMM. Because the rental costs are higher every year and it is cheaper to the government to procure it.

Mr. SABO. What are the terms and cost of the current lease?

Mr. CAMM. There is a current lease of $66,000 a year. It runs out the end of June of this year, June 30.

Mr. SABO. And who currently owns the facility?

Mr. CAMM. A private citizen.

Mr. SABO. Why do you need remote capability for the Santa Rosa facility?

Mr. CAMM. Because the communications that we have from our Region 9, which is in San Francisco, are not satisfactorily tied to the Santa Rosa facility. The Santa Rosa facility has an antenna field, but our relocation site is not located there, so we want a

remote to that antenna field so we can use it when we go to our relocation center.

Mr. SABO. Back to the Olney facility. If you didn't buy it, do you assume that that lease cost would go up when it is up for renewal, and if so, how much?

Mr. CAMM. Yes. It is continuing to go up. I don't know how much, but as you look at real estate in this greater Washington area, you can see it is going up rapidly. I understand that the lease started at something like $5,000 a year.

Mr. SABO. And now it is $66,000?

Mr. CAMM. $66,000.

Mr. SABO. And how much will it cost to buy?

Mr. VOLLAND. $571,000 is the amount requested for purchase.

Mr. SABO. Is that an agreed-to-price by the owner currently or is that estimated?

Mr. VOLLAND. I believe that is estimated.

Mr. CAMM. That was an estimated price.

Mr. SABO. If it costs more, do you still plan to buy it?

Mr. CAMM. It depends on how much more.

Mr. MACY. Mr. Chairman, the authorizing committee included authorization for this acquisition in the authorization bill.

Mr. SABO. How much is that?

Mr. MACY. At the $571,000 level.

Mr. SABO. So you couldn't go higher than that without changing authorizing language. Is that accurate? Does the owner prefer to sell than to lease?

Mr. CAMM. Preliminary negotiations were conducted last year. With the amount settled on, we didn't have enough money. We tried to get a settlement but we were not able to.

Mr. SABO. Was that higher than the $571,000?

Mr. CAMM. No.

Mr. SABO. You had a lower authorized level before?

Mr. CAMM. It was less, and we have adjusted for inflation. This is my understanding.

Mr. SABO. Let's go back to the previous question on the additional terminals. Why can't you relocate some of the current terminals that you have into the higher priority areas rather than by adding 300 additional ones?

Mr. CAMM. We could. That means we reduce coverage in other areas and what citizens want to know that their coverage has been removed.

Mr. SABO. Do they know it exists?

Mr. CAMM. They will probably know it when it is removed.

Mrs. BOGGS. So will we.

BROADCAST STATION PROTECTION

Mr. SABO. You are requesting a 323 percent increase in Broadcast Station protection program, from $265,000 to $1,121,000. What part of these funds is actually financial assistance for AM, FM and TV stations?

Mr. CAMM. None.

Mr. SABO. How many stations are operationally supported in 1980, and how many are planned for 1981?

Mr. CAMM. 598 that are completed, and we are proposing to protect another 11 this year. Maybe I should qualify my comment about the help to the broadcasting stations. It is not helping them in their normal operations. What it is doing is providing protection for them, fallout protection, emergency generating power, so that we can assure that the broadcasting station is able to broadcast in an emergency circumstance when commercial power is lost. It is not to assist them in doing any of their normal day-to-day or hour-to-hour type broadcasting.

Mr. MACY. Really what you meant is it was of no economic benefit or advantage to the commercial stations involved.

Mr. CAMM. That is correct. This is the sense in which I am talking.

DIDS TRANSMITTER

Mr. SABO. Why do you need to activate the lower frequency broadcast facility at Edgewood, Maryland?

Mr. CAMM. Because it is the cheapest way for us to cover the greatest number of citizens. It will cover 20 percent of the population of this country from that one station, and we already have the facility in being and mothballed. It is much cheaper to do it that way than any alternative way information and education we could think of.

Mr. SABO. Turn to information and education on page 57. The 1981 request of $10,990,000 is $3,849,000 above the 1980 current estimate. Page 58 indicates one function in this area is to maintain the Emergency Management Institute. I don't recall that this was mentioned last year.

Mr. MACY. No, the Emergency Management Institute is a development that has occurred since the hearing last year on March 22. It is intended to be the major center for all of emergency management activities of an educational nature. It is planned to be collocated on the Emmitsburg campus with the National Fire Academy. It will have a curriculum that will be beneficial to Federal, state and local officials in expanding their management capability to deal with emergencies of all kinds, in contrast to the staff college for civil defense that has existed for many years at Battle Creek. This particular center will be for all of the emergency management programs.

I would like to introduce Mr. David McLoughlin, who is the Assistant Director for Training and Education, for some elaboration with respect to the Institute. He is the guiding genius in the development of that Institution.

Mr. SABO. Let me indicate some specific questions so you might address yourself to those. Does the Institute incorporate the Battle Creek Staff College? What are its functions? Will it be located at Emmitsburg, and what are the costs associated with the Institute in 1980 and 1981?

Mr. MCLOUGHLIN. We expect to keep the Staff College in operation in Battle Creek through September of this year. Then we will be down for about three months to move the resources and the faculty to Emmitsburg, and expect to open the Emergency Management Institute in January 1981, and as Mr. Macy said, we do expect the Institute to have a much broadened curriculum over that of the current Staff College.

As an example, we expect to have about 22 different kinds of courses at the Institute, whereas we will only be bringing about 11 of those with us from the Staff College.

You asked about cost. It is fairly difficult to relate cost directly at the moment, but the current budget estimate for the Emergency Management Institute at Emmitsburg for 1981 is $3.5 million. That includes about $2.75 million for the operating costs there, plus $750,000 as the final increment of our renovation costs.

Mr. SABO. The 1980 justifications reflected $5,427,000 for training and education and $2,264,000 for emergency information. Included in the subtotal for training and education was $2,349,000 for seminars, $63,000 for student expense, $1,600,000 for RADEF training, $405,000 for training materials, $1,010,000 for program staff. Tracking the justification material for this program from 1980 to 1981 is nearly impossible. For the record, provide a cross-walk between the program elements, if you would, please.

[The information follows:]

Crosswalk--FY81 to FY80 T&E Budget

	FY80 (000)	FY81 (000)
Instructional Program and Materials Development	584	1,000
Training Materials (p.72)	(184)	
Flood Studies and Surveys (p.113)	(400)	
Develop & field test training for staff supporting Federal Coordinating Officer in major disasters		(150)
Seminars on Hazard Mitigation		(150)
Seminars on Disaster Response and Recovery		(100)
Seminars on National Security		(100)
Emergency Management Leadership Conferences		(80)
Career Development for Local Coordinators		(150)
Continuity of Government Conferences & Workshops		(100)
Planning for Communities Close to Nuclear Facilities		(85)
Flood Plain Management Conferences		(85)
Maintenance and Operations of FEMA Schools	2,084	3,150
Student Expenses (p.70)	(63)	
Program Staff (p.72)	(307)	
National Shelter Survey (p.41)	(240)	
State/Local Civil Protection & Plng Assist (p.44)	(259)	
State/Local Civil Protection & Plng Assist (p.44)	(8)	
Research and Systems Development (p.58)	(12)	
Research and Systems Development (p.55)	(259)	
Radef Training (p.71)	(23)	
Program Staff (p.72)	(16)	
Insurance and Hazard Mitigation (p.88)	(6)	
Disaster Relief Administration (p.109)	(235)	
Seminars (p.70)	(349)	
Radef Training (p.71)	(45)	
Emergency Information (p.73)	(52)	
Standard Level User Charges (p.72)	(210)	
Final Renovation Increment		(750)
Share of Facility Operation		(1,465)
Temporary Faculty		(310)
State/Local Participant Expenses		(225)
Internal EMI Operating Costs		(400)

	FY80 (000)	2 FY81 (000)
Instructional Materials Reproduction, Storage & Delivery	221	600
Reprints and Replacements (p.72)	(221)	
Use of Combined Application Process by Federal Agencies in Presidentially Declared Disasters		(40)
Career Development Curriculum for Local Coordinators		(34)
Continuity of Government Conferences & Workshops		(25)
Planning in Communities Close to Nuclear Facilities		(30)
Materials for Hazard Mitigation Conferences		(31)
Flood Plain Management Conferences		(25)
Workshops for Lenders in Flood Plain Jurisdictions		(21)
Updated Radiological Defense Instructional Materials		(175)
Home Study Course--Emergency Management, USA		(30)
Home Study Course--Emergency Management Coordinator		(35)
Home Study Course--Hazard Mitigation		(30)
Home Study Course--Flood Proofing for A&E's		(25)
Rescue Instructor Guides and Student Manuals		(20)
Emergency Management for Police--IG's & SM's		(25)
Emergency Management Materials for Schools		(54)
Training Field Deployment	3,532	3,500
Seminars (p.70)	(2,000)	
Radef Training (p.70)	(1,532)	
Regional Support Contracts to provide an instructional capability in the Regional offices to train audiences such as Regional Federal agencies, disaster reservists, local hires, and selected State and local audiences and architects and engineers		(1,250)
State Cooperative Agreements to support State based training and education programs for intra-State audiences such as State disaster response agency staffs, State emergency planners, local emergency management staffs, State and local agency staffs involved in hazard mitigation, business and industry officials, and emergency planners, and lenders.		(2,250)
Private Professional Association Training Projects	95	216
A&E Technical Information (p.74)	(95)	
Shelter Survey Technician Training		(110)
Architect and Engineering Institute		(106)
Staff	1,059	1,185
Program Staff (p.70)	(684)	
State/Local Civil Protection & Plng Assist (p.44)	(300)	
Insurance & Hazard Mitigation (p.88)	(50)	
Disaster Relief Administration (p.109)	(25)	
Headquarters Staff (12)--Emergency Management Institute Staff (27)		(1,185)

EMERGENCY INFORMATION

Mr. SABO. The 1980 justifications included five pages for emergency information. The 1981 justification contains five lines. What is the 1981 request? I think it is $1,339,000, but would you provide some additional justification for the record.

Mr. VOLLAND. Yes, sir.

[The information follows:]

EMERGENCY INFORMATION

The objectives of this program is to create an awareness of the conditions associated with a nuclear attack or a peacetime disaster so that government officials and the general public will react appropriately to protect lives and property if a particular kind of disaster actually occurs. Experience in major disasters has shown that public response is in proportion to advance knowledge and prior preparation.

Emergency management publications: Publications in the nature of handbooks, leaflets, pamphlets used to inform the public of life threatening man-made hazards such as nuclear attack, radiological emergencies, chemical spills and hazardous wastes	$239,000
Development of community awareness campaigns for weather emergencies:	
A winter awareness campaign using a combination of printed, audio, and audiovisual materials to inform the public of winter survival problems	100,000
A hurricane awareness campaign using a combination of printed and audiovisual materials to inform the public of hurricane survival problems	100,000
A flood awareness campaign using a combination of printed and audio materials to inform the public of flood dangers and to promote the National Flood Insurance Program	100,000
A tornado awareness campaign using a combination of printed and audio materials to inform the public of the tornado phenomenon and what survival techniques to use	100,000
Publication of emergency management magazine and other publications to emergency management community: The emergency management magazine will be the forum for information on all aspects of crisis management, addressing the broad spectrum of disasters which are the concern of emergency management officials throughout the nation	100,000
FEMA annual report: Required by law	5,000
Salaries	570,000
Travel	25,000
Total	$1,339,000

NRC AND TVA

Mr. SABO. Mrs. Boggs, any questions?

Mrs. BOGGS. Before we go to anything else, Mr. Chairman, I would like to say that during my other Subcommittee hearings, when Mr. Freeman of TVA was there and also when the Nuclear Regulatory Commission was before us, we talked about coordination among the Nuclear Regulatory Commission, FEMA and TVA, and the exercise involving the State of Tennessee. The TVA and NRC both indicated that they enjoyed good relations with FEMA. They did indicate that they had some problem about the Sequoyah plant, but Mr. Freeman said, "I spoke to John Macy, who moved swiftly to straighten it out. His cooperation was excellent on that."

Mr. Gilinsky of NRC then furnished us with an exchange of letters between himself and you, Mr. Macy, which seemed to settle

whatever differences you may have had about that. Would you like to comment on that?

Mr. MACY. Yes. What was involved with respect to the Sequoyah plant, which is a nuclear generating plant in the Tennessee Valley system, was with respect to the desire on the part of Mr. Freeman, the chairman of the board of TVBA, to have a preliminary testing of the nuclear capability at about 5 percent of the generating level. The request was made to FEMA to review the off-site emergency planning program for that particular site, and to give the necessary approval for NRC to go ahead with their licensing sanction for that particular test.

The controversy, if such it was, related to whether or not they had conformed with the revised safety standards to a sufficient degree to permit this. We had an accelerated review of those plans, and consultation with NRC and TVA, and concluded that, yes, they had proceeded in Tennessee to such a point in their emergency planning that we would be in accord with the step that was proposed.

We are in the process of working with all of the States that have nuclear plants in reviewing their plans for off-site emergency management under a time deadline of the end of June, so this is a high priority activity for the Agency in close collaboration with NRC. In fact, we have a memorandum of understanding with NRC establishing the nature of the relationship that we are going to have with respect to off-site emergency planning.

Mrs. BOGGS. Thank you. That is very fine news.

Thank you, Mr. Chairman.

Mr SABO. Mr. Coughlin, any additional questions?

Mr. COUGHLIN. No questions at this time.

FISCAL YEAR 1980 SUPPLEMENTAL

Mr. SABO. Why don't we move on to some supplemental questions.

The Administration requested an $8,900,000 supplemental for FEMA funding in House Doc. 96-237, dated December 10, 1979. The supplemental was requested to implement some of the recommendations contained in the report issued by the President's Commission on the Accident at Three Mile Island. FEMA has been directed by the President to assume responsiblities for all off-site nuclear emergency planning and response. The justification material for the supplemental request was provided to the Committee January 17, 1980. Additional suppporting material was provided in March. The January justification contained the following statement: "Unless the supplemental appropriation request of $8,900,000 is provided by February 15, 1980, FEMA will not be able to meet the scheduled completion of the reviews by June 30, 1980, as directed by the President."

You obviously didn't get the money by February 15. It is actually now two months later. So the deadline won't be met. Is there any real significance to the June 30 deadline?

Mr. MACY. The significance is that that was the deadline imposed upon the Agency by the President in his assignment to the Agency as a result of the Kemeny Commission report. The time

limitation is a reflection of the urgency felt to complete at as early a date as possible the necessary emergency planning so that these plants could proceed with their operations. There is serious economic loss in the delay to activate them, and there is also the need for reassurance of the public that there are emergency plans which would deal with any potential accident in the future.

We have not terminated our activities because the February 15 date did not produce the supplemental appropriation, but it has been done by utilizing a staff experienced in this area working on crisis relocation planning in the States. We believe that the requirement as reflected in the supplemental request is necessary for us to carry out this particular assignment, and other related responsibilities that were included in the President's December 7, 1979 assignment.

Mr. SABO. But you have been going on in the process of getting the assignment done?

Mr. MACY. Indeed we have.

Mr. SABO. Without the additional funds?

Mr. MACY. Without the additional funds.

RADIOLOGICAL EMERGENCY PLANNING

Mr. SABO. Where are the funds coming from? Other agencies? Have you switched the funds around, or simply used personnel?

Mr. MACY. What we have done is utilized personnel in the Plans and Preparedness unit of the FEMA headquarters. We have had a detail of personnel from NRC, detail of those who had had experience in this field under that agency, and then we have utilized those in our regional offices who have had radiological experience or training, and have normally been involved in providing advice in that field to the States and localities in the civil defense program.

Mr. SABO. What are the total resources you have devoted to this activity?

Mr. CAMM. I don't know exactly.

Mr. SABO. Is it about—$1 million—$2 million?

Mr. CAMM. We have committed roughly $2 million to working with that problem, and it has caused a serious internal wrenching within my organization and I have had to go to Mr. Macy and ask him for help.

Mr. SABO. Has he been helpful?

Mr. CAMM. Yes, he has committed everything he has had. Both of us have thrown it right in. I would say because of that we have been able to continue, but I would say the major hurt is because we have not been able to commit any resources to help the States and localities where the real work has got to be done and they are really hurting. We are getting serious repercussions from them about how can they get some help to do this, because they don't want to have those plants closed down on them.

Mr. SABO. They should have a little stake to make sure the plants are prepared.

Mr. CAMM. Yes, sir, but we would like to get some resources quickly so we can help.

Mr. SABO. What are you going to do if the entire supplemental is not provided?

Mr. CAMM. We will do our best.

Mr. MACY. We will not turn our back on the assignment, I assure you.

Mrs. BOGGS. Mr. Chairman, I think that the state and local observations are very pertinent. They really do need the help, and they do need the coordinating assistance that these studies could bring to them. Every locality obviously has its own problems, but there must be some overall type of Federal guideline for the entire nation. I think both the Kemeny and the Rogovin reports indicated this. We would certainly be throwing away a great deal of the time, the effort, the research, the switching around of funds and responsibilities and coordination of responsibilities that have gone on, if we don't extend some type of help to the states in order to run the program in a wholehearted way.

The simulated attack that was carried out in Tennesseee showed that you could get the cooperation of the government, of the local officials, of the utilities, and so on, if you had real coordination with real plans, and could anticipate some of their needs prior to an attack. I would hope that we would recognize that this is an extremely serious situation in the states and localities where the plants are located, and I would hope that we would indeed give some type of help in this regard. So even the best that FEMA could do under these circumstances I don't think will be enough without budget increases to permit providing assistance for the states.

ASSISTANCE TO STATES

Mr. SABO. How much of the $8.9 million did you assume you would use internally and how much would be applied to assistance to the states?

Mr. CAMM. Part of the $8.9 million, $2 million of it was our plan to give grants to the states having the biggest problems, and that $2 million we would like to get to cut loose to them. Then there is $2.75 million for planners that would be helping the states in their work as well. I might add that it is because of the close working relations that we have through our other FEMA activities with the state emergency planners and the states and local communities that we have been able to make the progress that we have, but now that we are not able to help them to the extent that was perceived, it is beginning to interfere.

They say, "You feds are telling us to do something, and you are not living up to what you projected would be your expectation of helping us." And it is interfering with our relationships not just here but in some other regards too, so we would appreciate some relief if we can get it.

Mr. SABO. The only interest in state and local people doing this is if they get Federal funds?

Mr. CAMM. No, but of course they want help because this is a Federal requirement that they would like some assistance on.

Mr. SABO. And that is the only thing that motivates them——

Mr. CAMM. No.

Mr. SABO [continuing]. Is the fact that it is a Federal requirement?

Mr. CAMM. Of course not. It is their own safety that is involved.

Mr. SABO. I would think so.

Mr. CAMM. But within their local resources and their ability to fund, they are subject to local legislative calendars, and so forth. For us to put a requirement on them with such a short deadline, they are not able to meet that from a funding point of view on such short notice. At least that is what they say to us.

Mr. SABO. I view it with skepticism. Most states have——

Mrs. BOGGS. I have a daughter who is a journalist and covered the Three Mile Island accident. One of the most telling stories was an old gentleman who came to her and said, "I wish this were a flood. We know what to do when there is a flood." I really think that that puts the problem into a nutshell.

FEMA needs, since it was given the lead responsibility by the President, to be able to tell the people what to do in the matter of a nuclear accident, and that cannot be done without preparing the states and localities so that they can cooperate in their efforts.

Mr. MACY. We believe, too, that it is very important that the states be involved and participate, and that this not become a totally federal program, so that this is similar to other efforts that we make in the emergency management field, to have a partnership with the states.

ROLE OF UTILITIES

Mr. SABO. I agree wholeheartedly, but why shouldn't the utilities which build the nuclear plants pay for this emergency response planning and preparedness? This way the people would benefit from the power generated and would be the ones ultimately paying for the planned preparedness.

Mr. MACY. As far as the on-site emergency planning is concerned, the utilities will be the primary financiers. What we are talking about is the off-site hazard.

Mr. SABO. But why shouldn't that be their responsibility too?

Mr. MACY. I would be delighted to see them accept some of the responsibility.

Mr. SABO. If I am not mistaken, the Minnesota Legislature which just adjourned, provided for the assessment of those costs to the utilities involved.

I read the local papers and try to keep up to date. I think four states have already done that.

Mr. CAMM. Incidentally, we would like to see that done, but the question is how do we cover the gap until those legislative arrangements are taken care of. What we are trying to do is fill in the gap to be sure we don't slow down. We have got to protect the public against Three Mile Island as much as we can, or in other areas as well, and we are just trying to fill the gap, which is usually what we emergency people do. We try to handle the emergency in the short term and then pass it over to normal procedures later, as soon as possible.

Mrs. BOGGS. Mr. Chairman, you will be glad to know that the private utilities have come together. They have conducted a study. They have made very specific recommendations, have given a

whole day of hearings before the Authorizing Committees, and are very concerned about taking their rightful responsibilities in this area. They have made some extremely good and specific suggestions about training, about inspection, about gathering their own inventory of expert personnel in each of the fields, so that they can be available immediately to assist with whatever kind of disaster problem occurs. I do think they have been working with FEMA in these regards: I am sure that public federal policy coordinated with state-local policy will evolve, but in the meantime we have to get the states and localities up to the point where they can fully cooperate.

Mr. MACY. We are talking now primarily about those plants that are already in existence. There are 90 plants under construction with construction permits. That will be a longer term proposition, and I think some of the shared financing clearly should be an objective in that long-term effort to have effective planning for any accident that may occur at such a plant.

Mr. SABO. I guess I have trouble with the shared being part of the long-term.

Mr. MACY. As Mr. Camm has pointed out, this is an emergency development that does have some of the characteristics of other emergencies in which government is also involved.

Mr. SABO. Let's move on. I think that discussion as to whose responsibility it is to fund I suspect is one we will have to deal with within Congress. My own bias is strongly that it is something states should deal with and it should be assessed to the power companies involved. That is part of the cost for nuclear energy.

Mr. MACY. Of course, that cost is passed on to the consumer in the form of rates.

Mr. SABO. I understand that, but that is the issue involved with all kinds of energy issues.

Mr. MACY. Indeed it is.

Mr. SABO. We pass on the increased emission standards for coal also to consumers.

Mr. CAMM. To us, the question is, until those financing arrangements are reached, should we be doing something?

Mr. SABO. I understand.

Mr. CAMM. That is all we are trying to do is cover that interim.

FEMA, NRC, AND DOE

Mr. SABO. My concern is that interim mechanisms so often become permanent, and I think we have to guard against that.

The supplemental request for FEMA was transmitted with other related requests for the Nuclear Regulatory Commission and Department of Energy. Briefly relate to us how the three agencies' missions in this area complement each other.

Mr. CAMM. I am sorry, I didn't hear the question.

Mr. SABO. The supplemental request for FEMA was transmitted with other related requests for the Nuclear Regulatory Commission and Department of Energy. Briefly relate how the three agencies' missions in this area complement each other.

Mr. CAMM. The Nuclear Regulatory Commission's functions operate within the boundaries of the nuclear utility concerned, what

happens within the nuclear power plant. The FEMA responsibilities have to do with preparation for protecting the public by actions taken outside of the boundaries of the plant.

The Department of Energy has certain capabilities, for example, an ability to deploy teams that detect radiation and that sort of thing, that we have to call upon to assist us when we have such an emergency, so we are busy integrating in that sense.

One of the charges we received from the President was to assure that the Department of Energy capabilities are ready to go and use as appropriate in such emergencies, and we are busy incorporating provisions for that and assuring that they are incorporated into the various state plans.

RADIOLOGICAL EMERGENCY PLANNING

Mr. SABO. FEMA's 1981 budget request submitted in January contains no funding for radiological emergency response planning and preparedness programs. Is that accurate?

Mr. CAMM. That is correct. It did not. The budget was prepared before we received this mission.

Mr. SABO. What are the 1981 full year costs associated with the supplemental?

Mr. CAMM. The 1981 costs we have estimated and are in the process of preparing. It has not yet been submitted nor coordinated with Office of Management and Budget, so we are not in a position to state a firm position. It amounts to $4.3 million, about half of what we are asking for in fiscal year 1980.

Mr. SABO. How will FEMA fund the program in 1981?

Mr. CAMM. That is part of what we are working out with OMB at this time.

Mr. SABO. Can we assume that there will be transfers of resources and people within FEMA, or do you expect you will have an amended budget request?

Mr. MACY. We will seek an amended budget request.

PLANNING EFFORT

Mr. SABO. How many positions are associated with the program in 1980 and 1981?

Mr. CAMM. We have in 1980 12 people from NRC detailed to us, and we have several more within my offices in supervisory positions spending part of their time on it. We have also diverted to working on the program in the nuclear civil protection planners—up to about 130 people working as necessary to develop the states and local plans. The various regional offices have additional people working, approximately 75 working on the same problem.

Mr. SABO. Let me ask this question. Maybe I misunderstood. How much of your assistance to the states is providing technical assistance, or is it actual dollars for them to hire people?

Mr. CAMM. At the moment, we have given them no dollars because we don't have any.

Mr. SABO. Then we are talking about providing technical assistance?

Mr. CAMM. Technical assistance.

Mr. MACY. It is technical assistance from our own professional staff.

STATUS OF PLANS

Mr. SABO. Do any of the 40 states listed on page 2 currently have emergency plans developed to deal with a commercial nuclear power plant accident?

Mr. CAMM. I didn't hear the question. What was the thrust of the question?

Mr. SABO. Do any of the 40 states currently have emergency operating plans developed?

Mr. CAMM. Yes. A number of them have plans. In fact, before FEMA received this mission, NRC had approved a number of the plans. The plans of 14 states had been approved by NRC. That was done before Three Mile Island. After Three Mile Island there was an intensive analysis of the criteria for approving such plans, and several more stringent requirements were included. Those 14 states must go back and improve their plans to fit the additional criteria.

I guess the primary increase had to do with having a capability to evacuate people that live near the plant out to a greater distance from where the previous criteria was set.

Mrs. BOGGS. I think it was from 5 to 10 miles.

Mr. CAMM. The earlier criteria did not require relocation generally beyond about 2 or 3 miles from the plant. Now, the criterion is that we must have means to warn and evacuate out as far as 10 miles, and also a capability to keep track of what has happened to any radioactive emissions out as far as 50 miles to assure that they do not adversely affect agricultural products which may be consumed by citizens.

Mr. MACY. So that really the Three Mile Island experience invalidated the previously approved plans, and it is now necessary for each of those states as well as those that had not completed and had their plans concurred in by the Nuclear Regulatory Commission to complete the revision with our technical assistance.

TRAINING

Mrs. BOGGS. Also, along those lines, there is the matter of training the personnel at the Three Mile Island plant. I notice that in, I think it was the Kemeny report, it was reported that even though some of them had five years of training with the Navy, which is supposedly the best training possible—certainly according to Admiral Rickover it is—that fault was found with the training and inspection procedures, and with the human errors that were committed and could be committed in the future. Do your training programs include anything that would be helpful with these problems?

Mr. MCLOUGHLIN. If you are talking about the training on the power reactors themselves, that is not a responsibility of FEMA. It is a responsibility of the power companies in their relation to the NRC.

Mrs. BOGGS. Do you train people to be able to check on the suitability of the training that is going on in those other two regards?

Mr. McLoughlin. We have nothing to do with the training that goes on basically for the operation inside the fence. Our training encompasses principally those emergency-related activities that are occurring outside the fence. We are involved in the training of people who will have to respond in emergencies if indeed it does occur.

Mrs. Boggs. Thank you.

MARCH REQUEST

Mr. Sabo. The supporting materials submitted in March contains numerous differences from the January justifications, even the name of the new FEMA office having been changed. This makes us question how much thought was devoted to the program. What was FEMA's request to OMB for this activity?

Mr. Camm. You may recall that the initial request went in in December, and that we received our mission in December, and we must admit that our coordination and understanding of the matter was very little at that time, so when we came back in March with a more mature understanding of it, we made a number of changes. Concerning the change of the name, if you take the initials of Radiological Emergency Response Program, it comes out RERP. We didn't like the sound of it. We changed it to REP, which sounds a lot better.

Mrs. Boggs. We think so.

Mr. Sabo. What was your request to OMB? Did you make this request to OMB?

Mr. Camm. The initial request was worked out working with OMB and we discussed with them the $8.9 million and agreed with them on that number.

Mr. Sabo. So that was a joint action?

Mr. Camm. Our request, if I remember, was slightly more than that.

Mr. Macy. Our original request was $11 million. It was negotiated to $8.9 million.

Mr. Sabo. For the record, provide a crosswalk between the January justification and the March submission, explaining the reasons for all the changes, if you would.

[The information follows:]

Crosswalk of REP
January-March Submissions
$8.9 Million

Item	January Submission	April Submission
11.0	Personnel Salaries 91K	Personnel Salaries 38K The January figure is reduced because of the fewer months left in the fiscal year (Jan - Oct vs. April - Oct) to support five positions.
12.0	Benefits 9K	Benefits 4K The April figure reflects benefits for five individuals for the remainder of FY 80.
21.0	Travel & Transportation $410	Travel & Transportation $225 This figure has been reduced because NRC has picked up the cost of transportation for its detailees.
24.0	Printing & Reproduction 302K	Printing, Reproduction, and Public Education Information Program 250K This figure has been reduced because as we go further into the fiscal year, the less likely it is that sums can be expended in a useful fashion. The entire cost of printing/reproducing the new criteria document (NUREG-0654/FEMA-REP-1) was assumed by NRC, thus freeing FEMA from the expense. If appropriated, part of this fund would be used to develop and put into place public education/information programs called for by the President in his 12/7/79 statement.

25.1 Other Services

$6,675K

A. Exercises

$700K

Other Services

$3,775K

Exercises

$300K

This sum has been reduced because the States now have new criteria against which they are developing plans and the exercise of State plans will occur later in the fiscal year as a consequence. If appropriated, this fund would be used to contract on a competitive basis with a firm or firms expert in the area to assist FEMA in observing and critiquing exercises and developing guidance concerning exercises intended for State and local government officials in observing exercises.

B. Automatic Data Processing

No comparable provision

Automatic Data Processing

$50K

This sum represents the estimated cost of developing an automatic data processing information and management system for State and local government plans. Since the estimate was made, the REP division contracted for the services of an an outside expert firm to assist in the development of the software using existing FEMA computers.

C. National Contingency Plan

No specific provision

National Contingency Plan

$100K

This sum represents an estimated cost for contract support in developing a national contingency plan for dealing with radiological emergencies at commercial nuclear power plants as called for in the legislation now pending before the Congress.

D. R & D -

$300K

Survey the need for and conduct necessary research on a wide range of requirements such as protective actions, radio-protective substances and operational response systems.

R & D -

$300K

No change. FEMA sees need for additional research on verification of ARAC ($110K) dosimetry ($75K) and exercise scenarios ($115K). The President also noted the need for additional research on evacuations.

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E.	To Provide Guidance and Training Programs for State and Local Government Personnel $300K	To Provide Guidance and Training Programs for State and Local Government Personnel $300K If appropriated, this fund would be used to develop a training program for medical personnel (doctors, nurses, para-medics) as proposed by HEW in a recent submission to the Federal Interagency Central Coordinating Committee (FICCC) Training Task Force. When the curriculum is developed, FEMA would conduct the course as a regular part of its training effort. Note that there is no specific request for training funds for the REP planning course, coordinators course and response course because those expenses are budgeted by NRC in the current fiscal year and for FY 81. Under the MOU with NRC, FEMA will assume responsibility for these training courses in the future.
F.	Workshops No comparable provision	Workshops $200K This fund, if appropriated, would allow FEMA to conduct workshops and meetings with State and local government officials on matters of mutual interest. The fund, however, becomes less important as the fiscal year advances. As it now stands, only one workshop is contemplated -- that to discuss the criteria document with State and local officials at an estimated cost of less than $50K.
G.	Studies of Evacuation Dynamics $500K	Studies of Evacuation Dynamics $250K In January 1980, with the signing of the MOU with NRC, FEMA agreed to perform independent analysis of likely evacuation times around 12 nuclear facilities with large populations nearby. FEMA has gone to a competitive RVP and in March, 1980, awarded contracts amounting to $209K for this effort.

H.	Funding for Contract Planners at State Level	Funding for Contract Planners at State Level
	305K	$2,275K
		If appropriated, this fund would be used to extend existing contracts with State governments to permit the hiring of 80 additional planners (2 for each of 40 States) who would work on State and local government plans and preparedness efforts. At present, crisis relocation planners working for State governments, using FEMA funds have been diverted from their basic responsibilities to work on emergency planning for commercial nuclear facilities. This appropriation would permit those individuals to return to their regular assignments and allow States to bring in new people dedicated to the REP assignment exclusively. Note that FEMA intends this to be a one-time-only operation. The fund has been reduced from the level suggested in January to take into account decreasing ability to hire as the fiscal year progresses.
I.	Public Infor./Education Program	Public Info./Education Program
	$900K	No comparable provision
J.	Procure & Field Test Radio Protective Substances	Procure & Field Test Radio Protective Substances
	$525K	No comparable provision.
		FEMA has made the conscious decision that it would be inappropriate for FEMA itself to purchase and store large quantities of thyroid blocking agents for use by the public. FEMA believes that it is appropriate for NRC to require its licensees to purchase this material rather than the Federal government and intends to petition NRC to do this in the near future.

K.	To Provide for Technical Assistance From Other Agencies	To Provide for Technical Assistance From Other Federal Agencies
	$400K	Deleted: No comparable provision
	This item was intended to support the efforts of other Federal agencies in Regional Advisory (not Regional Assistance) Committees in each of the 10 Standard Federal Regions and at the headquarters level.	Travel for RAC members will be covered under travel item above.

26.0	Supplies & Materials	Supplies & Materials
	$13	-0-
31.0	Equipment	Equipment
	$900K	$2350K
A.	Atmospheric Release Advisory Capability (ARAC)	Atmospheric Release Advisory Capability (ARAC)
	No comparable provisions	$1,685K RAC is a computerized assessment system developed by the Laurence Livermore Lab. for the Department of Energy and is currently in use around several DOE facilities. Using DOE equipment and previously appropriated NRC funds, work is now underway on a pilot installation of the system in New York (for Indian Point) Illinois (at Zion) and in California. Other States and utilities have expressed interest in the system. If appropriated, this fund would be used to install and test a full pilot system.
B.	Develop & Produce Low Range Dosimeters	Develop and Produce Low Range Dosimeters
	$900K	$665K FEMA has revised its original estimates and intentions. FEMA now proposes the purchase of only 10,000 low range dosimeters, rather than a program for millions of them. If appropriated, the bulk of this fund ($345K) would be used to deploy 1000 plume exposure rate verification systems. Note that NRC has $200K in its budget for this item.

41.0	Grants to State and Local Governments	Grants to State and Local Governments
	$500K	$2258K
		If appropriated, this fund would be used to provide grants to State and more particularly to local government units in the vicinity of operating commercial nuclear power plants. There are about 250 units of local government (counties, municipalities, townships, etc.) located within 10 miles of existing nuclear stations. In most instances, local governments are least prepared level of government from the point of view of money, equipment and expertise. At the same time, this is the level of government that would be required to respond first to an accident at such a facility. If appropriated, the fund would be used to assist local government units in high population areas near nuclear facilities.

Mr. SABO. I notice personnel and travel requests have been revised downward in the March material. Is this entirely due to the later assumption of the enactment of the supplemental?

Mr. VOLLAND. Yes, sir.

EQUIPMENT ESTIMATES

Mr. SABO. The January material included $900,000 for equipment. By March, this figure had changed to $2,350,000. Do you care to elaborate on this change of emphasis?

Mr. CAMM. We got a much better understanding of what the equipment implications were. The $2,350,000 consists of radiological instrumentation development and distribution of $665,000, and atmospheric release advisory capability at the sites in state emergency centers in highly populated areas costing $1,685,000. These were technological aspects that we were just not even aware of at the time in December when we talked about this. We had to learn as we grew.

Mr. SABO. You started out with $8.9 million and in the March revision kept the top figure but totally revised the internal parts. Is that accurate?

Mr. CAMM. That is correct.

Mr. SABO. How should we have confidence that with that much change——

Mr. CAMM. I have more confidence in the later figure than the first one. We knew much more.

Mr. SABO. By accident it turned out to be the same figure.

Mr. CAMM. We couldn't ask for more.

Mr. SABO. Precisely what is Atmospheric Release Advisory Capability, and how would $1,685,000 be used for it?

Mr. CAMM. I would like to ask Mr. McConnell to explain that.

Mr. MCCONNELL. Mr. Chairman, this is a device worked out by the Department of Energy and NRC originally, with the cooperation of the Environmental Protection Agency. It gives automatic readouts based on weather conditions and instrumentation that reads the radiation in the control room of the plant; it can therefore forecast and predict where and in what intensity radiation will be off plant as a result of the weather conditions.

They found, however, in applying this in a prototype case in Indian Point, in connection with the State of New York, that the system also has additional benefits for actually reading the instruments in a remote location by the state in its Radiological Health Office in Westchester County, which is the largest county nearby.

The State now is attempting to revise the system to make it transmit more than just readout data against the weather conditions, but all kinds of data with regard to actions taken within the plant and actions to be taken outside the plant as a result of the readouts. So it is expanding itself into a data management system for the entire accident potential situation, and we want to support it to the extent that it will be effectively employed in the Zion, Illinois, the Indian Point, New York, and perhaps Three Mile Island within—I beg your pardon, not Three Mile Island, the plant in California, Rancho Seco, so that it can be proven. I am sure from that point on the industry will support the requirements of the

state to expand it to specific state use elsewhere. It is also being experimented with at the present time in Three Mile Island.

Mr. SABO. $500,000 was targeted to state and local governments in the January material. In March the figure was $2,258,000. Would you please explain. This appears to be something other than simply technical assistance.

Mr. CAMM. That has been provided for the record? [See page 436.]

STATE AND LOCAL ASSISTANCE

Mr. SABO. And where would those moneys go? I notice that in January it was specified it would be high population density within a 10 mile radius on the order of 100,000 persons, and that is not specified in the March request.

Mr. MCCONNELL. It was recognized by March that we had requirements especially for counties, rural counties in the vicinity of plants all over the United States, and we did not want to restrict this to only the 10 or 12 high-population, high-density population areas.

Mr. SABO. Are you planning to continue this program after 1981, or is this a one-time thing?

Mr. MCCONNELL. That would be continued for one more year, and we think in the second year probably would be sufficient. Where we anticipated the employment of two planners, an average of two planners per state at $2.275 million for fiscal year 1980, and if we get the money we will contract for them to be employed for a full year into 1981. Then we anticipate ceasing that program, having it a one-year shot as far as the Federal government is concerned. By that time we expect the utility in one way or another to pick up that cost. We expect, however, that the grants to states for various purposes in small amounts should continue for one more year.

Mr. SABO. If Congress provides these funds it will make a lot of planners and consultants happy—because they will be the principal beneficiaries. But are we really getting our money's worth? Will we end up with usable plans that would benefit a community in the unlikely event an evacuation was necessary? What assurances can you provide the Committee?

Mr. CAMM. Yes. We have a very sophisticated list of criteria that we use to check the adequacy of those plans. That is what we will comment on by the end of June concerning adequacy of each of the plans. Then we will continue checking them after that, to assure that they are correct. Until they are, FEMA will not certify as to the correctness of the plans. We have a very careful procedure laid out for checking the adequacy of those plans.

Mr. SABO. If the supplemental isn't adopted until, say, June 15, will you be able to obligate effectively all of the funding that you are requesting—or will you reduce the supplemental request? The February 15 deadline is two months past, and June 15 is only two months away.

Mr. CAMM. We can obligate it without any trouble. The problem is we are getting delays in the times that the states and the people that are going to be using the money can get it, so we are delaying

the time that the people can be protected. That is the net effect of each day's delay in getting the monies, protecting our people.

PRIORITY OF ITEMS

Mr. SABO. How would you rank the priorities internally within the $8.9 million request? Do you consider the evacuation plans more important than the equipment? How would you rank these items?

Mr. CAMM. I think that is something we should consider carefully. May we try to give you that for the record?

Mr. SABO. Fine.

Mr. CAMM. It is my understanding you require our answer once we get this testimony back within three days. We will do our best to give you our considered opinion.

Mr. SABO. I think it would be useful if you give some thought to that answer. The distinct impression one gets from reviewing this supplemental is that there is a lot of movement without much substance. The significant changes in the March material from that submitted in January raise serious questions concerning the Agency's involvement in and dedication to this effort. Also, if you would indicate what impact the substantial later adoption of any supplemental would be on how you would use the dollars.

[The information follows:]

PRIORITY RANKING

The following list identifies the fiscal year 1980 request for Radiological Emergency Preparedness items in order of priority. All items should be funded even if the Supplemental Budget Request were approved late in fiscal year 1980.

Federal Emergency Management Agency Radiological Emergency Preparedness—fiscal year 1980 supplemental budget request priority listing

[In thousands]

Level 1 Current level (funds diverted from other FEMA programs which must be restored): Includes personnel salaries and benefits—$150,000; education program—$30,000; travel and transportation—$175,000; automatic data processing—$10,000; materials and supplies for use in low range dosimetry—$13,000; National Contingency Plan development—$100,000; grants to State and local governments—$100,000; plan exercises evaluation—$125,000; evacuation dynamics study —$209,000; and workshops—$50,000	$962
Level 2 Minimum essential level: Includes, personnel salaries and benefits—$150,000; travel and transportation—$235,000; training program development for Medical Personnel—$300,000; augment for evacuation dynamics studies—$41,000; and augment grants to State and local governments—$500,000	1,226
Level 3 Desired level: Includes augment to education program—$220,000; augment to ADP—$40,000; augment to provide instrumentation—$652,000; development and equipment for ARAC—$1,685,000; research—$300,000; and augment grants to State and local governments—$500,000	3,397
Level 4 Enhanced level: Includes augment to grants to State and local governments—$900,000; planners at State and local governments—$2,090,000; augment for plan exercise evaluation—$175,000; and augment to workshops—$150,000	3,315
Total all levels	8,900

Mr. MACY. The June date that you cite is probably the most optimistic date for action with respect to such a supplemental.

Mr. SABO. That might be too optimistic. Does this activity require any new authorization?

Mr. MACY. No, the authorization presently exists.

Mr. SABO. You have the authorization for the grants to the states?

Mr. MACY. That is correct.

Mr. SABO. You are not involved in any new authorizing language?

Mr. MACY. No new authorization is necessary.

Mr. SABO. Mrs. Boggs, any questions?

POTASSIUM IODIDE

Mrs. BOGGS. No, thank you, Mr. Chairman.

There is one thing that maybe I should ask. Last year's Senate Subcommittee report asked FEMA for a study of the potential use of potassium iodide tablets in the U.S. for protection against radioactive fallout. The Senate Subcommittee felt there to be a need for Federal guidance in this area. Has this study been done, and if so, what are the findings?

Mr. MACY. Mr. McConnell.

Mr. MCCONNELL. Yes, the study has been done, and there is still a great deal of work to be done on the potassium iodide question. We have made our report to the Senate. We have an update which we are preparing for Senator Proxmire on Friday of this week, so we can provide the Committee with that information.

Mr. MACY. Yes. We would volunteer that for the record, Mr. Chairman, if you would like to have it included.

Mrs. BOGGS. That would be good. Thank you.

[The information follows:]

POTASSIUM IODIDE
(KI)

Status Report as of March 11, 1980

At the present time, there is not any policy on how best to use potassium iodide if there is an accident at a nuclear power station. There are bits and pieces of such a policy but they have not as yet been pulled together.

From an optimistic standpoint, one can look at some of the benchmarks on the way towards the formulation of such a policy and show slow but deliberate progress.

1. On August 1, 1977, the National Council on Radiation Protection and Measurements issued its Report No. 55, entitled, Protection of the Thyroid Gland in the Event of Releases of Radioiodine. This report identified potassium iodide as a useful protective drug in the event of a radiation accident. It also suggested elements of a policy as to how best to use potassium iodide in a program for radiological preparedness. This report is still the most useful piece of information on KI, but it is not official. It discusses a great many issues but is not comprehensive, and might benefit from updating.

2. On March 28, 1979, the accident at Three Mile Island (TMI) occurred. The lack of actual KI for use in the emergency, plus the lack of policy as to how best to use it, led first to confusion and then to bureaucratic heroics to overcome this almost endless swamp of neglect. The response was successful in that KI was produced and placed in a state of readiness -- to the credit of all concerned. In the long run, however, the TMI accident did not quickly result in a program for the production, storage and distribution of this protective drug -- as an integral part of Federal, utility, State and local radiological emergency preparedness programs.

3. On December 15, 1978, the U.S. Food and Drug Administration published an invitation to commercial drug firms to apply for New Drug Applications (NDA) to provide and market potassium iodide to support a program for radiological emergency preparedness in the event of an accident at a nuclear power station. The result of this invitation was the FDA approval of two NDAs submitted by the Wallace Laboratories, Division of Carter-Wallace, Cranbury, New Jersey. The NRC, through the Office of State Programs, played a role in encouraging the approval of these NDAs. On February 22, 1980, the FDA published its Notice to this effect in the Federal Register. This notice is cross referenced to not only FDA, but also to FEMA and NRC. While modern medicine dictates that the door always remain open for the improvement and replacement of all drugs, for the short run at least the medical questions have been laid to rest in terms of the relative safety and usefulness of KI in programs for radiological emergency preparedness.

4. In the last part of January, 1980, a draft article entitled, Thyroid-Blocking with Potassium Iodide: Useful Radiation Protection Guidance was circulated for comment. This article while not offering official guidance does expand on Report No. 55 cited in item "1." of this status report. It discusses the safety and effectiveness of

potassium iodide for thyroid blocking, its use in pregnant women, neonates, and children. The paper also offers an approach to defining an area or population in which KI might be considered as a protective drug in the event of radioiodine releases. The lead author of this article is Jerome A. Halperin, MPH, Deputy Director, Bureau of Drugs, FDA. Two physicians were among supporting authors -- both from the Bureau of Drugs.

5. The next benchmark is to pull all of the materials on KI together so that FEMA can petition the NRC for a Rule defining an official policy on the use of this protective drug. The Rule will address such questions as:

- Who should pay for the drug?
- Should the drug be stockpiled for immediate emergency use?
- Where should the KI be stockpiled?
- When should protective actions considering the use of the drug be taken?
- Who should authorize the use of the drug during an emergency situation?
- What should be the policy for emergency workers? - What should be the policy for different components of the affected population?
- What should be considered in the general logistics of managing the use of KI?
- What is the best form of KI to use in the range of clients to be protected? - what are the client populations that should be addressed in the use of KI?
- What are the best techniques for the management of the drug during the various stages of a radiological emergency?

Obviously there are other benchmarks that are just beyond the horizon such as the testing of the Rule through exercises. But these are the benchmarks that might be most useful to you in determining the current status of the use of KI in FEMA's radiological emergency preparedness program. Also, this is a summary and much more information on this protective drug is available.

Before closing, I believe it is important to stress some caveats that might affect the future status of the drug. While I have said that the medical questions have been settled, that opinion depends on how you define "medical."

Certain questions are being raised by responsible Federal officials who are physicians and researchers. None of these persons has been reported as saying that the protective drug has dangerous side effects, but they do wonder whether the use of KI in an emergency might present unnecessary complications to persons that they assume are close to panic. More specifically, one such researcher was reported to feel that the side effects, if they actually materialize, might distract

persons who might profit more by seeking other remedies such as shelter and evacuation. The question is also raised as to whether or not persons in such an emergency might think of KI as the panacea for all ills stemming from exposure to radiation and thus ignore other remedies. While these questions are important, the purpose of the proposed Rule is to respond to such questions in a preparedness and action mode. There are also some myths implicit in such questions. First, it is not true that persons are always on the verge of panic or panicing during an emergency. An EPA study indicates that in emergency evacuations, the population responds relatively rationally. For example, the study indicated that they drove more carefully in an emergency than you could under routine circumstances.

It is my recommendation, therefore, that FEMA continue to maintain the position that it is useful for utilities, States and local jurisdictions to consider the use of KI as a thyroid blocking agent in the event of a release of radioiodines due to a radiological accident at a fixed nuclear facility. Also, FEMA should continue to consider all questions raised about this or any other protective drug, referring them to FDA for appropriate advice and action. Finally, it is my recommendation that we pursue the formulation of the Rule governing the use of KI as expeditiously as possible.

HAZARD MITIGATION AND DISASTER ASSISTANCE

Mr. SABO. Let's turn to the Hazard Mitigation and Disaster Assistance account, beginning on page 63. As displayed on page 64, the total 1981 request is $113,900,000. That is $6,654,000 less than the 1980 current estimate and $4,809,000 less than the 1980 enacted. The 1979 column and the 1980 justifications on page 625 of last year's hearing volume, assumed an unobligated balance at the end of 1979 which would be carried forward into 1980 of $700,000. Actual was $4,374,000, meaning $3,674,000 more than planned is available in 1980.

What programs experienced shortfalls in 1979? What caused them? For example, the plan for Fire Academy facilities of $6,400,000, actual was $3,604,000. What caused this?

Mr. VOLLAND. Basically, sir, this results from the process of getting the Emmitsburg activity up and running. The carryover money's were funds that were made available for the purchase and renovation of Emmitsburg, and the carryover relates fundamentally to that activity not moving as rapidly as had originally been planned.

Mr. SABO. For the record, would you provide the programs with unobligated balances and the amount of the balances.

Mr. VOLLAND. Yes, sir.

[The information follows:]

UNOBLIGATED BALANCES

The Programs with unobligated balances at the end of fiscal year 1979 are:

Insurance and hazard mitigation	$1,000,000
Fire prevention and control	1,928,000
Facilities, fire academy	2,796,000

Mr. SABO. Have any of the balances been transferred to other programs?

Mr. VOLLAND. No, sir.

Mr. SABO. Two program areas, however, significantly exceeded their 1979 plans. Insurance and hazard mitigation was planned to be $9,078,000. Actual was $12,370,000—36 percent greater. And executive direction was $618,000 greater than the $10,713,000 planned. What accounts for these variations?

Mr. VOLLAND. With respect to executive direction the increase over what was originally estimated for 1979, results fundamentally, sir, I think, from a smaller lapse rate than we originally anticipated. But I will have to check that. I do not have that information. I will also provide it for Insurance and Hazard Mitigation.

[The information follows:]

INCREASED COSTS

The actual figure of $12,370,000 for Insurance and Hazard Mitigation which appeared in the justification book is incorrect. The correct figure is $9,102,000.

The fiscal year 1979 request of $10,713,000 for Executive Direction included in the fiscal year 1980 budget was comprised of anticipated costs of salaries and benefits of personnel assigned to administrative functions in the five component agencies of FEMA, and an estimated share of travel, and administrative and housekeeping support. It also included the costs related to overhead positions that were to be transferred from the parent agencies upon activation of FEMA. However, it excluded these costs for the HUD overhead positions. This exclusion accounts for the $618,000 increase over the original estimate.

Mr. SABO. The current 1980 estimate indicates that $801,000 will not be obligated in 1980 and will carry forward into 1981.

Why shouldn't the Committee either reduce the 1980 pay cost supplemental or the 1981 request by this amount?

Mr. VOLLAND. I am advised by my staff that is an error in the printing of the budget. It shouldn't be carried over as an unobligated balance in 1981.

Mr. SABO. It does not exist?

Mr. VOLLAND. At the end of fiscal year 1980, we have no authority to carry funds over to fiscal year 1981, because there are no longer any no year authorizations.

Mr. SABO. Was that on the schedule you provided?

Mr. VOLLAND. I believe not. But I will have to check this for the record.

[The information follows:]

The $801 thousand should not have been shown as a carry over into fiscal year 1981.

PRINTING COSTS

Mr. SABO. Turn to the object classification on page 65. The 1979 printing plan was $972,000. Actual printing costs were $3,513,000—or 260 percent of plan. I also notice that printing in the 1980 current estimate has been revised sharply upward. What accounts for the tremendous printing charges?

Mr. VOLLAND. This relates primarily to a substantial underestimate of the amount of printing required to support the flood studies and surveys operation. There was inadequate data available at the time these were put together to provide a better estimate, and these numbers reflect a revision of our expectations.

Mr. SABO. Were you not doing less studies and therefore had less printing done?

Mrs. JIMENEZ. We had about 1,400 studies that were being completed and we also had a backlog of printing that needs to be done when additional maps are needed.

Mr. SABO. Are you up to date on the pipeline so the current estimates are realistic?

Mr. VOLLAND. We believe so. There is also included in that estimate the costs of printing in the Federal Register which are related both to the flood insurance program and the general expenses of getting a new agency under way. There is a substantial requirement for recodification of the material and we believe this estimate is a more realistic reflection of those requirements.

LANDS AND STRUCTURES

Mr. SABO. Object class 32, lands and structures, also reflects large changes. The 1979 plan was $6,400,000. Actual was $2,986,000. That is not very accurate planning, is it? How were the funds used?

Mr. VOLLAND. That represents an estimate of the cost of what we call a 1362 program under the flood studies and surveys activity.

Mrs. JIMENEZ. There is a section of our statute which allows us to buy properties subject to repeated flooding. This is the first year we have had funds to do that. As you can see, we are continuing at the same level for 1981.

Mr. SABO. Why does object class 32 increase from zero in the 1980 budget estimate to $5.4 million in the current estimate? What is the additional $5.4 million for in 1981?

Mr. VOLLAND. Yes. I believe the 1979 estimate reflects the Emmitsburg operation.

Mr. SABO. From what object classes did you receive funds——

Mrs. BOGGS. Excuse me, Mr. Chairman. This is a new program and I would like to ask how it is operating.

Mrs. JIMENEZ. We have not bought any land as yet. We are in the process of developing guidelines. It is more like a demonstration and we would hope that we would get some experience in buying but $5.4 million does not go too far.

Mrs. BOGGS. Has the community level reaction been favorable?

Mrs. JIMENEZ. Very supportive.

Mr. SABO. From what object classes did you obtain the funds?

Mr. VOLLAND. For what purpose, sir?

Mr. SABO. For the funds not planned but used in classification 32, lands and structures.

Mr. VOLLAND. The funds were obligated and expended on the basis of authorizations and appropriations available to the Fire Administration in 1979. I have to go back to the estimate. I believe it was presented to the Committee in a budget amendment for fiscal year 1980.

Mr. MACY. It might be helpful for Mr. Vickery to explain the pattern of expenditures.

Mr. SABO. Indicate for the record the 1979 obligations by month and what they were for.

Mr. VICKERY. All right.

[The information follows:]

NATIONAL FIRE ACADEMY—OBLIGATIONS BY MONTH FISCAL YEAR 1979

The amount obligated in fiscal year 1979 for the National Fire Academy against prior year funds is $3,604,000.

By month, the obligations are:

[In thousands of dollars]

For—	*Obligated*
March: Purchase of St. Joseph's College	$3,414
August: Architectural engineering services	180
September: Archaeological dig	9
September: Repair of equipment	1
Total	$3,604

Mr. SABO. Why does object class 32 increase from zero to 5.4 million in 1980?

Mr. VOLLAND. This is the 1362 program, Mr. Chairman, the first year for which we have had authorization to implement that.

EQUIPMENT

Mr. SABO. The situation with object class 31, equipment, is very similar. Plan in 1979 was $119,000. Actual was $415,000. The 1980 budget estimate of $92,000 has been revised in the current estimate to $1,289,000. Can you explain these changes?

Mr. VOLLAND. With respect to the 1979 estimates, Mr. Chairman, which have been causing us a good deal of trouble throughout this

hearing, which I regret, these were based on budgets developed by the former parent agencies of what is now the FEMA. They were essentially cut-and-paste jobs both with respect to 1979 estimates and with respect to budget estimates for fiscal year 1980. As the Agency was consolidated and got under way and as the organization began to settle and jell, these estimates have had to be shaken out considerably from what was originally presented to the committee because there was a considerable amount of work that had to be done that was not anticipated. The people who consolidated the original 1979 and 1980 estimates did not adequately take all aspects into account.

Mr. SABO. You may submit additional information on these expenditures for the record.

[The information follows:]

EQUIPMENT

The revised estimate for fiscal year 1980 furniture and equipment for those new positions established within FEMA such as Office of the Director and his immediate staff, new top management staff and functions not in the former parent agencies such as Office of Personnel, Finance and Administration, etc. Furniture and equipment was not transferred with the support positions from the former parent agencies.

The increase in object class 31 (equipment) for fiscal year 1979 from the original estimate is due primarily to the fact that the individuals who consolidated the 1979 and 1980 estimates did not adequately take all aspects into account. The $354,000 difference contains no unusual purchases; rather it is an accumulation of necessary small furniture and equipment purchases for start up of FEMA.

Mr. SABO. Turn to page 68—Insurance and Hazard Mitigation. How much is included in the 1981 request of $10,778,000 for community preparedness services?

Mr. VOLLAND. This refers to the activity transferred from NOAA. The specific activity is assumed in here, but I do not know that we can identify a specific amount for the function as it was performed or anticipated to be performed by the NOAA. These were community warning activities which are now spread throughout a number of places in the FEMA. I cannot identify a specific amount of money in the appropriation for that activity.

FIRE PREVENTION AND CONTROL

Mr. SABO. Fire prevention and control begins on page 71. The 1980 current estimate of $12,381,000 is $700,000 less than the 1980 budget estimate. For the record provide a table for fire prevention and control and for facilities, fire academy—reflecting and explaining any changes from the 1980 original budget estimate, the 1980 budget amendment and the 1980 current estimate.

Detail for the Committee exactly what the $700,000 reduction in 1980 represents.

[The information follows:]

61-805 O - 80 -- 29

U.S. Fire Administration
Funding Trail
(in thousands of dollars)

	FY 1979 Actual	FY 1980 Budget Justification Book	Budget Amendment Request	Revised FY 1980 by budget Amendment	Congressional Action/ Reduction	FY 1980 Budget Request plus Approved Amendment	FY 1980 Current Estimate	FY 1981 Budget Estimate
Fire Prevention and Control								
Planning and Education	$ 2,938	$ 5,684	$ 6,114	$ 11,798	$ -1,314	$10,484	$ 3,050	$ 3,191
FY 1979								
National Academy for Fire Prevention and Control 1/	---	(3,308)	(6,114)	(9,422)	(-614)	(8,808) 3/	---	---
Public Education	(1,906)	(1,628)	(---)	(1,628)	(--)	(1,628)	---	---
Administration and Operation	(1,032)	(748)	(---)	(748)	(-700) 2/	(48)	---	---
FY 1980 and FY 1981								
Operations	---	---	---	---	---	---	(815)	(885)
Assistance Program	---	---	---	---	---	---	(811)	(811)
Education Research and Development	---	---	---	---	---	---	(703)	(703)
Administration and Operations	---	---	---	---	---	---	(721)	(792)
National Fire Data Center	4,451	3,895	(---)	3,895	(---)	3,895	5,437	5,885
Research and Development	5,035	6,810	(---)	6,810	(---)	6,810	3,894	4,005
Fire Technology and Management Research	(---)	(2,916)	(---)	(2,916)	(---)	(2,916)	(---)	(---)
Fire Research Center	(5,035)	(3,894)	(---)	(3,894)	(---)	(3,894)	(3,894)	(4,005)
Total	$12,424	$16,389	$ 6,114	$22,503	$-1,314	$21,189 3/	$12,381	$13,081
Facilities, Fire Academy	7,233	-0-	-0-	-0-	-0-	-0-	8,808	8,808
Direct Obligations	(3,629)	-0-	-0-	-0-	-0-	-0-	(8,808)	(8,808)
Obligations from "Facilities" appropriation carryover	(3,604)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total	$19,657	$16,389	$ 6,114	$22,503	$-1,314	$21,189	$21,189	$21,889

1/ Included under "Facilities, Fire Academy"

2/ Reduction of carryover

3/ $21,189
-8,808 shown in Facilities, Fire Academy.
$12,381

Mr. SABO. Explain the $1,542,000 increase in the 1980 current estimate for the National Fire Data Center and the $448,000 increase requested in 1981?

Mr. VOLLAND. This ties back, Mr. Chairman, to that unobligated balance which is carried over from year to year.

Mr. SABO. The difference is about a $1.5 million increase from the original budget.

Mr. VOLLAND. This is a part of what has to be tracked through, what the Chairman asked before about the change between the budget estimate and the amendment submitted for the U.S. Fire Academy in the 1981 estimate.

[The information follows:]

NATIONAL FIRE DATA CENTER

The actual fiscal year 1979 expenditures for the National Fire Data Center are stated incorrectly on p. 75 of FEMA's 1981 budget package.

During fiscal year 1979 a former office of the U.S. Fire Administration called Fire Technology and Management Research (described on p. 102 of USFA's 1980 budget package) was split. Responsibility for most of that program was moved under the Data Center. Specifically, the Data Center grew from a $3.4 million operation to a $5.5 million operation. Because of some efficiencies realized at the time of that reorganization we were, within the Data Center able to expand the Reference Service somewhat (name changed to Data Dissemination and Use Division), and to create a small Federal and Industrial Applications Division.

The Actual expenditures in fiscal year 1979 for the Data Center including the full year's worth of the programs merged into it are as follows:

National Fire Data Center:	
Operations and planning	$150
Fire data systems	1,459
Computer systems	387
Data analysis and management studies	1,016
Home and public building safety	1,665
Firefighting safety, health and technology	242
Federal and industrial applications	145
Data dissemination and use	421
Total	$5,485

Mr. SABO. Why does the budget estimate column for education on page 71 reflect $5,292,000 and the comparable number on page 72 for planning and education reflect $2,271,000?

Mr. VOLLAND. The entry on page 72 is in error; it should reflect $5,292 000.

Mr. SABO. Under the assistance programs on page 73, provide for the record the State grants in 1979, 1980, and 1981.

[The information follows:]

STATE ASSISTANCE PROGRAM

The Public Education Assistance Program is a three-year competitive grants-to-States program. The following states were funded in FY 1979 and 1980 and are planned for FY 1981.

1979	1980	1981
III	III	III
California[1]	Connecticut	Missouri[1]
	Georgia	Alaska
IIa	North Carolina	Arizona
	Oklahoma	Montana
Connecticut		Pennsylvania
Georgia		Washington
Missouri	II	
North Carolina		
Oklahoma	Alaska	II
	Arizona	
	Montana	Minnesota[1]
I	Pennsylvania	Maryland
	Washington	Tennessee
Alaska		Virginia
Arizona		
Minnesota	I	
Montana		I
Pennsylvania	Maryland	
Washington	Tennessee	4-6 new states to be
	Virginia	selected competively

(1) Funding deferred for one year due to OP&E budget constraints

Four states also received funding to develop state fire prevention and control master plans. The Policy Development Assistance Program (PDAP) is being conducted as a pilot program. States involved in this pilot effort were funded in FY 1979. They include: Oregon (plan completed) Pennsylvania, North Carolina and Washington.

Mr. SABO. Page 91 of the 1980 justifications indicates the 1980 program of the National Fire Data Center is $3,895,000. Page 75 of the 1981 justifications reflects $6,551,000 for the original 1980 budget estimate, revised to $5,437,000 in the current 1980 plan.

What is going on here? Why is not the 1980 budget estimate column in the 1981 justifications identical to last year's submission? Does not the current 1980 plan represent a substantial increase—rather than the decrease reflected on page 75?

Mr. VOLLAND. My understanding again, Mr. Chairman, is that relates to a budget amendment which was submitted for fiscal year 1980 for the U.S. Fire Academy which has to be tracked through.

[CLERK'S NOTE.—The entire 1980 budget amendment of $6,114,000 was requested for the National Fire Academy. None of the $6,114,000 was requested for the National Fire Data Center.]

Mr. SABO. The second paragraph on page 77 states: "Sets of in-depth investigations of fires representing key problems will be selected and funded jointly with the Consumer Product Safety Commission and the Department of Housing and Urban Development."

For the record provide the amounts devoted to this effort by FEMA, CPSC, and HUD.

[The information follows:]

JOINT FUNDING FOR STUDIES

For in-depth investigations, we received $275,000 in fiscal year 1977 funds from HUD for a study of mobile home fires. We received $90,000 in fiscal year 1978 from CPSC for a study of thermal insulation-related fires. And we received $120,000 from CPSC in fiscal year 1979 funds for a study of electrical distribution fires. FEMA has spent of its own money $100,000 per year on managing and implementing these projects.

JOINT FUNDING FOR STUDIES

[In thousands of dollars]

	Fiscal year—			
	1977	1978	1979	1980
FEMA (Fire Administration)	$100	$100	$100	$300
HUD	275			275
CPSC		90	120	210
Total	$375	$190	$220	$785

FIRE RESEARCH CENTER

Mr. SABO. Page 82 contains the narrative justification for the research and development activity which supports the Fire Research Center at the National Bureau of Standards. The 1981 estimate of $4,005,000 is $111,000 greater than the 1980 plan.

What is the total 1981 budget for the Fire Research Center? That is, how much are the Department of Commerce and other entities contributing?

Mr. VOLLAND. The budget for the Fire Research Center is $4,005,000.

Mr. SABO. That is the total budget, Department of Commerce and others do not contribute?

Mr. VOLLAND. The total is $5,148,000; $4,005,000 of that is from FEMA.

Mr. SABO. How many full-time fire personnel are employed by the Fire Research Center?

Mr. VOLLAND. I believe it is 100, sir.

Mr. SABO. Check that and supply the information for the record.

[The information follows:]

FIRE RESEARCH CENTER

The Fire Research Center employs 103 full time permanent personnel.

Mr. SABO. What portion of the research is accomplished in house and what portion by contract?

Mr. VICKERY. Eighty percent contract and 20 percent in house.

Mr. SABO. What control does FEMA have over operations of the Center? Specifically, how are research projects and related resources determined?

Mr. VICKERY. We have an ongoing relationship. The director of that center, Fred Clark, spends 1 day as adviser to me and the rest of the Fire Administration. Many projects are joint projects, for instance, sprinkler research. We have done a project for the HEW in qualifying people as medicare inspectors for facilities where people are kept under medicare. They participate in part of the preparation of the course curriculum at the Academy. It is a daily ongoing relationship and most of it, as you have indicated, $4,005,000 is for the fire research that is done by them for us. It is closely controlled mostly by contracts out of our shop. Some individual projects such as investigation of special fires would again be under intergovernmental contracts between themselves, the national association, and ourselves. So there is a very close supervision over everything they do at the Center for Fire Research, whether it be under funding from appropriations given to us or money allocated as a flowthrough to them but controlled essentially by us.

Mr. SABO. The Fire Research Center was established within the Department of Commerce by the same act that established the National Fire Prevention and Control Administration. When the Fire Administration was a part of Commerce, it was natural to have the Fire Research Center in the same organization. But with the establishment of a new emergency agency, does it still make sense for the Center to be part of the Department of Commerce?

Mr. VICKERY. I think it should be. Almost all the work they are doing is related to what we are doing at the Fire Administration or in various activities in the United States. My answer is yes, I think the bill should be funded and controlled the way it is.

Mr. SABO. Through Commerce? You would not want to make it a change to FEMA?

Mr. VICKERY. Mr. Macy and I have discussed this and there has been no final conclusion reached.

Mr. MACY. I concur with what Mr. Vickery has said. In light of the relationship Mr. Vickery has been able to negotiate with them, I think we have adequate control to make it an effective relationship.

FACILITIES, FIRE ACADEMY

Mr. SABO. The original 1980 justifications, page 646 of last year's hearing volume, contained no request for Fire Academy facilities. House Document 96-164, dated July 23, 1979 included the $6,114,000 1980 budget amendment for the operation and maintenance of the Fire Academy. That amount—not $8,808,000—should be reflected under the 1980 budget estimate column. The Congress reduced that request by $614,000. $3,308,000 was requested and provided for the Academy under fire prevention and control. Adding $3,308,000 to the $5,500,000 results in the current estimate of $8,808,000. But the explanation paragraph should detail both the Congressional reduction and the shift from fire prevention and control. The reason the Agency was asked to prepare its justifications including a budget estimate column is to permit visibility for such changes. Altering the budget estimate column in this manner totally frustrates the intended objectives. I hope the Agency has gotten the message and we will not see this mistake again.

Precisely how did the Agency distribute the $614,000 reduction?

Mr. VICKERY. Food service contract, equipment, and relocation expenses as directed by the 1980 Conference Report of the House and Senate Appropriation Committees.

Mr. SABO. What is the status of rehabilitation of the Emmitsburg facility?

Mr. VICKERY. Mr. Chairman, if I might, I agree with you that the manner in which funding has been rotated, sales and resales and all that, makes this very confusing. I have a brief synopsis; if I could read it for you, it would bring the whole picture more closely into focus.

We started out and the total amount appropriated, we are talking about the Academy acquisition, was $9 million. We cannot exceed that regardless of how you adjust the package. The expenditures starting from the beginning were the purchase of Marjorie Webster, $2,600,000.

The second expenditure was purchase of Saint Joseph's College for $3,314,000. We had to do some archaeological surveys for the sum of $8,705, and we have a firm, HT&B, the architect engineer in the project, for $181,000, a total expenditure against the original amount of $6,203,705. So, as of September 30 of last year, unexpended, $2,796,295. See our 1980 obligations. This means the architect and engineer were ready to go with one phase of the rehabilitation and that contract has been obligated for $1,143,000, leaving a balance available as of today for $1,652,601. That is how much we have left to go ahead with our rehabilitation.

MAJORIE WEBSTER SALE

This afternoon when I get back from this meeting, I will sign the contract for sale of Marjorie Webster for $2.9 million, with the sale to close on June 15. That will then give us within a few dollars. I think the final computations to be made are $150,000 to $200,000. The total amount of $9 million which sometime between now and the fall we would hope to be able to identify and negotiate the remainder of the work with architects and engineers, with vendors and whatever, for rehabilitation.

I will supply a breakdown for the record.

NATIONAL FIRE ACADEMY BUILDING FUNDS

Amount appropriated	$9,000,000
Expenditures:	
Purchase of Majorie Webster Junior College	$2,600,000
Purchase of St. Joseph College	3,414,000
Archeological Dig	8,705
Hutchins, Thompson & Ball	181,000
Total	$6,203,705
Balance avalable Sept. 30, 1979	$2,796,295
1980 Obligations:	
Architectural and Engineering Design	$1,143,694
Balance available Apr. 15, 1980	$1,652,601

Mr. SABO. Your buyer of this afternoon has financing available?

Mr. VICKERY. Yes.

Mr. SABO. When do you expect the rehabilitation to be completed?

Mr. VICKERY. Mr. Moreland has been handling that.

Mr. MORELAND. It is expected to be 2 years.

Mr. SABO. What happens to the $300,000 profits in the sale of Marjorie Webster? Is that still within the $9 million?

Mr. VICKERY. No; anything over the $9 million goes back to the Treasury. So, we hope we have a $300,000 profit.

Mr. SABO. That sounds good.

Mr. VICKERY. The next bid for Marjorie Webster is something less than $2.9 million.

Mr. SABO. Were classes commenced at Emmitsburg on schedule January 1?

Mr. MACY. Yes.

Mr. SABO. For the record, provide 1980 obligations in this activity by month—explaining any significant deviation from plan.

[The information follows:]

NATIONAL FIRE ACADEMY—BUDGET PLANNING AND OBLIGATION DATA, FISCAL YEAR 1980

	Planned	Obligated
October	$679,534	$241,158
November	1,745,284	925,481
December	1,302,282	824,658
January	561,031	822,468
February	415,533	803,158
March	415,533	864,558
April	996,077	
May	646,076	
June	646,076	
July	466,860	
August	466,857	
September	466,857	
Total	$8,808,000	$4,481,481

Monthly variances are due to late enactment of the 1980 appropriation. This caused a delay in initiating purchase order requests for start-up items such as supplies, equipment, and furnishings.

Mr. SABO. A major report prepared by FEMA and submitted to the Congress in August was entitled "Arson: The Federal Role in Arson Prevention and Control." What was the total cost of that report?

Mr. VICKERY. The cost of printing was $17,000. The report was not done by consultant, it was done in house. So you have $17,000 plus the in-time.

Mr. SABO. What estimates does the report claim concerning loss of life and property due to arson?

Mr. VICKERY. I would have to submit that for the record.

[The information follows:]

LOSSES FROM ARSON

Estimates for economic losses from arson range from 1.25 to 1.6 billion dollars per year; the estimate of people killed as a result of arson is between 900 to 1,000. These estimates are based on data sources such as the American Insurance Association, the National Fire Protection Association and USFA's National Fire Incident Reporting System.

ARSON

Mr. SABO. What part in dollars of FEMA's 1980 and 1981 budget is devoted to arson control and prevention?

Mr. VICKERY. We would submit for the record here a detailed accounting, sir. I think the question was how much has FEMA dedicated for that? We have not broken it down, but we could.

Mr. MACY. We can, and there will be some funds in addition to those in the U.S. Fire Administration.

[The information follows:]

AMOUNTS BUDGETED FOR ARSON PREVENTION AND CONTROL, FISCAL YEAR 1980—

	Fiscal year—	
	1980	1981
United States Fire Administration:		
Office of Planning and Education	$487,900	$485,000
National Fire Academy	407,100	400,000
Federal Insurance Administration	27,000	
Total	$922,000	$885,000

Mr. SABO. What was FEMA's request to OMB for its anti-arson program?

Mr. MACY. I do not believe we had it by such a line item. Actually our program has largely advanced since the submission of the budget for 1981.

Mr. SABO. Didn't the President's 1981 budget submitted in January include about $9 million for the Law Enforcement Assistance Administration for State and local grants to combat arson?

Mr. VICKERY. That is correct.

Mr. SABO. Have those funds been targeted for reduction or elimination as a result of the balanced budget exercise?

Mr. VICKERY. I do not know that I understand the question as to the purpose of the $9 million.

Mr. SABO. Have they been eliminated—

Mr. MACY. To the best of my knowledge, they have not been touched.

Mr. SABO. Will you doublecheck that for the record?

Mr. MACY. I will.

[The information follows:]

REDUCTION OF FUNDS FOR ARSON

Amounts for anti-arson programs have been eliminated from the LEAA 1981 budget request. The $9,000,000 given in grants to 37 cities were against 1979 and 1980 LEAA appropriations.

Mr. SABO. Was FEMA to have any advisory role in the distribution of the grants?

Mr. MACY. Yes, Mr. Vickery was to be an adviser in selection of States and communities where the grants were to be made and assist in monitoring the outcome.

Mr. VICKERY. We met with them religiously as they prepared their requests and as the request was implemented. Of the $8 million or approximately $9 million, $500,000 was allocated directly to the U.S. Fire Administration for implementation of our programs.

FLOOD STUDIES AND SURVEYS

Mr. SABO. Turn to page 89, flood studies and surveys. The 1981 request of $61,591,000 is $7,809,000 less than the 1980 current estimate of $69,500,000. What was FEMA's request to OMB for this program?

Mrs. JIMENEZ. I believe that we took a $4 million cut on our request from OMB.

Mr. SABO. So you asked for around $65 million or so?

Mrs. JIMENEZ. Right, the area that we took the cut in was section 1362.

Mr. SABO. What is the total number of communities participating in the flood insurance program?

Mrs. JIMENEZ. We are just under 17,000 communities.

Mr. SABO. How many are in regular program and how many in the emergency program?

Mrs. JIMENEZ. We have about 4,300 in the regular program and the balance in the emergency program.

Mr. SABO. What is the average time and the longest time a community has remained in the emergency program?

Mrs. JIMENEZ. There are some that were in the emergency program since the program was initiated. I would say there are some that have been in the emergency program for 10 years, and as I say, some of those communities we have done just the flood hazard boundary maps. We are not ever going to do detailed maps on them.

Mr. SABO. The 1980 budget reflected major policy change for the Federal Insurance Administration which has been continued in 1981. Program emphasis has been changed from detailed flood insurance rate maps to technical assistance. How many communities have been mapped?

Mrs. JIMENEZ. We have done detailed maps. So far we have initiated detailed maps on about 9,400 communities; the completed

figure by the end of this year will be about 5,800 communities. We have underway over 5,000. That is that pipeline I was talking about.

Mr. SABO. My next question: How many additional communities do you estimate will require mapping?

Mrs. JIMENEZ. I hope that the number will be very low. We don't really know right now. We are trying very hard to accelerate the conversion of something like seven to ten thousand. We don't know the exact number yet, because we want to be sure that we don't convert to the regular program without a detailed study, communities that do have serious problems. But we are working with the states in identifying the communities which we think will not need a detailed study, and our estimate is that it will be at least 7,000 communities that won't need a study, and it could go as high as 10,000.

Mr. SABO. How many are planned for 1980 and 1981?

Mrs. JIMENEZ. For this accelerated conversion without a study? We are trying to estimate conservatively, and we expect to identify at least 4,500 of them by the end of 1981. Hopefully, the number will be more than that, but conservatively it will be that many that we will convert without a study.

Mr. SABO. And how many need a study?

Mrs. JIMENEZ. I cannot tell you that exact number, but I am hoping that I will be able to tell you that it is well under 3,000 communities that will need a study.

STUDY COSTS

Mr. SABO. What was the average cost of a map study in 1979 and estimated for 1980?

Mrs. JIMENEZ. Let me tell you the story on that.

Mr. SABO. We like happy stories.

Mrs. JIMENEZ. The cost was we anticipated about $28,000 a study, but that year we changed our method of doing these studies. We had a system by which the study contractors which are primarily architectural firms as well as the Corps of Engineers, TVA, we would have them do just the rough map, and then the map would go to our technical evaluation contractors who would then finalize it.

I thought that that was probably costing us more when the technical evaluation contractors did it, so we switched at the end of 1979, and had our study contractors do a final camera-ready copy which ran our costs up, but also we were hit by inflation, so in 1979 our average costs were about $39,000 a study. For this year we are talking about $55,000 a study. There are other reasons besides the fact that we are having the study contractors do the whole thing.

Part of the problem is that we admittedly—a numbers game had been played. They were doing a lot of little communities that didn't cost as much. Now we are into a lot of the metropolitan counties that have huge development going on, like areas around Houston, which is just changing overnight. They keep annexing areas with stream miles to be studied. That costs more but inflation has also hit it. For 1981 we expect the studies to cost us about $62,000.

I am pleased to say we are going to do 330 this year, and I would hope in the future that we will have very few to do.

Mr. SABO. Are you contracting this effort with the Army Corps of Engineers?

Mrs. JIMENEZ. They do some of it, Soil Conservation Service does some, USGS does some, TVA.

Mr. SABO. Has there been a reduction in your internal workforce due to the contracting out for the studies?

Mrs. JIMENEZ. No, because we are changing our direction from an essentially mapping effort to a technical assistance effort. We still have a pipeline that governs a great deal of our lives. As those maps come out of the pipeline, we have to get them printed and distributed and so forth, so there is a continuing need for an engineering staff, but the emphasis in central office and in the regions is working with the communities, helping them understand the nature of this ordinance that they have adopted, helping them understand how to integrate floodplain management into a community's overall objectives, and that is kind of a labor-intensive activity. We actually need more people, not fewer.

STUDY OF MAPPING TECHNIQUES

Mr. SABO. In May 1978, the Federal Insurance Administration awarded a major, long-term contract study to improve mapping techniques. Is that accurate?

Mrs. JIMENEZ. Yes, it was the National Academy of Sciences that was doing that study. Actually, it was HUD through their research section that awarded the contract. They—

Mr. SABO. What was the cost of that contract?

Mrs. JIMENEZ. I think it was a very expensive study, about $400,000. I can get you the exact figure for the record. Frankly, when I look at it, I thought that we were nearing the end of the study effort and it didn't make a lot of sense to spend all that money on that kind of a study. So the direction of that study has been changed somewhat. We asked them to take a look and tell us what kind of criteria we should develop for restudying, because admittedly many studies that we did seven or eight years ago are beginning to be dated because communities have grown so much and restudies need to be done. So we would anticipate most of our future study effort would be in the restudy area. So we asked the Academy to help us devleop some criteria for when we should restudy.

Mr. SABO. Who is performing the work?

Mrs. JIMENEZ. It is the National Academy of Sciences.

Mr. SABO. When is the scheduled completion of the contract?

Mrs. JIMENEZ. June of this year.

Mr. SABO. Have any internal reports been received? Was the contract altered as a result of the program's redirection?

Mrs. JIMENEZ. I cannot tell you that it has been altered. It was altered because of the fact that we see cutting back on our study effort, but let me supply some information for the record on that, sir.

[The information follows:]

FLOOD STUDIES METHODOLOGY STUDY

Anderson-Nichols is conducting a study at the present time under the direction of the Associate Director for Mitigation and Research to investigate less costly and quicker ways of conducting Flood Insurance Studies. Because of the redirection of the program which resulted in a substantial reduction in our estimate of communities remaining to be studied, I felt that the Anderson-Nichols study, as originally designed, would not be useful to us. We asked that is be changed to provide recommendations on how to make the final study map more useful for providing technical assistance for community hazard mitigation planning and implementation. The study will cost approximately $280,000. The finalized draft is due to FIA on June 15, 1980. No reports have been received to date.

Additionally, the National Academy of Sciences will conduct a sixty-day review of the study. Assuming the Anderson-Nichols study is completed on June 15th, the Academy's review should be finalized on August 15, 1980.

MAP INFORMATION FACILITY

Mr. SABO. Map accuracy and distribution problems have been encountered in the insurance program. The latest efforts address this problem, FEMA has negotiated a contract with a private concern to disseminate information. Lenders and insurance agents will be able to call a toll-free number to ascertain if a certain property is in a flood plain and what the insurance rate should be. The contractor will use census maps and other data to determine the precise location of a property. It is envisioned most inquiries will be answered very quickly.

What is the status of the contract? When was it awarded and to which contractor?

Mrs. JIMENEZ. The Chicago Aerial Survey is the contractor, and I believe it was awarded in October 1979.

Mr. SABO. What was the cost?

Mrs. JIMENEZ. The cost is $18 million for three years.

Mr. SABO. You plan to cover the cost of the contract with the proceeds from the National Flood Insurance Fund. Is that it?

Mrs. JIMENEZ. That is right. Presently we are distributing the maps nationwide, and it costs us over $4 million, and that is coming out of the fund, so that we expect to have a much more efficient way of handling it. The map distribution system that we have right now just is not doing it. It is a very unsatisfactory system. We have tried to fix the system on several occasions and change contractors that were handling it, and it simply is an unmanageable function. We presently have over 120,000 different maps and distributing them nationwide to over 1 million different people, it gets very complicated.

Mr. SABO. Why shouldn't this contract have been handled directly through the appropriations process?

Mrs. JIMENEZ. Because it's a function of the insurance contract, and I believe that the people who are benefiting from the insurance program ought to support it. In essence, it should be supported by premiums, and that is ultimately where we are going with the program.

Mr. SABO. But it requires subsidy, doesn't it?

Mrs. JIMENEZ. At the present time it is subsidized. We are by the end of this year going to have even the subsidized programs supporting administrative costs of both the contracts, the EDS contract for servicing the flood insurance program as well as the

Chicago Aerial Survey, so that the minimum premium even for a subsidized risk will cover administrative costs.

Mr. SABO. But you will still require subsidy from us, won't you?

Mrs. JIMENEZ. Oh, certainly, for the losses in the flood program.

Mr. SABO. When the administrative costs are less, our subsidy is also reduced, I would assume?

Mrs. JIMENEZ. Right.

Mr. SABO. Certain parties have claimed that census maps will not work for this purpose because they are too inaccurate, and census maps exist only for standard metropolitan statistical areas and thus do not include the entire population. How do you respond to these charges?

Mrs. JIMENEZ. We are supplementing the census files with a variety of different information, whatever maps are available at a local level. Ironically, our experience has been that the technology is workable, that 75 percent of the inquiries will be accurate the first call, that we won't have to do additional research, so all of our predictions seem to be bearing out very, very well.

The only area that we seem to be having a little problem is the human area, with the training of the people who answer the phones and access the information.

FACILITY LIABILITY

Mr. SABO. What is the liability if the answer is wrong?

Mrs. JIMENEZ. I can't see that the liability would be very great. The question is, is the property in the floodplain? We have given them the instructions that if it is a hairline call, call it in the floodplain so that people will have insurance because frequently even if they are just a little bit outside of the marked floodplain they are better off having insurance.

In the event that they were called to be out of the flood plain and hence not required to buy insurance, it seems to me it would be a very simple matter for the government to say that they were covered and collect the premium from them and pay the loss.

Mr. SABO. In some areas of the country, private companies have been providing insurance protection—for a fee—to lenders telling them whether or not a specific property is in a flood plain. Will lenders be held harmless if FEMA provides inaccurate information which leads to faulty decisions?

Mrs. JIMENEZ. We cannot hold the lenders harmless, but if they rely on the information that we provide them, I don't think that any court of law would hold them liable.

Mr. SABO. Could you be providing a duplicative system?

Mrs. JIMENEZ. The interesting thing, there are two firms that I am aware of out there. They were able to set up their business because we were doing such a rotten job of distributing those maps, and they took advantage of the fact that the government was doing so poorly. They set up the system in areas where they were able to immediately access maps and develop information.

I suspect that they wouldn't be too interested in doing it in rural areas where they couldn't get the information as readily as they could in the town. I think it is in Cleveland where the one firm is, where the tax maps provided good information. Nationwide it

varies from State to State and community to community what kind of tax maps you have, and that is what they used.

SECTION 1362

Mr. SABO. Congress reduced the section 1362 program to $5.4 million in 1980. That section authorized the government to acquire flood damaged property. What is the status of the activity, and what has been the effect of the reduction?

Mrs. JIMENEZ. We have $5.4 million for this year and $5.4 million for next year. We haven't bought one piece of property yet, although we have many, many candidates.

Mr. SABO. $5.4 million is your 1981 request?

Mrs. JIMENEZ. Right, as well as the amount that we have for this year. We have many, many candidates even though we haven't bought any. It is a voluntary program, so we will only work with willing sellers, people who want very much to get out of a flood-prone area. I anticipate that we will have many more requests than we will have money to go round, but as I told Mrs. Boggs, I view this as a demonstration. This past year, in working with communities and providing technical assistance, particularly in the wake of a disaster, we have identified many properties that we thought should be relocated out of the floodplain, and we used other Federal programs wherever possible to accomplish this.

We got HUD to use their disaster programs in Mississippi, and a few other places, and I think we can account for about a thousand houses that were relocated because of our efforts, not with any of our funds, but the people qualified were HUD clients, as it were, and the areas they lived in were subject to repeated flooding, and we worked with the communities and helped them make their requests to HUD for disaster funds. So that the general push that we are in is using whatever funds are available from other agencies and ours would be a supplemental.

EXECUTIVE DIRECTION

Mr. SABO. Turning to Executive Direction, page 94. Congress reduced the 1980 request by $1.4 million. Thus, the 1980 current estimate should be $9,556,000, not $10,642,000. That is correct, isn't it?

Mr. VOLLAND. That is correct.

Mr. SABO. And the 1981 increase is then $1.4 million, correct?

Mr. VOLLAND. That is correct, sir.

Mr. SABO. Give us the reasons for the increase.

Mr. VOLLAND. It is broken down basically as follows. About $400,000 of that increase is for mandatory SES and employee developing training which was not contemplated in the current year's budget. About $150,000 of that amount is within grades and promotions. $200,000 of that amount is for additional guard services which were not contemplated in the 1980 budget. $50,000 of the addition is for library costs primarily to support the General Counsel's Office, and $600,000 relates to items which were just not addressed at all when the 1980 budget was originally developed, including about $300,000 for copying machines, facsimile machines, and about $200,000 for increased printing costs.

Mr. SABO. Did any employee other than the executive level receive more than $47,500 in salary and bonuses in 1979?

Mr. VOLLAND. Not to my knowledge, sir. I will confirm that for the record.

[The information follows:]

SALARY LIMITATION

No employee other than those in the executive level received a salary above the legal limit of $47,500 in fiscal year 1979.

Mr. SABO. We mentioned earlier in the hearings, one of the goals of creating FEMA was to eliminate 300 positions through attrition. This was supposed to happen over a two-year period. But on page 95, I see positions increase from 348 in 1979 to 381 in 1981, an increase of 33. That appears to be a big step in the wrong direction. How can you possibly justify this increase and where is the advertised attrition?

Mr. VOLLAND. We have reviewed those numbers, sir, since the budget originally was set up, and the current and estimated columns for 1980 and 1981 are 322 positions as opposed to those which you have in front of you.

Mr. SABO. 322 positions?

Mr. VOLLAND. Yes, sir.

Mr. SABO. Are the 50 positions someplace else in the Agency? Or does that mean that your total positions were actually 50 less in 1980?

Mr. VOLLAND. No, sir, they are distributed otherwise, I believe, in the hazard mitigation and disaster assistance appropriation.

Mr. SABO. Do those documents reflect these 50 additional people?

Mr. VOLLAND. Yes, they should.

Mr. SABO. Are they double counted?

Mr. VOLLAND. No, they are not. There is no double counting in there between 1980 and 1981. For the Agency as a whole there is a net decrease between 1980 and 1981 of I believe about 15 positions overall, but there is no double counting.

Mr. SABO. The 1980 and 1981 estimates are incorrect. These 50 positions appear someplace else but are not reflected in our numbers. Is that accurate?

Mr. VOLLAND. The changes to this document which were submitted to the Committee were consistent. Where they were reduced in one place they were changed elsewhere, so I don't believe that there is double counting.

Mr. SABO. I guess my point is that our documents then should reflect 322. I assume that means that for 1980 there are 50 people in the Agency scattered someplace else through these documents.

HIRING AND PROMOTION OF WOMEN

Mrs. BOGGS. Mr. Chairman, excuse me. While we are talking about personnel, Mr. Chairman, I have several questions here I would like to submit for the record at this point.

[The questions follow:]

The Federal Emergency Management Agency, because of its newness and the current lack of an on-board EEO staff (EO Director and senior staffer are selected but awaiting appropriate security clearance) has been granted extensions by both OPM and EEOC in meeting agency EEO reports requirements for 1980. The responses to some of the questions below also reflect a lack of the same type of information that necessitated these extensions.

Question. How many women have moved into higher grade target positions as a result of your agency's Upward Mobility Program?

Answer. We do not as yet have an Upward Mobility Program per se. However, as a result of reorganization, three women are now in positions where the journeyman level (GS-12) exceeds the positions they were in before.

Question. How many women have been selected to participate in your agency's Executive Development Program?

Answer. Selections will not take place until June 1980.

Question. Do you have a Management Development Program? If so, how many women have been selected for it?

Answer. The Management Development Program will not be implemented until the latter part of 1980.

Question. Why do you show such a significant drop in representation of women above the GS-9 level?

Answer. We have no data to either support or refute the information in this question. I don't believe it is based on any facts, however.

Question. What are the main mission related occupations of your agency? What efforts are you making to assure representation of women in these occupations, which generally have the best promotion potential?

Answer. Emergency Management Specialist and Officer.

This is a newly classified career field with career ladder opportunities from GS-5 to journeyman GS-12. Staffing plans, when developed, will contain appropriate affirmative action goals. Presently, we are doing positive recruiting for two Presidential Intern positions. Our goal is at least one woman for these two positions.

Question. We know that many women in clerical positions hold college degrees. What have you done to assure that you are fully utilizing your personnel? Have you conducted a skills survey?

Answer. We have not done a skills inventory. However, a number of women in nonprofessional positions can now apply, and some have, for entry level Emergency Management Specialist and Officer positions.

Question. The Office of Personnel Management is introducing a model competitive staffing system which will give your agency more flexibility and authority in the hiring process. Do you think that your employment profile for women will improve as a result of this new freedom?

Answer. We believe our employment profile for women will improve over time because of positive management action with or without a model competitive system from OPM.

Question. Did you achieve your affirmative action goals for women last year?

Answer. Not applicable.

Question. In his memorandum to heads of departments and agencies dated November 17, 1978, President Carter stated that he expected to see "significant improvements made in your department or agency as a result of your personal initiatives" (emphasis added). What have you personally done to improve women's employment and advancement in your agency?

Answer. Director Macy has expressed his affirmative action policy to managers, supervisors and line employees during orientations, staff meetings, management training sessions, etc. Written policy directives will also support this program.

Question. What are you doing to assure that your supervisors and managers recognize and are held accountable for their responsibilities to the FWP?

Answer. The FWP and other facets of the FEMA EO program are part of our planned training program and are often addressed in letters and memorandums to management.

Question. What is the median grade level for women in your agency? For men? How does this compare with the government as a whole?

Answer. Women GS-7 (estimated); Men GS-12 (estimated). I do not have data on other agencies.

Question. How are you implementing the Office of Personnel Management's policy statement on sexual harassment?

Answer. This will be addressed by the Director of EO upon appointment.

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Mrs. BOGGS. I would like now, if you could, Mr. Macy, to have you answer this one. In his memorandum to heads of departments and agencies dated November 17, 1978, President Carter stated that he expected to see "significant improvements made in your department or agency as a result of your personal initiatives in the hiring and promotion of women." What have you personally done to improve women's employment and advancement in your agency?

Mr. MACY. The record of this Agency through its inheritance on matters of employment of women, employment of minorities, leaves a great deal to be desired. The degree to which we have been able to make significant changes in that is limited by the fact that we inherited our staff and had very little flexibility to deal with hiring, so I would say that my answer to your question is that to date we cannot show results, but we intend to in the future.

Mrs. BOGGS. I hope that the questions that we have posed here will be helpful to you in evaluating how you go about not only improving the situation but evaluating what has gone on in the past. Also, I notice that we have talked a great deal about contracts. In one instance, 80 percent of a program was done by contract, As you know, in May of this year, the President did issue an executive order to the agencies and departments of the government about women in business, and he has created the Intergovernmental Committee on Women in Business.

GSA has been holding regional meetings around the country. At six regional meetings last year, the attendance was 10 million women. The various agencies and departments are teaching women how to do business with their government. What is your Agency doing in this regard? Are any of these contracts going to women-owned firms?

Mr. MACY. That I can't answer, but certainly the desire is to comply with that approach, and I would like to add that one of the significant programs that we have initiated has been to encourage the employment of women in the Fire Service. This has been one of the areas of public service where very few women have been employed in the past.

Under Mr. Vickery's leadership, there were a series of meetings held last year, where there was a discussion of how progress can be made along that line, and both Mr. Vickery and I in every meeting that we have with the Fire Service raised this as one of the objectives that we hope will be achieved in the early future. I believe that Mr. Wilcox also has some moves along this line.

DISASTER RESERVISTS

Mr. WILCOX. Yes. One place where we do have some flexibility is with respect to the reservists where we have disasters. We try to be sensitive to both hiring substantial numbers of women and minority groups. Through our reserve program there is a permanent available cadre of people, and then also in the hiring of people in the local communities if there is a disaster, so there I think is a favorable and impressive record.

Mr. VICKERY. I would like to add one point to that. I think you fail to take into consideration when you make a blanket statement that everybody is keeping consultants alive, the technicalities of

certain studies requires contracts. We don't have anyone in government and it would be ridiculous to staff for it.

Another area, and I think Emmitsburg is a good example of this, where we have made a commitment to the community, a community which did not have a good sustained base for the people who lived there, and almost all of the work of rehabilitating the academy to date, and we are up to 275 of our ultimate 400 dormitory rooms, the guard service has all been minority and/or local people in that area. So I think you asked a very pertinent question. People sometime don't recognize the peripheral effort that is required or the implementation and dedication that some of the people in government have towards making it work as you would like it.

Mrs. BOGGS. Thank you very much.

I think that all of us should also recognize that St. Joseph's at Emmitsburg was the homeplace of Mother Elizabeth Seton, so you have at least made some very significant contributions to an order of nuns, I would assume.

Mr. MACY. We feel that because of that history we are privileged to do business on sacred ground.

Mrs. BOGGS. That is true, and she was a can-do lady.

Mr. MACY. Indeed.

FLOOD PRONE PROPERTIES

Mrs. BOGGS. I was also interested, Mr. Chairman, in a question I would like to ask of Mrs. Jiminez. What has happened in the instances where HUD and other agencies have been able to go actually take over the flood prone properties?

Mrs. JIMENEZ. In most of the instances I discussed earlier, these folks were candidates for subsidized housing, and so they are being transferred into one form or another of the subsidized housing.

Mrs. BOGGS. Is the land being transferred to the local government?

Mrs. JIMENEZ. The land is being transferred to local government ownership and it is being returned to its natural state, for recreational purposes.

BARRIER ISLANDS POLICY

Mrs. BOGGS. In regard to the flood insurance program, I would like to discuss another program that Mr. Macy knows I have been very interested in. That is the ongoing development of a national barrier islands policy. Could you please summarize for the Subcommittee the findings of the study done for FEMA by the Department of the Interior, The further steps that have been taken since you received this report last October, and the manner in which you intend to use this study's findings?

Mr. MACY. I would like to call on both Mr. Wilcox and Mrs. Jimenez to talk about that.

Mr. WILCOX. That study was commissioned as a mission assignment in connection with disaster down in the Gulf area, and it was commissioned because of our concern about the problems of hazard mitigation and floodplain management, and our intense desire to comply in every possible and practical fashion with Executive Order 11988.

I think that the report is sufficiently brief so that we can submit the entire report for the record, if you would like. I think it is fair to say in any event that it was a pretty, I guess the word is, tough, although I am not sure that is the right word—it was a report which urged a very stringent policy about restoring a flood-damaged area along the barrier islands, because of the fragile nature of that kind of terrain, because of the repeated damage that seems to occur from repeated hurricanes over the years with repeated demands on the taxpayers of the nation to restore those areas.

It has been our policy in Disaster Response and Recovery, and long before that, in the Federal Disaster Assistance Administration to have, for example, a very stringent policy about using government funds for beach restoration where the beach was publicly maintained.

We were then willing to undertake to restore the beach, but where there had not been a beach maintenance program, or where it was private ownership we have been unwilling in recent years, because of these repeated damages and because of the fragileness of the area that barrier islands basically are islands that in a geological or meteorological sense are in fact moving pieces of land, we have not spent taxpayer's money in current restorative work. We have so far been unwilling to take as heavy a position as that recommended. Again, I am not sure heavy is the word, but we have not taken—

Mrs. BOGGS. I have some other words.

Mr. WILCOX. I saw some of your correspondence. I suspect you do, as the Department of the Interior suggested. We asked the Department of the Interior to undertake this for us, because the Governor of one of those States down there really places very high priority on beach restoration, and we knew that the President had commissioned that particular unit of the Department of the Interior to undertake some ongoing studies of the best way to deal with the matter of the barrier islands.

I think our record of response down there in terms of restoring facilities when appropriate has been satisfactory, I gather from what you said earlier. In any event, I hope that is not too long-winded a statement, but it is our perception of the situation.

Mrs. JIMENEZ. There is great discussion about using Federal funds for improving barrier islands. I have been very concerned about that allegation. I have been taking a rather close look at our program with reference to all coastal areas. The way we mapped the coastal areas earlier was at still water level. We are in the process of incorporating wave height and we are giving some priority to barrier islands so we will have more accurate maps. We are taking a few other steps. For instance, we are requiring that there be breakaway walls so that building inspectors can adequately monitor that people are complying with the program. But at this point, we are not prepared to recommend that insurance has not been available.

Congressman Burton has held hearings and his bill would prohibit all Federal programs on undeveloped barrier islands and probably could indirectly cause more development on developed barrier islands. But the administration has not taken a position on it and we have not taken a position on it.

Mrs. BOGGS. There are so many barrier islands—Grand Isle, in my very own district, Nantucket. What concerns me is, for instance, public buildings. The suggestion in the study was that construction there be relocated in an area not flood prone. There are no such areas on those barrier islands. I do think the study was severe and I would hope that some of the various suggestions that have come to me from experts in the field, which I have relayed to all of you, will be taken into account.

Mr. WILCOX. I think it is important to say up front that the Executive order when it is into full effect will require the relocation of publicly owned facilities when severely damaged out of the flood plain, when there is a practical alternative.

Mr. MACY. That is an important caveat.

Mrs. BOGGS. When everything is below sea level I do not know how you can accomplish that.

Mr. SABO. We will try to finish this afternoon. We will try to maximize the questions we ask for the record.

Mr. MACY. Do you have a desire to have other testimony with respect to the other item for the supplemental, the President's Disaster Relief Fund?

Mr. SABO. We will come to that.

Mr. MACY. I wanted to make sure it was not overlooked.

RIOT REINSURANCE ELIGIBILITY

Mr. SABO. Turn to page 99, the riot insurance program in the National Insurance Development Fund. The legend on page 99 indicates States withdrew from the program in 1979.

Which States withdrew and why did they withdraw?

Mrs. JIMENEZ. I will give it to you for the record. Since then, one has come back in.

[The information follows:]

FAIR PLAN

FAIR Plans (Fair Access to Insurance Requirements), authorized by the Urban Property Protection and Reinsurance Act of 1968 (operated by the insurance industry regulated by the individual State Insurance Departments and examined and regulated by the Federal Insurance Administration) make essential property insurance (i.e. fire, extended coverage etc.) available to owners of insurable property who have been unable to obtain this insurance protection from the standard private insurers doing business in the State. Federal riot reinsurance protection is offered to insurers participating in FAIR Plans meeting the minimum federal requirements. This reinsurance protects both the insurers voluntary business and their interest in the FAIR Plan pool.

FAIR PLAN TOTALS

State	Year	Number of Policies	% Change From 1975
All FAIR Plan States	1975	647,937	
	1976	751,063	+16
	1977	894,715	+38
	1978	983,370	+52
	1979	1,035,375	+60

FAIR PLAN

State	Year	Number of Policies	% Change From 1975
California (A, C)	1975	86,060	
	1976	96,832	+13
	1977	112,973	+31
	1978	115,788	+35
	1979	132,384	+54
Connecticut	1975	9,225	
	1976	9,874	+7
	1977	12,347	+34
	1978	11,800	+28
	1979	12,636	+37
Delaware	1975	5,537	
	1976	5,293	-4
	1977	5,020	-9
	1978	4,662	-16
	1979	4,164	-25
District of Columbia	1975	13,896	
	1976	14,612	+5
	1977	14,930	+7
	1978	14,822	+7
	1979	14,155	+2
Georgia	1975	3,252	
	1976	3,984	+23
	1977	5,625	+73
	1978	6,424	+98
	1979	6,440	+98
Illinois	1975	44,592	
	1976	57,393	+29
	1977	74,466	+67
	1978	85,285	+91
	1979	76,281	+71
Indiana (A)	1975	2,307	
	1976	2,516	+9
	1977	2,905	+26
	1978	4,200	+82
	1979	4,435	+92
Iowa (A, B)	1975	1,450	
	1976	1,298	-10
	1977	1,748	+21
	1978	1,802	+24
	1979	1,494	+3

FAIR PLAN

State	Year	Number of Policies	% Change From 1975
Kansas (A, C)	1975	5,035	
	1976	6,455	+28
	1977	8,189	+63
	1978	10,230	+103
	1979	10,639	+111
Kentucky	1975	8,254	
	1976	10,044	+22
	1977	13,226	+60
	1978	14,779	+79
	1979	14,431	+75
Louisiana (A, C)	1975	3,135	
	1976	3,026	-3
	1977	3,754	+20
	1978	4,247	+35
	1979	4,214	+34
Maryland	1975	41,065	
	1976	42,275	+3
	1977	43,684	+6
	1978	41,898	+2
	1979	42,037	+2
Massachusetts	1975	31,453	
	1976	42,382	+35
	1977	57,291	+82
	1978	72,956	+132
	1979	92,341	+194
Michigan	1975	94,607	
	1976	140,754	+49
	1977	173,331	+83
	1978	168,500	+78
	1979	179,203	+89
Minnesota (A, B)	1975	1,602	
	1976	1,878	+17
	1977	2,647	+65
	1978	3,018	+88
	1979	2,839	+77
Missouri (A) State is proceeding to bring FAIR Plan into compliance.	1975	27,206	
	1976	34,649	+27
	1977	40,212	+48
	1978	40,649	+49
	1979	38,250	+41

FAIR PLAN

State	Year	Number of Policies	% Change From 1975
New Jersey	1975	37,801	
	1976	46,110	+22
	1977	58,747	+55
	1978	77,493	+105
	1979	81,853	+117
New Mexico	1975	254	
	1976	367	+44
	1977	633	+149
	1978	871	+243
	1979	1,114	+339
New York (A, B)	1975	112,324	
	1976	102,993	-8
	1977	94,326	-16
	1978	101,000	-10
	1979	98,475	-12
North Carolina	1975	7,637	
	1976	8,752	+15
	1977	10,912	+43
	1978	11,227	+47
	1979	12,942	+69
Ohio	1975	20,412	
	1976	21,926	+7
	1977	29,015	+42
	1978	38,291	+88
	1979	38,670	+89
Oregon (A, C)	1975	510	
	1976	729	+43
	1977	1,453	+185
	1978	2,739	+437
	1979	4,229	+729
Pennsylvania	1975	55,601	
	1976	60,626	+9
	1977	86,834	+56
	1978	105,505	+90
	1979	115,163	+107
Puerto Rico (A)	1975	67	
	1976	59	-12
	1977	64	-4
	1978	59	-12
	1979	NA	NA

FAIR PLAN

State	Year	Number of Policies	% Change From 1975
Rhode Island	1975	7,071	
	1976	8,174	+16
	1977	9,987	+41
	1978	11,592	+64
	1979	13,557	+92
Virginia	1975	18,105	
(A, B)	1976	16,445	-9
	1977	16,632	-8
	1978	16,159	-11
	1979	15,837	-13
Washington	1975	1,795	
	1976	1,941	+8
	1977	1,981	+10
	1978	1,745	-3
	1979	1,502	-16
Wisconsin	1975	7,684	
	1976	9,676	+26
	1977	11,783	+53
	1978	15,629	+103
	1979	16,090	+109

Note:
State FAIR Plan failed to comply with the federal standards in the following area:

A- Public membership on FAIR Plan governing committees

B- Rates exceed the federal standard of reasonable cost

C- State does not provide the required legislation to assure State financial backup to the Riot Reinsurance Program

Mr. SABO. Why?

Mrs. JIMENEZ. The primary reason for the States withdrawing was the enactment of the Holtzman Amendment in 1978 which required that FAIR Plans provide the same rate as the voluntary market. Some of the States refused to comply. FAIR Plans being under the jurisdiction of the State insurance commissioners, there was no way we could require them to comply and since they did not, we had to pull the riot reinsurance.

NIDF FUND BALANCE

Mr. SABO. Page 99 also indicates that the 1981 estimated investment income will decline due to a lower fund balance.

What was the fund balance at the end of 1979? What is the forecast for 1980 and 1981?

Mrs. JIMENEZ. For 1979, the fund balance was at $65,715,000. We expect by 1980, at the end of 1980, it will be about $54,651,000. And by 1981, $43,980,000. The crime insurance program is being paid for out of the National Insurance Development Fund.

Mr. SABO. The justifications indicate on page 103 that a fund balance of $125 million would be needed to cover a Newark or Watts size riot. Does the current level of the fund concern you?

Do you have any specific plans to increase the level, either by borrowing or seeking appropriations?

Mrs. JIMENEZ. We have $250 million borrowing authority which we have not used; in the event of a major catastrophe, we would have to utilize it. In 1983, I imagine we would have to come in for further funds for the crime program.

FLOOD FUND APPROPRIATION

Mr. SABO. Turn to page 109, the justification for the National Flood Insurance Fund. You have requested $603 million. Fiscal year 1981 marks the first appropriation request for the fund. The fund has been financed with Treasury borrowings and premium income. The first $500 million Treasury borrowing was utilized some years ago and the second $500 million was borrowed last September—long before planned. This appropriation has been requested to repay the first $500 million and part of the second $500 million debt.

Relate some of the factors which led to the September borrowing ahead of schedule—and thus to this appropriation request.

Mrs. JIMENEZ. When I became Administrator in 1978 we had 1.2 million policies; we now have 1.8 million policies. In a major flooding event, such as New Orleans we have a policy coverage of about 110,000. But add to that that we have had two very, very severe flooding years, and it looks like this year, 1980, is going to be as bad. In the first year, 1979, we had over 40,000 claims—1978, excuse me.

In 1979 over 90,000 claims. So the pressure on the fund has been horrendous. It was necessary to go to that second level much, much before we had anticipated we would have to do that. It is something that we cannot control. Mother Nature has a way of fooling us.

Mr. SABO. This Committee has a long-standing concern with backdoor off-budget financing. Thus, it is pleased to see the insurance fund came through the appropriations process. However, the proposal before us really does not give the Committee the opportunity to perform much oversight. The Agency's proposal—and future budgets, presumably—basically just replenish the fund through appropriations for losses incurred the previous year.

I realize that the nature of the operation makes planning somewhat difficult, but why should the fund not have to justify, in advance, an appropriation for the upcoming year's activity? After all, the President's disaster relief fund has operated with a regular appropriation for many years and with the exception of the extraordinary circumstances this year has not been burdened by it.

Mrs. JIMENEZ. I believe Mr. Macy's testimony commits us to coming in for an annual appropriation to replenish the fund. We should lay out the administrative costs.

Mr. SABO. Our interest is why should we not preappropriate funds rather than after losses have occurred.

Mrs. JIMENEZ. There are several good reasons for it. First, it is not a controllable item, we do not know when we will have a great deal of flooding. We have a contractual responsibility to pay claims. It is not quite the same thing as a disaster fund. We have a responsibility to pay claims when they occur.

Second, if you are asking that we come in for a separate appropriation rather than an appropriation for the fund, we have a problem about that. As I explained earlier, we are trying and we will have by the end of this year, the administrative costs of running the program paid for by the policyholders. So that if you were going to seek—if we had to seek an appropriation, it would mean the taxpayers would be in effect paying twice.

Mr. SABO. I do not follow that.

Mrs. JIMENEZ. One, the taxpayers pay for it, and the policyholders would also pay for it.

Mr. SABO. Precisely how was the $603 million figure developed? The justifications, page 113, indicate it will repay part of the 1980 debt. What exactly does this mean?

Mr. VOLLAND. The development of the $603 million was premised on the following: We had gone through the first $500 million in September of last year. At that time an estimate was made in the budget development process of what the unobligated balance at the end of fiscal year 1979 would be for the entire $1 billion borrowing authority. At that time, the estimate was that the balance at the end of 1979 would be $397 million out of a total $1 billion which $397 million plus the $603 million that which we are requesting replenishes the full authority. The actual amount unobligated at the end of 1979 was $394.4.

FLOOD FUND OUTLAYS

Mr. SABO. In fiscal year 1979 outlays were $238,623,000—compared to a plan of $86,751,000. Outlays in the 1980 current estimate have been revised from $87,900,000 to $154,482,000. Explain the reasons for this change.

With that track record, why should the Committee place any faith in the 1981 outlay estimate?

Mrs. JIMENEZ. We cannot tell you the kind of flooding we will have in the future. We can estimate, but we are basing the estimate on the insurance policies of course and an estimation of the kind of flooding experience we have had.

Mr. SABO. Page 114 contains the financial history of the fund. Why do operating expenses increase so much from 1979 to 1980. What do operating expenses equate to on a per policy or per dollar of insurance basis?

Mrs. JIMENEZ. Since we took over administration of the insurance aspect of the program, our expenses have gone from $25 per policy to about $11 per policy. So they have substantially lowered. We expect them to hold pretty steady at $11.58 to $11.63 per policy. So, we think we are running the program pretty efficiently. The savings this year were about $16 million, the first year nearly $15 million over the previous way it was operated.

Mr. SABO. There is still a substantial increase, I assume, because of substantially increased numbers of policyholders.

Fiscal year 1980 is half over. For the record, provide March 31 data on policies in force, claims, operating expenses, and premium income.

[The information follows:]

National flood insurance fund as of Mar. 31, 1980

Policies in force	1,789,350
Insurance in force	$75,663,114,600
Premium income	$54,036,414
Claims incurred	137,444,207
Operating expenses	$17,652,755
Commissions incurred	($11,964,960)
Adjustment expense incurred	($5,687,795)

DISASTER RELIEF FUND

Mr. SABO. The Disaster Relief Fund begins on page 115. Fiscal year 1980 has not been an easy one for the Fund. Heavy disaster activity early in the fiscal year—notably Hurricanes David and Fredric—resulted in the need for supplemental funding. The President's 1981 budget contained a 1980 supplemental funding request of $314 million. Additional disaster activity—especially in California—has strained the fund to the limit. Under the rules of the House, the Committee on Appropriations is precluded from providing new authority until a third budget resolution is adopted.

Much of this problem could have been avoided if adequate funding had been originally requested for 1980. The Committee has stressed this point for a number of years. So it is reassuring to note that the 1981 request has been increased substantially—to $375,570,000. If disaster activity is within historical levels, supplemental 1981 funding should not be required.

Mr. Wilcox, certain extraordinary actions have been taken this year to stretch and redistribute limited resources. Explain these actions to the Committee and indicate what effect they have had.

Mr. WILCOX. We have been compelled, in effect, to tell communities who have suffered severe damage to public facilities that we

will, if Congress acts favorably with respect to the supplemental, obligate the funds for eligible public assistance costs at that time.

This has permitted the communities to at least have a sense of the Congress' actions. Then the funds will be available.

There has, nevertheless, been a good deal of disquietude which Mr. Macy referred to this morning as increasing. Three or four different people during these hearings today stopped and inquired of me as to the situation.

We have taken the position that where we could, we would deobligate funds. We are in the process of deobligating $35 million from a hospital in southern California. We have deobligated $25 million from the U.S. Department of Housing and Urban Development for mobile homes temporary housing and other activity which they and so forth, provided to FDAA some years ago. So, by a process of stalling and by very careful manipulation of our resources even to the extent of deobligating a significant amount, we have been able to continue individual assistance temporary housing and the 75 percent required Federal contribution for the Individual and Family Grant programs.

I think there is a serious question as to how long we can proceed to advise the President to approve disaster requests from Governors when the money simply is not there to back up the request.

It may well be that we have now reached the point where in further communications through Mr. Macy to the President, we will urge that at least the public assistance side of disaster requests be denied because the money is not there. We think we have $390,000,000 of moral but not legal commitments that we cannot meet because of the absence of funds.

I am sorry to take so long. I know you wanted a brief answer.

CURRENT FUND BALANCE

Mr. SABO. What is the current fund balance including deobligated funds?

Mr. WILCOX. We have about $17 million. Some additional funds are being deobligated, but at the moment $17 million is available in unobligated funds. If you add the $35 million from the hospital and an additional $20 million, which we may be able to recapture, we have about $60 million. It's a rather paltry sum against the $390 million of promissory notes.

Mr. SABO. This Committee can place a limitation in our appropriation bill saying that for public facilities, Federal aid cannot exceed 75 percent of the cost of replacement. Do you favor that approach?

Mr. WILCOX. FEMA has proposed an amendment to that effect. Chairman Boland this morning raised the question of some kind of mark in the Appropriations Act to that effect. I do not feel competent to address the technical issues that may or may not be involved in that.

Mr. SABO. If you develop some observations, would you forward them to us?

Mr. WILCOX. Yes. I would like to emphasize that we see great virtue in the cost-sharing principle in any governmental relationship.

Mr. MACY. We are in accord with the policy that you suggest.

Mr. WILCOX. We are in an anomalous situation on this. The law says we are supposed to be supplemental to State and local efforts and help only when State and local capabilities are exceeded. Yet the lawyers tell us that because of the legislative history, where specific requirements were voted down in committee, we are prevented from administratively requiring this cost-sharing on permanent restorative work, which would save about $50 million in the average disaster year.

Mr. SABO. I would assume a limitation within the appropriation bill would constitute new legislative history.

Mr. WILCOX. I would think so.

Mr. SABO. Has the disaster program been able to satisfy all valid temporary housing and Individual and Family Grant needs in 1980?

Mr. WILCOX. Up to this point we have. In some cases we have advanced the total amount to the State. I think in the perceivable future we will continue to do that.

Mr. SABO. I understand there are plans to deobligate approximately $35 million previously obligated for the Olive View Hospital. Is that correct?

Mr. WILCOX. Yes.

Mr. SABO. What is the status of that action and any precedents in connection with this action?

Mr. WILCOX. I cannot address the legal question. Perhaps the legal counsel can.

Mr. SABO. I assume the counsel would say no.

Mr. JETT. It is a grant commitment and there are unexpended balances on that and we are going to withdraw those through technically, a cancellation of previously approved commitments. There has been discussion that those funds would be reinstated, but our advice is there is no legal obligation if the money is withdrawn, it is grant money and can be withdrawn by cancellation.

EFFECT OF JULY SUPPLEMENTAL

Mr. SABO. Assuming no additional declarations, what would be the effect on the fund if the supplemental is not signed until late July—similar to the 1979 experience? What about June 1? Supply that for the record.

Mr. MACY. Yes.

[The information follows:]

DISASTER SUPPLEMENTAL

Currently, the President's Fund Balance stands at $17.6 million. In addition, we have taken several steps on the administrative level in order to preserve this balance. These steps include the deobligation of certain unliquidated funds; obligating money only for human needs; issuing no-money mission assignments to other Federal agencies; and conditional approval of project applications for the rebuilding of facilities pending the availability of funds.

Even with these actions, the funding situation remains critical. The following table shows cash flow requirements for current disasters:

[In thousands]

April 30	$108,049
May 31	77,259
June 30	78,645
4th quarter	116,970
Total requirements fiscal year 1980	$390,923

In addition, we estimate a minimum of $25 million to meet human needs for potential declaration during fiscal year 1980. Already since these figures were compiled there have been two additional Presidential declarations and several more requests have come in. There are no reliable estimates of the funding needs for these, but they will certainly validate a substantial portion of this $25 million for potential declarations as these last two were for Individual Assistance only.

Mr. SABO. For the record, update material previously supplied breaking out the $314 million by disaster and category of assistance.

[The information follows:]

Breakdown of total estimated requirements by category of assistance

[In millions]

Individual and family grant program	$47.722
Temporary housing	15.098
Disaster unemployment assistance	.671
Public assistance	323.912
Other Federal agencies	3.520
Total Requirements	$390.923

DISASTER RELIEF

Status of Funds as of April 11, 1980
($ in thousands)

Funds Available - FY 1980			
Unobligated Balance FY 1979	$ 19,687		
1980 Appropriation	193,600		
		$ 213,287	
Funds Required			
Obligations incurred 10-1-79 to 3-10-80	$ 234,775		
Federal/State planning grants	1,425		
Fire Suppression Assistance	1,000		
		$ 237,200	
Declared Disasters			
#567 September 1979 Puerto Rico - Hurricane Frederic	$ 44,900		
#598 September 1979 Alabama - Hurricane Frederic	132,314		
#599 September 1979 Mississippi - Hurricane Frederic	3,998		
#601 September 1979 Maryland - Tornadoes and Flooding	7,050		
#609 October 1979 California - Earthquake	5,339		
#614 February 1980 Arizone - Flooding	15,650		
#615 February 1980 California - Mud slides and Flooding	143,672		
#3078 California emergency - Flooding	22,000		
All others	16,000		
Subtotal Declared Disasters		$ 390,923	
Potential 1980 Declarations		124,164	
Total Requirements FY 1980			$ 752,287
less: Funds Available			-213,287
less: Supplemental Request 12/6/79			-314,000
Total Estimated Requirements			$ 225,000

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ADDITIONAL FUNDING

Mr. SABO. The $314 million figure was developed before the big California disaster and certain other declarations. I know it included a reserve for future declarations, but I am wondering if it is adequate.

Has FEMA requested to OMB additional 1980 funding above the $314 million?

Mr. MACY. Not as yet, but the present situation is one in which in all likelihood it will be necessary, even with the passage of the supplemental for $314 million, to come in with a second supplemental within a very short period of time.

Mr. WILCOX. We can attach a figure to that if you will, $225 million.

Mr. MACY. $225 million would be the necessary supplement beyond the $314 million.

Mr. SABO. We suggest if you really think there is a need you should move it through OMB rather promptly. It is not likely we will have more than one supplemental bill.

Mr. MACY. That counsel will be followed.

CALIFORNIA DECLARATION

Mr. SABO. I would like to discuss a certain aspect of the recent California disaster. Heavy rains in mid-February were the cause of the problem. The State requested aid and the first Federal declaration was made February 21, 1980. Is that right?

Mr. MACY. That is correct.

Mr. SABO. That original declaration was amended shortly thereafter to include additional counties and types of assistance. The thing that really puzzles me, though, is that Santa Cruz County was declared eligible for public assistance on April 2, 1980. That is 6 weeks after the major declaration. Also, Santa Cruz County is hundreds of miles away from the areas principally damaged.

Is it not a little unusual to declare a disaster 6 weeks after the fact? When did the Governor request the declaration?

Mr. WILCOX. It is somewhat unusual because we have had some discussion with staff on that. The original summary, recommended a turndown on three of the four counties but an approval for Santa Cruz.

Mr. SABO. If the State waited that long to request a declaration, does that not raise some serious questions about the need for it? What is the estimate of public assistance Santa Cruz needs?

Mr. WILCOX. Federal $4,317,000; State, $2,668,000.

GAO REPORT

Mr. SABO. A June 18, 1979 General Accounting Office letter report to Congressman James Jones stated that the Administrator of the former Federal Disaster Assistance Administration "should take certain steps to insure that applicants for Federal assistance request and receive all available benefits under their insurance policies."

According to the report,

"Federal agencies are relying on insurance adjuster's findings to determine the carrier's payments under the policies. Adjusters are employed to protect the economic interests of insurance companies. If Federal agencies employed qualified adjusters to act as advocates for disaster victims applying for Federal assistance, the government would accrue substantial cost savings."

Do you agree with the GAO's assessment, Mr. Wilcox?

Mr. WILCOX. We agree there was some duplication of benefits and that study was enormously helpful. With respect to tornadoes and floods, because there is no additional living expense allowed, it is not so much at issue. But we believe we have saved substantial millions of dollars by identifying additional living expenses in the case of tornado. We think there are further opportunities where the insurance companies may not be meeting their full responsibilities and we are addressing those circumstances at the present time.

SNOW REMOVAL

Mr. SABO. The General Accounting Office issued a report dated August 2, 1979, entitled Federal Snow Removal Policy: Improvements Needed. The GAO examined the Federal Emergency Management Agency's new snow removal policy. Quoting from page 2 of the report, GAO believes the policy has weakness because it: Authorizes reimbursement eligibility only from the date of the declaration rather than from the beginning of the storm, reimburses State and local governments for two-thirds of eligible snow removal costs rather than reimbursing only the costs of those activities which could not have been performed without Federal financial assistance, places an unnecessary burden on FEMA's limited resources by not adequately discouraging inappropriate requests for assistance, and considers whether a State has been denied assistance on previous declaration requests when determining whether to recommend in a marginal case that an emergency be declared.

How do you respond to these four GAO observations?

Mr. WILCOX. I can respond to it but it takes more than a minute or two.

Mr. MACY. Don't give us a snow job.

Mr. WILCOX. The shortest answer is that we had no snowfall, so it solved the problem for one year. We believe the generality of the GAO report was useful. We did not agree on the specifics as to how to remedy the problem and we have used a somewhat different course of action than GAO recommended because we believe it would have increased the administrative costs substantially, but in effect, we believe we implemented the GAO findings.

Mr. MACY. I might add, Mr. Chairman, if a measure of volume of protest from State and local officials is any kind of accurate gauge, we were very successful in cutting back the liberality of the program.

Mr. SABO. The GAO report included recommendations to the Congress. One recommendation was that the law be changed to require that future snow removal reimbursements be loans rather than grants. Another recommendation was to change the law to

require FEMA to provide reimbursement eligibility from the beginning of a storm—not from the date of declaration.

Do you agree with these recommendations?

Mr. WILCOX. We disagree because the law says we are supplemental and the emergencies are Federal action in connection with that, we are to stabilize and protect property and public safety. None of those issues arise at the first flake of snow but at some later point when a problem has truly arisen. So we disagree on that issue.

I forgot for the moment what the other was.

Mr. MACY. The other was the loan.

Mr. WILCOX. That is an interesting idea. There is a prohibition in our legislation against the giving of credit, but the problem with a loan is that some Governors might not be free under their constitutions to execute loans on a timely basis and therefore may not be able to get the aid and might do the opposite of what the legislation intends. We might lose lives and fail to protect property.

We think the front-end grant process is probably the better procedure, although we do not slam the door shut on the arrangement.

Mr. SABO. For the record, give us a more detailed response to the GAO recommendations.

[The information follows:]

GAO REPORT ON SNOW REMOVAL

In further amplification of responses made by me concerning recommendations made by GAO in its August 2, 1979 Report in connection with emergency snow removal, the specific recommendations and my comments are listed below:

Recommendation. "We recommend that the Administrator, FDAA, withhold the $25,000 annual plan maintenance grant from any State that normally receives heavy snows but does not agree to prepare more specific snow preparedness plans."

Response. Where greater preparedness is needed in any State for snow emergencies, our Regional Directors urge that the $25,000 State plans improvement grant be used for that need, just as they do for any other deficiency in State or local capability. Our Regional staff members work closely with participating State and local officials, providing technical advice and assistance in preparedness for all types of emergencies, including snow emergencies. Each State provides matching State funds and could reasonably expect to use these limited available Federal/State resources where most needed and most likely to improve capabilities to cope with major disasters or emergencies. Based on these considerations, we believe that withholding the annual Federal grant, as recommended, could rarely, if ever, be justified.

Recommendation. "We recommend that the Administrator, FDAA, revise the snow removal reimbursement policy to better safeguard the President's disaster relief fund by (1) insuring that Federal reimbursements are not paid to States that can afford their own costs of snow removal, (2) reimbursing only the costs of those activities which the State could not have performed without Federal financial assistance, and (3) discontinuing to reimburse States for costs that would have been incurred even without a snowstorm. Further, the revised policy should not consider a State's success at receiving previous declarations in deciding whether to declare future emergencies and should discourage States from submitting inappropriate requests for assistance."

Response. We have revised our emergency snow removal policy guidelines and have issued them to FEMA Regional Directors for dissemination to the States and other interested agencies. We believe that these guidelines, developed in light of the findings and recommendations of your report, better safeguard the President's Disaster Relief Fund.

The changes from the superseded guidelines were designed with the intent of limiting Federal assistance more specifically to those cases where public health and safety within a community will be in jeopardy in Federal assistance is not provided. The main changes are:

1. We now require 50/50 cost-sharing by the applicant. This will ensure that the Federal assistance is more supplementary, as required by the Act, and that the applicant is not reimbursed for normal budgeted costs.

2. A State will no longer be reimbursed for removing snow from roads that are its normal responsibility, and which it is, therefore, prepared physically and financially to keep open to traffic without Federal assistance.

3. Federal assistance will be limited to snow removal only from certain areas as outlined in the guidelines.

4. The only applicants that may receive Federal assistance are those local governments that have the designated responsibility for removing snow from the special areas referred to in Item 3 above.

5. The enclosed guidelines provide that prior declarations of emergency or major disaster shall not be considered in assessing the justification for a declaration in response to a Governor's request.

I believe that with these changes we are safeguarding the Federal disaster funds consistent with the Stated objectives of the Disaster Act which require prompt action in a declared emergency. We shall continue to monitor this program very closely and we shall again review our experience at the end of next snow season to see whether any further revision of these guidelines is warranted.

Recommendation. This concerns the part of the recommendation that suggests that the Administrator revise the policy so that it better discourages States from submitting "inappropriate" requests.

Response. The law provides that a Governor may request a determination by the President that an emergency exists, based upon the Governor's finding that effective response to the situation is beyond State and local capabilities. Within those constraints, our Regional staffs provide guidance and assistance to the Governors' staffs in evaluating emergency situations that occur. The ultimate decision whether to request, however, is the Governors'.

Our Regional Directors responsible for working with States where snow emergencies are most likely to occur have consulted with responsible State officials to discuss the enclosed guidelines and to arrange for appropriate State contacts with local governments. These contacts and discussion have given everyone concerned a better understanding of the limitations on emergency snow removal imposed by these guidelines. These discussions will improve our Federal/State damage assessments, discouraging unwarranted requests.

Recommendation. The GAO Study staff, after noting "weaknesses" in PL 93-288 and potential inequities in the application of the Act to various States, recommended that the Administrator prepare a comprehensive analysis of the impact of potential inequities on Federal disaster assistance and submit a detailed plan to correct the weaknesses of the Act, including necessary legislative changes, where appropriate.

Response. I have consulted with FEMA Director John Macy and have confirmed that FEMA does not oppose the recommended study and "would cooperate or conduct such a study if directed to do so." Obviously such an undertaking would require a substantial effort and would place a large demand on FEMA resources not previously planned. Director Macy has now reviewed and evaluated each FEMA program, evaluating potential improvements and needs for changes in laws and implementing regulations. Such program reviews of disaster response and recovery should partially satisfy the referenced recommendation. In preparation of the fiscal year 1982 budget, we will again consider the GAO recommendation.

Mr. SABO. Also we will submit questions on the Holy Cross Hospital to be answered for the record.

[The questions follow:]

HOLY CROSS HOSPITAL

Inasmuch as most of the questions regarding Holy Cross Hospital (HCH) have been answered in the FDAA response to the HCH appeal, excerpts from the decision papers are given in response to your questions.

Question. Does FEMA maintain that State Licensing Codes are not applicable codes, standards and specifications within the meaning of Section 402? Does FEMA maintain that the requirements of the Joint Commission on the Accreditation of Hospitals are not applicable codes, specifications and standards?

Answer. (a) HCH contends that space must be "adequate" to support the program in being at the time of the disaster.

Inasmuch as HCH was licensed to operate as a hospital, it appears that the pace originally provided must have been "adequate" for the program set forth by the

hospital at the time the facility was constructed and placed in service. When HCH later added services, such as nuclear medicine, respiratory medicine, etc., additional space was not constructed to house these additional services. The required space was provided by diversion of space from original usage when the hospital was initially opened. Such space was limited, but it must have been "adequate" for the volume and nature of services which HCH actually planned to provide at the time the services was added. If the space for these additional services provided was originally "adequate" it could have become inadequate by the time the earthquake occurred for two reasons: (a) code requirements had changed; or (b) the service provided had been expanded, thereby exceeding the capacity of the facility provided. By adding services, HCH modified and expanded the program which was served by the facility when the hospital was opened, but without providing any additional space in the original facility.

The legislative history of Public Law 92-209 indicates that: "The philosophy of the bill, of course, when it deals with public facilities, is that they put them back in the same condition they were before the disaster. We would hope that this committee would decide to do that with non-profit hospitals. The legislative history of Public Law 91-606 indicates that: "The intent is to provide for Federal payment for a new facility that would provide the same capacity as the old facility if it were built today according to up-to-date standards." Thus, although an applicant may build a larger or more elaborate facility, the Federal contribution is limited to the cost of restoring the predisaster capacity of the old facility to updated standards and the applicant is responsible for all additional costs. The legislative history of Public Law 91-606 further refers to a school originally designed to accommodate 400 pupils and states that the Federal contribution toward restoration of such a school would be limited to the cost of a 400-pupil school even though a 600-pupil school would be required to meet current needs. Thus, it is apparent that predisaster capacity is related to the predisaster design of the facility, not to the volume and nature (program) of services which may have been provided at the time of the disaster.

HCH claims that the State of California required that additional space be provided to meet the State codes requiring that "adequate" space be provided. However, statements by HCH in its appeal confirm that the nature and volume of services provided by HCH had significantly increased between the time the facility opened and the time of the disaster. In fact, HCH acknowledges that space provided for a number of services had become inadequate prior to the disaster. Further, in its submission of a program to the State, HCH stated that it had developed a scope of services and a spatial allocation to be "responsive to both current and future health care needs." It is quite clear that HCH had their new facility designed to handle a significantly larger program than the original facility had capacity for. Based on our review, it appears that a major reason the space provided in the original facility was not "adequate" following the disaster was the HCH quite understandably wanted to provide an enlarged facility to support an increased program. This is further substantiated by the Hill-Burton grant provided by DHEW to HCH for modernization and expansion of this hospital after the earthquake. The legislative history of Public Law 91-606 as amended by Public Law 92-209 clearly indicates that the FDAA should not pay for the cost of increasing the overall capacity of a facility.

(c) HCH contends that FDAA reimbursement is not available in the amount necessary to satisfy licensing requirements.

It is generally acknowledged that licensing requirements of hospitals have both structural and operational components that are dependent in part upon program levels. Space requirements solely attributable to program expansion, even though required by a licensing agency, have no relevance to FDAA's obligation to restore predisaster capacity updated by applicable codes.

(f) HCH contends that the standards set forth by the Joint Commission of Accreditation of Hospitals (JCAH) are applicable standards.

To the best of our knowledge, JCAH standards have no structural requirements not already set forth by the State of California or the Hill-Burton minimum requirements. As previously stated, space requirements attributable to program expansion would not be eligible for FDAA support.

Question. Since the FDAA wrote letters stating that the Los Angeles hospitals would be provided funds to build licensable facilities, why does FEMA refuse to provide funds necessary to build a facility that could be licensed to provide the same services as were being provided Holy Cross when it was destroyed by the earthquake?

Answer. See (a) and (c) above, Question 1.

(b) HCH contends that codes and standards must apply to services and not to facilities.

The whole emphasis of Public Law 91-606 as amended by Public Law 92-209 is on restoration of facilities. In no instance does the amended Act provide for replacement of services rather than facilities for hospitals.

(d) HCH contended that OEP provided assurances which are now being violated by the position taken by FDAA.

HCH referred to two letters which they contend provided certain assurances. The first letter stated that OEP was prepared to authorize reimbursement of eligible costs to restore your hospital to a size and configuration that would also meet State and local codes and standards, and when finished could be licensed and occupied as an operating facility.

The second letter stated that "space and equipment approved by OEP will allow licensing in the State." If HCH had not expanded its program of services and the volume of services for which it had originally provided space when the hospital was opened, the space provided by FDAA would fulfill all the assurances given in the two letters. HCH also alleges that members of the FDAA Regional Office staff gave assurances in 1972 that the Hospital's "program" must be recognized in setting the reimbursement by FDAA. Our discussions with Messrs. Stevens, Meade and Hamner reveal that they never stated that the "program" of the hospital at the time of the disaster would be used to determine eligible costs. In any event, the approval of the project application by Regional Director Stevens in April 1973 (before the design of the new HCH facility had been completed) clearly stated the Regional Director's position and should have eliminated any misunderstandings which HCH representatives may have had.

Question: Did FEMA indicate to the Hospital that reimbursement would be based on the 1961 program? What documentation do you have to that effect?

Answer. See (b) (d) above, Question 2.

Question. Did FEMA's consultant determine in 1979 that the Hospital had not been told that reimbursement would be based on the 1961 program?

Answer. Same response as Question 3.

Question. Since FEMA's consultants have said that the Hospital built a very modest replacement facility, and certain FEMA employees have indicated that Holy Cross built the minimum replacement facility able to be licensed, why shouldn't FEMA provide the funds to build that building?

Answer. We were unable to justify funds to pay all costs of building the hospital. Our consultant was referring primarily to the quality of construction in calling it a "very modest" facility. He has reviewed and supports the decision papers. To the best of our knowledge no FEMA employee ever made the statement included in this question.

Question. Didn't Mr. Wilcox indicate to Holy Cross Hospital on May 18, 1979, that he agreed with their interpretation of PL 92-209? And then didn't he issue a decision which was contrary to that understanding?

Answer. At the meeting with HCH representatives on May 18, 1979, Mr. Wilcox did not indicate that he agreed with the HCH interpretation of PL 92-209. What Mr. Wilcox did say was that he thought there was agreement on the legislative history (thinking that HCH understood the FDAA position). The decision made by Mr. Wilcox in the letter, dated June 29, 1979, is in complete agreement with the FDAA interpretation of PL 92-209 as outlined at the May 18, 1979, meeting.

FLOOD CONTENTS INSURANCE

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Only one thing. How is the program going for notifying people they should insure their contents separately from and in addition to their normal home flood insurance?

Mrs. JIMENEZ. I am not sure if I can give you an assessment of that.

Mrs. BOGGS. Do you know how much content coverage we have?

Mrs. JIMENEZ. Let me supply that for the record.

[The information follows:]

CONTENTS COVERAGE

As this exhibit shows, the vast majority of policies in force are on single-family dwellings (80%). Residential policies other than single-family represent 11% of the total, with the remaining 9% being non-residential policies.

Interestingly, although only building coverage is required to be purchased as a condition of securing a mortgage, about 55% of all policies in force have contents coverage included with building coverage. In fact, in the case of single-family dwellings, 61% have both building and contents coverage. Generally speaking, single-family homeowners were more apt to buy the combination coverage than other type owners.

The average amount of building coverage in force for single-family dwellings is about $33,000, which compares with an average of about $42,000 for all occupancies. An average of $10,500 of contents coverage has been purchased by single-family homeowners, which compares with almost $12,500 of average contents coverage for all occupancies.

With respect to premiums paid, single-family homeowners paid an average of $67 for coverage and the average premium paid for all policies is about $78. Non-residential insureds paid an average premium of $202.

National Flood Insurance Program
Premium and Coverage Summary
as of 3/7/80

Occupancy	Type of Coverage	Number of Policies	Amount of Coverage		Premium
			Building	Contents	
Single Family					
	Building Only	521,594	16,488,754,300	0	32,991,172.76
	Contents Only	38,330	0	406,542,700	1,249,499.58
	Building & Contents	890,647	30,716,074,200	9,759,092,100	63,377,094.82
2-4 Family					
	Building Only	56,026	2,421,490,200	0	3,779,056.77
	Contents Only	16,558	0	190,827,700	504,886.74
	Building & Contents	41,928	1,453,149,500	328,198,100	2,857,605.18
Other Residential					
	Building Only	40,829	3,819,148,900	0	5,536,480.50
	Contents Only	42,398	0	513,860,000	1,387,928.12
	Building & Contents	11,905	774,305,600	113,249,200	1,428,148.11
Non-Residential					
	Building Only	46,982	2,671,598,700	0	7,166,600.38
	Contents Only	33,343	0	1,089,898,800	5,475,316.10
	Building & Contents	54,276	2,768,401,600	1,647,965,100	14,571,828.84
All Occupancies					
	Building Only	665,431	25,400,992,100	0	49,473,310.41
	Contents Only	130,629	0	2,201,129,200	8,617,630.54
	Building & Contents	998,756	35,711,930,900	11,848,504,500	82,234,676.96
Grand Total		1,794,816	61,112,923,000	14,049,633,700	140,325,617.90

Mrs. BOGGS. Thank you. I know that was a difficulty with this the last time we were together in an emergency.

Mrs. JIMENEZ. I suspect the people in New Orleans know they need contents coverage. I am not sure of other areas. Mr. Riley tells me our new manual is coming out in the fall and will provide a lot more assistance to the agents on educating them to inform his clients. But that is the missing link.

Mrs. BOGGS. Mr. Chairman, in our area which is under such terrible flooding conditions, the flood insurance program has already set up an office and the processing is being done by the agents. I think you will find no duplication there.

Mrs. JIMENEZ. We expect to have about 10,000 claims.

Mrs. BOGGS. Thank you.

Mr. SABO. Thank you for being here today. The Federal Emergency Management Agency's justifications will be placed in the record at this point.

The Committee stands adjourned.

[The justification follows:]

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INTRODUCTION TO JUSTIFICATION OF

FEDERAL EMERGENCY MANAGEMENT AGENCY

BUDGET ESTIMATES FOR FY 1981

The Federal Emergency Management Agency (FEMA) program for FY 1981 provides a single point of contact for Federal, State and local governments on emergency matters and enhances the multiple use of resources in preparing for and responding to emergencies.

The Agency has six principal organizational elements to carry out the programs which are highlighted below and which are explained in detail under the appropriation justifications:

Plans and Preparedness

The nation's ability to manage, respond and recover from any emergency - be it a domestic or national security crisis, depends on the policy guidance, plans and preparedness activities of FEMA. This includes government, population and resource preparedness planning for all levels, Federal, Regional, State and local.

FEMA also provides technical and financial assistance to State and local governments to develop their emergency-preparedness and emergency-management plans, recognizing that local and State governments are traditionally the first lines of defense in emergencies.

Finally FEMA is responsible for advising the President on matters pertaining to the nation's emergency preparedness.

Mitigation and Research

It is within our abilities to do far more to lessen costly consequences of disasters and even to prevent some of them.

Learning through its research programs how to improve mitigation activities, FEMA will share its findings with local and State governments and the private sector as well as apply them in its own emergency-management activities.

Federal Insurance Administration

FEMA administers three national insurance programs and conducts activities to mitigate the impact of natural disasters:

- Flood Insurance

The National Flood Insurance Program makes insurance available to property owners at a reasonable cost, in return for which communities are required to adopt flood-plain-management measures to protect lives and reduce property loss.

- Crime Insurance

The Federal Crime Insurance Program enables residents and businesses to purchase affordable insurance against burglary and robbery losses.

- Essential Property Insurance and Riot Reinsurance

Federal riot reinsurance is available to assist insurance companies in making essential property insurance available in States with statewide plans for Fair Access to Insurance Requirements (FAIR) Plans meeting Federal criteria.

Training and Education

In addition to training its own staff, FEMA conducts programs of management and technical training for staffs of local and State governments and private organizations engaged in emergency management.

FEMA also seeks to educate and inform the general public and specialized groups with interests in specific aspects of hazard mitigation and emergency management.

Disaster Response and Recovery

When a disaster threatens or occurs, local authorities take immediate steps to warn and evacuate citizens, alleviate suffering, and protect life and property. If additional help is needed, the Governor may direct execution of the State's emergency plan, use State police or National Guardsmen, or commit other State resources as the situation demands. Federal establishments, particularly military installations which are located in or near the disaster area, may provide immediate lifesaving assistance, and other Federal agencies may be able to provide assistance under their own statutory authorities. However, if the situation is beyond the capabilities of local and State forces, supplemented by limited assistance of Federal forces on the scene, the Governor may request that the President declare a "major disaster" or an "emergency."

A "major disaster" is defined in the Disaster Relief Act of 1974, Public Law 93-288, as any "hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance above and beyond emergency services by the Federal Government to supplement the efforts and available resources of States, local government, and private relief organizations in alleviating the damage, loss, hardship or suffering caused by a disaster."

An "emergency" is defined as any of the various types of natural disasters included in the definition of a "major disaster" which requires Federal emergency assistance to supplement State and local efforts to save lives and protect property, public health and safety or to avert or lessen the threat of a disaster.

The President's Disaster Relief Program is designed to supplement the efforts and available resources of State and local governments and voluntary relief organizations. The President's declaration of a "major disaster" or an "emergency" authorizes Federal assistance under the Disaster Relief Act of 1974 and triggers other Federal disaster relief programs. The Federal response is coordinated by the Federal Emergency Management Agency.

United States Fire Administration

The goal of the U.S. Fire Administration is to reduce our national fire loss and to reduce the level of fire risk. The Fire Administration develops fire service education and training programs through the National Fire Academy at Emmitsburg, Maryland, develops social/economic programs which educate the public in fire safety, develops management systems for fire prevention through the National Fire Data Center and conducts research on fire fighter and residential safety through the National Fire Data Center.

The Federal Emergency Management Agency administers three appropriations and two revolving funds as follows:

Emergency Planning, Preparedness and Mobilization

The requested budget authority of $160,121,000 provides for the necessary defense and Federal emergency preparedness activities. The following budget activities: Financial Assistance to States; Plans and Preparedness which includes continuity of government policy guidance, civil defense and resource preparedness including strategic and critical materials stockpile; Warning and communications; and Information and Education.

Hazard Mitigation and Disaster Assistance

The budget authority request of $113,900,000 will provide for necessary expenses to support the following budget activities: Insurance and Hazard Mitigation; Fire Prevention and Control; Facilities, Fire Academy; Disaster Relief Administration; Flood Studies and Surveys; and Executive Direction.

Disaster Relief Funds Appropriated to the President

The requested budget authority of $375,570,000 provides for an orderly and continuing means of assistance to State and local governments in carrying out their responsibilities to alleviate the suffering of individuals and damage which results from disasters.

National Flood Insurance Fund

The National Flood Insurance Act of 1968, as amended, authorizes the Federal Government to provide flood insurance on a national basis.

The $603,000,000 requested budget authority will be used to retire cumulative outstanding indebtedness of the fund at the end of 1979. Projected net obligations for 1981 are $98,207,000.

National Insurance Development Fund

The National Insurance Development Fund does not request any budget authority for FY 1981. This fund provides the funding for two programs authorized by the Urban Property Protection and Reinsurance Act of 1968 as amended: the FAIR (Fair Access to Insurance Requirements) Plan/Riot Reinsurance Program and the Federal Crime Insurance Program.

FY 1981 BUDGET ESTIMATES

APPROPRIATION AND BUDGET PROGRAM SUMMARY

APPROPRIATION	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)		
Emergency Planning, Preparedness and Mobilization				
Financial Assistance to States....	37,393	39,034	39,034	39,034
Plans and Preparedness.....	59,305	70,068	63,257	84,164
Warning and Communications.....	22,260	22,128	22,128	25,933
Information and Education.....	6,579	7,891	7,141	10,990
Total Appropriation.....	$125,537	$139,121	$131,560	$160,121
Reimbursable Program.....	3,206	2,425	2,425	2,146
Hazard Mitigation and Disaster Assistance				
Insurance and Hazard Mitigation...	12,370	9,778	10,785	11,579
Fire Prevention and Control.....	12,449	16,389	14,471	13,081
Facilities Fire Academy.....	3,604	...	9,336	8,808
Disaster Relief Administration....	7,228	9,172	9,393	8,686
Flood Studies and Surveys.....	81,811	74,000	69,500	61,591
Executive Direction.....	11,331	10,956	10,642	10,956
	128,793	120,295	124,127	114,701
Change in selected resources.....	3,285	...	...	...
Unobligated balance - beg. of year	(6,986)	(700)	(4,374)	(801)
Unobligated balance - end of year	4,374	...	801	...
Unobligated balance	4,155	...	...	...
Total Appropriation	$133,621	$119,595	$120,554	$113,900
Reimbursable Program	849	227	766	246
National Insurance Development Fund				
Riot Reinsurance claims.....	3,110	1,000	862	835
Crime Insurance.....	25,022	30,027	28,541	29,484
Studies and Surveys.....	309	822	821	100
Administrative Expenses.....	240	227	243	246
Change in selected resources.....	119	...	...	...
Total Program Obligations.....	$28,800	$32,076	$30,467	$30,665
Financed by interest earnings and insurance premiums.....	28,800	32,076	30,467	30,665
Total Appropriation.....	$ -0-	$ -0-	$ -0-	$ -0-

APPROPRIATION	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)		
National Flood Insurance Fund				
Insurance Underwriting Expense....	$39,030	$41,098	$49,379	$55,800
Loss and Loss Adjustment Expense..	399,345	171,504	186,958	209,115
Interest Expense.....	22,120	19,981	36,399	10,613
Adjustment of Prior Year Costs....	2,491	...	...	...
Change in Selected Resources.....	1,878	...	8,620	-6,043
Total Program Obligation*.....	$464,924	$232,583	$281,356	$269,485
Repayment of borrowing	$ -0-	$ -0-	$ -0-	$603,000
Disaster Relief				
Aid to Stricken Areas.....	$373,365	$213,287	$213,287	$375,570
Unobligated bal. - beg. of year...	-6,280	-19,687	-19,687	...
Unobligated bal. - end of year....	19,687	...	...	...
Budget Authority (Appropriations)	$386,772 *	$193,600	$193,600	$375,570

*Obligations are financed by insurance premiums and Treasury borrowings through 1980. In 1981, obligations are financed by premiums and borrowings with an appropriation request to repay prior borrowings.

*Excludes amount for activities transferred to Hazard Mitigation and Disaster Assistance, FEMA, Budget Authority FY 1979 $7,228.

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FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

EMERGENCY PLANNING, PREPAREDNESS, AND MOBILIZATION

For necessary expenses, not otherwise provided for, to carry out civil defense and emergency preparedness activities, including activities authorized by Section 103 of the National Security Act (50 U.S.C. 404), the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-[-98h-8] et. seq.), the Federal Civil Defense Act of 1950, as amended (50 U.S.C. App. 2251 [-2297] et. seq.), and the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061 [-2166] et. seq.), [$129,621,000] $160,121,000 of which not to exceed $37,100,000 shall be available for allocation under Section 205 of the Federal Civil Defense Act of 1950, as amended. (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1980; additional authorizing legislation to be proposed.

FEDERAL EMERGENCY MANAGEMENT AGENCY

FY 1981 - BUDGET ESTIMATE

EMERGENCY PLANNING, PREPAREDNESS AND MOBILIZATION
APPROPRIATION - BUDGET PROGRAM SUMMARY
(In thousands of dollars)

BUDGET PROGRAM/PROJECT	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
FINANCIAL ASSISTANCE TO STATES	$ 37,393	$ 39,034	$ 39,034	$ 39,034
State & Local Management	32,154	37,100	37,100	37,100
State & Local Maintenance Svss.	1,780	1,934	1,934	1,934
State & Local Emergency Operating Centers	47	...	...	...
State & Local Supporting Materials	3,412	...	...	...
PLANS AND PREPAREDNESS	$ 59,305	$ 66,048	$ 63,257	$ 84,164
Radiological Defense	3,320	4,168	4,168	7,542
State & Local Civil Protection and Planning Assistance	27,077	29,479	28,068	42,542
National Security Affairs	20,349	21,457	22,997	22,838
State & Local Preparedness	...	...	80 1/	... 1/
Research and Systems Development	8,059	10,944	7,944	11,242
WARNING AND COMMUNICATIONS	$ 22,260	$ 26,148	$ 22,128	$ 25,933
Federal-State-Local Communications and Warning Systems	8,645	12,660	8,640	11,749
Federal Level Communications	13,615	13,488	13,488	14,184
INFORMATION AND EDUCATION	$ 6,579	$ 7,891	$ 7,141	$ 10,990
Training and Education	6,353	5,427	5,802	9,650
Emergency Information	1,226	2,464	1,339	1,340
TOTAL	$125,537	$139,121	$131,560	$160,121

1/ Deferred appropriation enacted in FY 1965 which remains available until expended.

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY BLANNING, PREPAREDNESS, AND MOBILIZATION

DISTRIBUTION BY OBJECT CLASSIFICATION

	Direct Obligations	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
			(In thousands of dollars)		
11.0	Personnel Compensation....	$ 29,033	$ 32,960	$ 35,416	$ 36,798
12.0	Personnel Benefits.....	3,396	3,104	3,498	3,630
21.0	Travel and Transportation of Persons.....	792	1,043	1,286	1,370
22.0	Transportation of Things..	19	52	100	185
23.1	Standard Level User Charges	1,721	2,220	3,044	3,159
23.2	Rent, Communications, and Utilities.....	14,997	23,345	18,025	17,928
24.0	Printing and Reproduction	421	347	1,533	1,318
25.0	Other Services.....	36,161	31,469	26,202	49,964
26.0	Supplies and Materials....	1,116	886	2,900	3,252
31.0	Equipment.....	296	500	440	2,097
32.0	Land and Structures.....	---	---	---	571
41.0	Grants, Subsidies, and Contributions.....	37,565	43,154	39,113	39,829
42.0	Insurance Claims and Indemnities.....	20	41	3	20
	Total Direct Obligations	$125,537	$139,121	$131,560	$160,121

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY PLANNING PREPAREDNESS AND MOBILIZATION

APPROPRIATION

PLANS AND PREPAREDNESS

STAFFING	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
Positions				
Permanent full-time	1,227	1,227	1,232	1,227
Other	42	42	42	42
Total	1,269	1,469	1,274	1,269
Staff Years				
Permanent full-time	1,223	1,223	1,227	1,222
Other	40	40	40	40
Total	1,263	1,263	1,267	1,262

WARNING AND COMMUNICATIONS

Positions				
Permanent full-time	141	141	141	141
Other	---	---	---	---
Total	141	141	141	141
Staff Years				
Permanent full-time	138	138	138	138
Other	---	---	---	---
Total	138	138	138	138

INFORMATION AND EDUCATION

Positions				
Permanent full-time	39	39	39	39
Other	--	--	--	--
Total	39	39	39	39

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY PLANNING PREPAREDNESS AND MOBILIZATION

FINANCIAL ASSISTANCE TO STATES

PROGRAM HIGHLIGHTS Program Level	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981	INCREASE + DECREASE - FY 81 vs FY 80
			(Dollars in Thousands)		
State and Local Management.....	32,154	37,100	37,100	37,100	0
State and Local Maintenance and Services.....	1,780	1,934	1,934	1,934	0
State and Local Supporting Materials.....	3,412	0	0	0	0
State and Local Emergency Operating Centers.....	47	0	0	0	0
Budget Authority	$37,393	$39,034	$39,034	$39,034	0
Budget Outlays	$34,000	$39,500	$39,500	$39,500	0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget requests $37,100 million for allocation to the States under the State and Local Management program and $1,934 million under the State and Local Maintenance and Services program. No funds appear in FY 1980 or FY 1981 for the State and Local Supporting Materials program.

2. CHANGES FROM ORIGINAL FY 1980 BUDGET ESTIMATES

No change.

EXPLANATION OF INCREASES OR DECREASES

1. The State and Local Supporting Materials program was discontinued in FY 1980 in order to direct funds toward the development of prototype Emergency Operating Centers (EOCs) in counterforce areas.

2. The State and local Emergency Operating Centers (EOCs) program was discontinued in FY 1978. However, some States felt it necessary to undertake a few EOC projects in FY 1979. Funds were redirected from the States Supporting Materials program upon request from the State directors. In FY 1981, funds will be directed toward 100 percent Federal funding for construction of prototype EOCs in counterforce areas.

PROGRAM DESCRIPTION

1. STATE AND LOCAL MANAGEMENT.

a. The legislative authority for this program is section 205, Federal Civil Defense Act of 1950, as amended, 50 USC App. 2286.

b. The resources of State and local governments' emergency services agencies and the support they obtain from voluntary agencies and the private sector, provide the bulk of response capabilities which can be brought to bear in an emergency situation.

The primary objective of the program is to assist States and their political subdivisions to develop a capability to carry out emergency operations during disasters, by providing funds on a 50-50 matching basis for personnel, travel and other administrative expenses.

These people are skilled planners and local government technicians serving their governments and operating under their elected officials. They perform a coordinating or specialist function, involving the training or preparation of other regular elements of government for emergency operations. They are responsible for the planning, organization and training of State and local government employees and volunteers who carry out segments of various emergency programs assigned to regular departments of government.

In FY 1979, the 50 States, the District of Columbia, four Territories and 2,520 local governments were provided Federal matching funds for personnel, travel, and other administrative expenses.

2. STATE AND LOCAL MAINTENANCE AND SERVICES

a. The legislative authority for this program is section 201, Federal Civil Defense Act of 1950, as amended, 50 USC App. 2281.

b. Since 1952, the Federal government has assisted States in establishing emergency communications systems to support direction and control requirements of key State and local officials and to complete the warning chain to the population in local jurisdictions. Once acquired, it is essential that these communication systems be maintained operationally ready in the event of an attack upon the United States. Without Federal assistance, it is doubtful that State and local governments could afford to maintain this essential capability. Although these emergency systems are established for operations support in the event of attack, their maintenance and use often prevents unnecessary loss of life during other emergency situations.

3. STATE AND LOCAL SUPPORTING MATERIALS.

a. The legislative authority for this program is section 201, Federal Civil Defense Act of 1950, as amended, 50 USC App. 2281.

b. This program, which equally matched Federal with State and local funds, provided for the procurement and installation of emergency operations support equipment. This equipment was primarily communications oriented and was intended to support the operations requirements of the Direction and Control, Emergency Services, Warning Radiological Defense and Emergency Public Information Systems. The program also covered the acquisition of emergency power generators and fuel tanks and other operational materials and equipment necessary to the effective operation of an Emergency Operating Center.

The program provided equipment in three categories: (1) for newly constructed operating centers, (2) for replacement of old unserviceable equipment in previously constructed operating centers, and (3) for upgrading or expanding system capabilities.

This program was discontinued as of FY 1980.

4. STATE AND LOCAL EMERGENCY OPERATING CENTERS

a. The legislative authority for this program is section 201 Federal Civil Defense Act of 1950, as amended, 50 USC App. 2281.

b. The State and Local Emergency Operating Centers Program was established as part of a nationwide network of Emergency Operating Centers developed to cope with the effects of a nuclear attack upon the United States. This network involves Emergency Operating Centers at national, state and local levels to permit key officials to receive essential information, consider alternative courses of emergency action, make logical crisis decisions, communicate their decisions to their own and other government operating forces and in so doing bring the maximum available resources to bear on the situation.

The present network of Emergency Operating Centers consists of approximately 4,000 facilities, about 1,000 of which have been funded with Federal funds on a 50/50 basis. Information available as of March 31, 1977, indicates less than one-third of these Emergency Operating Centers are considered to have a basic operational capability, i.e., adequate fallout protection, an emergency power generator and available emergency fuel supply, effective communications systems, and a viable plan for emergency staffing of the facility.

Emergency Operating Centers are the final product of a cycle of activity that includes a feasibility study, architectural design, construction equipping, and local budgeting. Total time for this cycle varies according to size, location, relationship to other construction, and budgeting of funds by applicant governments. The cycle for new construction is generally from three to four years.

This program was discontinued in 1978.

PROGRAM ACTIVITY

1. STATE AND LOCAL MANAGEMENT

a. Eligible Receipients

All States, the District of Columbia, Puerto Rico, Virgin Islands, Guam and the Northern Mariana Islands are eligible to receive matching funds for both the State and Local Management, Maintenance and Services, Support Materials and Emergency Operating Centers programs.

b. Fund Distribution

The following table shows the projected distribution for both FY 1980 and FY 1981.

(1) State and Local Management	Percent of Funds	Amount ($000)
Personnel	86	$31,906
Travel	4	1,484
Other	10	3,710
	100	$37,100

(2) State and Local Maintenance and Services	Percent of Funds	Amount ($000)
Direction and Control	42	$ 812
Alerting and Warning	58	1,122
Emergency Public Information	0	0
	100	$ 1,934
(3) State and Local Supporting Materials	0	0

(4) State and Local Emergency Operating Centers	Percent of Funds	Amount
	0	0

c. Allocations by State State and Local Management

	Actual 1979	Estimate 1980	Estimate 1981
Alabama	815,107	853,000	853,000
Alaska	297,420	301,700	301,700
Arizona	478,353	497,600	497,600
Arkansas	530,000	548,200	548,200
California	3,320,044	3,473,700	3,473,700
Colorado	354,019	377,900	377,900
Connecticut	505,602	538,900	538,900
Delaware	142,466	172,000	172,000
District of Columbia	187,995	195,400	195,400
Florida	1,198,398	1,246,300	1,246,300
Georgia	1,029,956	1,083,400	1,083,400
Hawaii	445,321	456,800	456,800
Idaho	187,842	197,100	197,100
Illinois	1,217,950	1,290,000	1,290,000
Indiana	507,960	632,000	632,000
Iowa	461,854	489,200	489,200
Kansas	432,845	463,300	463,300
Kentucky	490,155	528,800	528,800
Louisiana	663,583	701,500	701,500
Maine	444,356	461,800	461,800
Maryland	738,193	776,300	776,300
Massachusetts	855,720	908,100	908,100
Michigan	1,077,950	1,168,000	1,168,000
Minnesota	1,200,000	1,257,000	1,257,000
Mississippi	517,119	540,200	540,200
Missouri	540,452	577,800	577,800
Montana	282,660	293,500	293,500
Nebraska	336,948	357,300	357,300
Nevada	290,800	290,800	290,800
New Hampshire	110,567	132,900	132,900
New Jersey	1,041,061	1,103,000	1,103,000
New Mexico	121,140	155,900	155,900
New York	3,131,743	3,207,100	3,207,100
North Carolina	954,160	1,002,600	1,002,600
North Dakota	238,920	249,200	249,200
Ohio	792,980	840,000	840,000
Oklahoma	550,000	578,400	578,400
Oregon	398,966	422,000	422,000
Pennsylvania	1,461,753	1,562,800	1,562,800
Rhode Island	244,096	256,400	256,400
South Carolina	632,000	662,400	662,400
South Dakota	268,912	277,600	277,600
Tennessee	628,770	663,300	663,300
Texas	1,090,000	1,202,400	1,202,400
Utah	223,959	236,000	236,000
Vermont	151,698	160,700	160,700
Virginia	749,677	796,500	796,500
Washington	658,605	698,700	698,700
West Virginia	252,644	269,300	269,300
Wisconsin	900,042	957,000	957,000
Wyoming	113,042	120,300	120,300
American Samoa	0	0	0
Canal Zone	0	0	0
Guam	42,200	52,000	52,000
Northern Marianas	15,000	17,100	17,100
Puerto Rico	596,939	722,900	722,900
Virgin Islands	73,065	75,900	75,900
TOTALS:	$35,000,000	$37,100,000	$37,100,000

2. STATE AND LOCAL MAINTENANCE AND SERVICES

Funds are allocated to the FEMA Regions who, in turn, allocate to State and local governments based on project applications.

Since Fiscal Year 1952, the Federal Government has financially assisted States and their political subdivisions in building extensive communications and warning systems which are essential in carrying out civil defense plans during an emergency. Civil defense equipment must be maintained and protected by the State or political subdivision in such a way as to assure its readiness for the civil defense functions for which it was acquired.

The civil defense warning systems, when needed, are guaranteed operable by assurances of adequate maintenance and other standby costs. Further, disaster-oriented communications, used daily or kept in standby, are available for natural disaster operations when many other communications facilities are temporarily out of operation. The Disaster Relief Act of 1974 specifically provides for the utilization and availability of the civil defense communications systems for the purpose of disaster warnings.

3. STATE AND LOCAL SUPPORTING MATERIALS

This program was discontinued in 1980 in order to direct funds toward the furnishing of prototype Emergency Operating Centers in counterforce areas.

4. STATE AND LOCAL EMERGENCY OPERATING CENTERS

The State and Local Emergency Operating Centers program was discontinued in 1978. However, because some States felt it necessary to prioritize some Emergency Operating Centers in 1979, funds were directed from the Supporting Materials program for this purpose. In 1980 and 1981, funds will be directed toward the 100 percent Federal funding of construction of prototype EOCs in counterforce areas.

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY PLANNING PREPAREDNESS AND MOBILIZATION

PLANS AND PREPAREDNESS

PROGRAM HIGHLIGHTS	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981	INCREASE + DECREASE - FY 81 vs FY 80
			(Dollars in Thousands)		
Program Level					
Radiological Defense....	$ 3,320	$ 4,168	$ 4,168	$ 7,542	$ + 3,374
State and Local Civil Protection and Planning Assistance...	27,077	29,479	28,068	42,542	+14,474
National Security Affairs.....	20,849	21,457	22,997	22,838	- 159
State and Local Preparedness.....	0	0	80	0	- 80
Research and Systems Development.....	8,059	10,944	7,944	11,242	+ 3,298
Budget Authority.....	59,305	66,048	63,257	84,164	20,907
Budget Outlays.....	55,747	59,462	59,462	79,114	+19,653

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The FY 1981 budget requests $84.164 million to: (1) plan and prepare for management of major emergencies both civil and military; (2) provide continuity of government policy guidance to Federal departments and agencies in the performance of their emergency preparedness responsibilities; (3) support leadership and guidance in the development of an analytical base for broad nonmilitary defense policies and emergency responsibilites; (4) improve the technical basis for ongoing and potential civil defense programs and operations and (5) identify and evaluate current and possible future threats to national security from dependence on the natural, industrial or economic resources of foreign nations and develop concepts, plans, and systems for managing the Nation's critical resources in a range of national and civil emergencies.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

Changes result from Congressional action.

EXPLANATION OF INCREASES OR DECREASES

Increases and decreases in this budget request, justified by program, are as follows:

1. RADIOLOGICAL DEFENSE (RADEF)

An increase of $500,000 is requested for equipment engineering to provide for acceleration of the engineering development, production engineering, pilot production and engineering support necessary for the procurement of low cost radiological instruments in a period of about a year of increased international tension.

An increase of $1,975,000 requested for equipment procurement. Of this amount, $975,000 is needed to implement and test a standby capability to procure during a period of increased tension low cost radiological instruments for shelters and exposure control for emergency workers. An increase of $1,000,000 is needed for the procurement of radioactive training source sets to replace those becoming unuseable due to radioactive decay. These will be especially important for surge RADEF training.

An increase of $880,000 is requested to provide for State Radiological Defense Officers (RDO's) who will develop RADEF systems in risk and host areas in the 31 counterforce States. This is a new program starting in 1981.

The $19,000 increase in program staff will facilitate administrative costs associated with the increases in program areas.

2. STATE AND LOCAL CIVIL PROTECTION AND PLANNING ASSISTANCE

a. Nuclear Civil Protection (NCP) Planning. The increase of $2,071,000 over Fiscal Year 1980 provides for accelerated NCP planning in the 31 States that contain counterforce military installations, and the pilot-testing of approaches for enhanced Crisis Relocation Plans, concentrating on identification of essential industries, and conducting on-site work with such industries to develop detailed plans for key worker identification, organizational relocation, and protection of on-duty key workers in risk areas.

b. National Shelter Survey. The increase of $448,000 over FY 1980 provides for accelerating the "all-effects" survey of best-available blast protection in risk areas near counterforce military installations, as a basis for NCP planning such areas.

c. Shelter Marking, Shelter Stocks and Packaged Ventilation Kits (PVK's). In line with the overall emphasis for civil defense activities in FY 1981, shelter marking will be resumed in and near areas containing U.S. "counterforce" military installations (ICBM complexes, SAC bases, and ballistic missile submarine ports) at a cost of $100,000; prototype effort to stock a limited number of shelters with water containers and sanitation kits will begin at an estimated cost of $100,000; and a $100,000 increase to produce and distribute a limited number of packaged ventilation kits will be funded. The increase for these activities are $625,000.

d. Mobilization Designation Program. The increase of $2,355,000 indicated in FY 1981 is the result of the former DCPA being moved out of the Department of Defense in compliance with the Reorganization Plan Number 3. Previously, the military services funded this program according to their priorities as a contribution to the overall defense preparedness of the country. DOD Directive 4000.19 dictates that support to other Federal Departments and Agencies outside of DOD will be performed on a reimbursable basis. In a letter from the Deputy Assistant Secretary of Defense dated February 15, 1979, the request for a waiver of the terms of the Directive was denied and it was stated that DOD support of the program would continue but funding by FEMA on a reimbursable basis would be required beginning in FY 1981.

e. Emergency Operating Centers (EOCs). The increase of $5,500,000 over 1980 represents the implementation of a 100% Federally funded EOC program.

f. Red Cross Advisors. The increase of $54,000 indicated in 1981 is the result of the former DCPA, which had eight regional offices, being combined with other agencies in FEMA, which has ten Regional offices; this calls for an increase from eight to ten Red Cross advisors.

g. State and Local Direction and Control Communications. This budget increase of $1,900,000 is a follow-on to studies conducted in 1978-79 showing that only a minimal State and local government related to EOCs communications capability exists in counterforce areas. A matching funds program of past years had not contributed effectively to statewide emergency communications networks for direction and control purposes. This request will provide these needed communications nets.

h. Program Staff. The increase of $1,521,000 in this program is a direct result of Reorganization Plan Number 3 and the program emphasis for 1981.

3. NATIONAL SECURITY AFFAIRS

a. Government Preparedness. The increase of $814,000 in this program element provides for an increase in staffing of 13 staff-years as a result of Reorganization Number 3 of 1978 which will enable this Office to undertake new planning efforts in the areas of Federal peacetime nuclear emergencies, major terrorist incidents, intelligence activities, expanded test and exercise programs, and the development of policy and requirements for telecommunications, warning and damage assessment systems.

b. Program Coordination. The major portion of the decrease of $138,000 in this program element results from the postponement of the replacement of our NATO representative in Brussels.

c. Operations Support . The increase of $223,000 in this area is a result of the transfer of the former Disaster Assistance Administration and the Federal Insurance Administration into FEMA. Formerly these activites reimbursed Operations Support for computer time.

4. STATE AND LOCAL PREPAREDNESS

Appropriations were last enacted for this account in FY 1965 and were to remain available until expended. The $79,684 balance in the account has been held for contingencies in this program. This deferral action has been taken under the providions of the Anti-deficiency Act (31 U.S.C. 665), which authorizes the establishment of reserves for contingencies, and under Section 1013, P.L. 93-344.

The requirement for these funds will be reviewed in FY 1980.

5. RESEARCH AND SYSTEMS DEVELOPMENT

a. Research and Mitigation. The increase of $2,707,000 in this program is due primarily to: (a) an expanded program to lessen the vulnerability of populations subject to enemy nuclear attack, (b) increased emphasis on assessing FEMA's role in mitigating technological and natural hazards that have not received adequate attention to date (e.g. drought, landslides, toxic substances, and economic dislocations), and (c) a systematic program of systems analyses and cost benefit studies of research and mitigation problems cutting across all areas of FEMA responsibilities.

b. Systems Development. The increase of $591,000 over FY 1980 provides for developing plans for a civil defense buildup over a period of about a year of markedly increased tension. Such a buildup would have to be based on a marked change in perceptions of the need for civil defense as could occur after a crisis, and would require a decision to spend $1 to $2 billion over the period.

RADIOLOGICAL DEFENSE

PROGRAM DESCRIPTION

1. LEGISLATIVE AUTHORITY

The authority for this program is section 201, Federal Civil Defense Act of 1950, as amended, 50 USC App. 2281.

2. PROGRAM PURPOSE.

Radiological Defense (RADEF) supports all nuclear attack preparedness programs. It involves the development and maintenance of plans, the development, procurement, surveillance, maintenance and calibration of radiological equipment; and the training of people to operate the equipment during the fallout emergency, interpret the readings, analyze the data, and provide information to the chief executive for use in making decisions that involve personnel operating in a radiologically contaminated environment. Costs for the training of Radiological Defense Officers and Monitors are included in the Training and Information section of the budget. The sub-portions of the RADEF Program are described individually below:

a. Equipment Engineering provides for the engineering to develop, maintain and improve radiological equipment to meet the requirements of Federal, State and local RADEF systems including modifications, and to adapt this equipment for use in peacetime radiological emergency response situations.

Highly specialized sensitive equipment is needed for RADEF at all levels of government to provide the radiological intelligence needed to make decisions affecting the well being of citizens. This effort provides for engineering development, production engineering, pilot production, engineering support, field tests, technical support for procurement, establishment of maintenance requirements, and refurbishment programs for all equipment needed for RADEF Systems. This includes the application of this equipment to peacetime nuclear incidents. Special emphasis is placed on the engineering aspects of monitoring the readiness and reliability of this equipment.

b. Equipment Procurement provides for meeting the States' operational requirements for radiological equipment for a full spectrum of wartime radiological emergencies as well as for application to peacetime radiological emergencies. For nuclear attack application, radiological equipment is required for shelter monitoring, on-station and mobile surface monitoring, aerial monitoring, the selfprotection of emergency services and vital facilities personnel, limiting radiation exposure of individual emergency workers, and training and education purposes.

This equipment is also available for use, under prescribed conditions, for peacetime emergencies. Procurements are planned and scheduled at the Federal level in timely fashion to meet operational needs, recognizing that radiological equipment is not available off-the-shelf and must be procured and distributed well in advance so that sufficient instruments will be available upon short notice in accordance with State emergency plans.

c. Equipment Logistical Support Provides for the procurement, receipt, incoming inspection, surveillance, testing, modification, temporary storage, issue and redistribution (shipping) of all radiological items (instruments as well as batteries, repair parts and supplies) which are needed to fulfill, in a timely manner, the RADEF operational requirements of all levels of government. Support is provided for all of the radiological defense equipment procured for civil defense purposes, which is not commercially available and which has been procured in advance of an emergency.

d. Maintenance and Calibration of RADEF Equipment. Provides for contracts with the States for the inspection, maintenance and calibration of operationally ready RADEF equipment used for both peacetime and wartime radiological emergencies. Provides for battery replenishment every two years. Instruments are processed in specially equipped State shops under a readiness and reliability evaluation program which provides for the periodic inspection and sampling of instruments both stockpiled and issued to individual locations.

Highly trained technicians perform special retrofits designed to upgrade performance and modernize equipment as well as perform the routine maintenance required to keep the inventory continuously in compliance with operational performance requirements. The criteria for these programs are "Operational Readiness" — equipment as stored or stockpiled must be ready to perform as required when needed -- and "Mission Reliability" -- equipment must be capable of performing when needed for at least a two-week period (maximum calculated shelter stay) of intermittent usage.

e. Fallout Forecasting. Fallout forecast data is required by Federal, State and local civil preparedness organizations for predicting which areas will have high probabilities of fallout. Fallout wind vector data in emergencies is required to identify areas likely to be affected by fallout from nuclear weapon detonations and to the approximate fallout arrival times. This data is needed in connection with the conduct of emergency operations early post-attack and to make advisory information available to the public. It is also required for use in tests and exercises at all levels of government.

Because of likely electromagnetic pulse damage to communications systems and other electronic equipment, it probably would not be possible to make this information available to State and local governments after a surprise attack. Therefore, routine, nationwide distribution of this information on a daily basis during peacetime is essential.

f. State Radiological Defense Officers (RDOs). State and State Area RDOs have the primary responsibility to implement the RADEF program within their political jurisdictions. After over 25 years under matching program funds, only nineteen States have State level personnel assigned to give their full time and attention to radiological defense. The situation is even worse below State level. Considering the complex nature and lethal aspects of the fallout threat to so much of the nation's population, providing these personnel as requested in this budget for 31 counterforce states is essential.

PROGRAM ACTIVITY	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981
		(Dollars in Thousands)		
Program Element				
Equipment Engineering	229	250	250	725
Equipment Procurement	140	149	149	2,125
Equipment Logistical Supply	235	245	245	245
Maintenance and Calibration of RADEF Equipment	2,478	3,000	3,000	3,000
Fallout Forecasting	8	11	11	10
State Radiological Defense Officers	0	0	0	880
Program Staff	230	513	513	557
Total	$3,320	$4,168	$4,168	$7,542

1. EQUIPMENT ENGINEERING.

Equipment engineering funds of $225,000 are requested to maintain assurance of the operational readiness of State and local radiological defense systems and for the engineering and pilot production of low cost ratemeters and dosimeters. Support of State and local systems will continue. This will be accomplished through technical support of State maintenance and calibration shops; technical support of procurements, including acceptance testing of equipment delivered under contract; testing of instrument inventories; and continued development of new or improved equipment.

In addition, $500,000 are requested in FY 1981 for an accelerated engineering program to develop a low cost radiation instrument set for assessing the radiation levels and radiation exposures in fallout shelters. There is an estimated requirement for 7 million of these sets needed for use in public fallout shelters. This set is comprised of:

1 dosimeter to integrate the dose received
1 ratemeter to determine dose rate
1 charger to reset the dosimeter

This engineering program will finalize the design of these instruments and provide prototypes for performance testing. Some testing will be performed at the National Bureau of Standards and other Federal agencies. Contracts for engineering assistance in the form of drafting, photoengraving, photographic reduction and other specialized assistance will also be required. A limited quantity (10,000 sets) will be produced on a pilot basis to develop mass production techniques. Futher testing of selected samples from the pilot production run will be performed to ensure that design integrity is maintained.

2. EQUIPMENT PROCUREMENT.

a. The following radiological repair parts will be purchased in FY 1981 to support the radiological equipment maintenance and calibration program, at an estimated cost of $150,000:

Item	Quantity
Batteries, 1-1/2 V "D" Cell	700,000
Batteries, 22-1/2V	800
Batteries, special test equipment	400
Cartons	20,000
Expendable items and selected repair parts	13,000

Bulk procurement of these items results in a much lower cost than if procured separately by the States.

b. Procurement of 2,000 sets of radioactive sources for use in radiological defense training programs will be conducted. These sets will replace existing ones now becoming unuseable due to radioactive decay. Each set consists of six capsules. The estimated cost is $1,000,000.

c. To provide for the development of a standby capability on the procurement of large quantities of low cost radiation instrument sets during a period of about a year of markedly increased tension, FY 1981 funds are requested for the purchase of materials and tooling which have a long procurement lead-time and which, therefore, could not be surged. The concept is to have these materials in a state of readiness to quickly set up production lines in existing manufacturing plants having precision plastic molding capabilities. These production lines would be used to produce instrument sets for distribution to States and localities during the period of increased tension. The materials procured will include:

1. Electrically conducting plastics
2. Electrically insulating plastics
3. Optical plastics
4. Radiation resistant plastics
5. Carbon fiber
6. Molds and mold blocks for molding parts
7. Production jigs and fixtures for setting up production lines
8. Capacitor films

In addition, manufacturing drawings and complete production procedures will be made ready. The program will include a study to determine the best method for procurement, packaging and storage of these items. As part of this program, provision will be made for testing of the standby capability to demonstrate that the procurement of additional materials required and the training of production personnel can actually be surged to make substantial quantities of reliable instruments available for use within a period of one year of rising international tensions. The estimated cost is $975,000.

3. EQUIPMENT LOGISTICAL SUPPORT.

This program supports the radiological defense equipment necessary for civil preparedness purposes, not commercially available, which has been procured in advance of an emergency.

To date 5.8 million instruments costing $52 million (1962 dollars) have been procured and almost all of these have been distributed to States for deployment to State and local levels for use in the event of nuclear attack or peacetime nuclear incidents.

Maintenance and modernization of this equipment is supported by a repair part supply system maintained by a Federal depot. FY 1981 funding provides for procurement services, receiving, handling, temporary storage, testing, modernization, inspection, issue, disposal and documentation of all radiological items including radioactive material, repair parts and supplies.

This activity includes 9.0 staff years of reimbursable effort from the Defense Logistics Agency at an estimated cost of $245,000.

4. MAINTENANCE AND CALIBRATION OF RADEF EQUIPMENT.

In order to provide an assured operational reliability of radiological equipment, FEMA maintains a continual inspection and testing program. Annually, 25% of the instruments in the field are tested for operability.

Inoperable sets are immediately replaced and samplings of instruments tested are sent to repair shops for further quality assurance tests which point to need for calibration, battery/component replacement or minor repairs, thereby maintaining a high degree of operational capability of field instruments. FY 1981 funds will provide for: the test for operability of instruments in 57,000 shelter and operational sets, and reliability and assurance testing of a sampling of 16,000 retrofitted instruments, calibration of 82,000 high-range instruments, repair of 30,000 FEMA-type instruments, and 10,000 military and non-CD type instruments, perform 2,100 wipe tests on FEMA-training source sets and other radioactive sets on loan to States, furnishing of replacement batteries to local jurisdictions on a two-year cycle and retrofitting of 42,000 CD-V-715 radiological survey meters. This effort requires 150 work years of effort at an estimated cost of $3,000,000.

The following table summarizes the equipment in the States requiring maintenance and calibration services.

61-805 O - 80 -- 33

Equipment In The States Requiring
Maintenance and Calibration Service

Item	$ Value Each	Quantity	Total Value
CD V-700 Low Range Survey Meter	$ 21.95	353,900	$ 7,768,105
CD V-715 High Range Survey Meter	21.05	483,050	10,168,203
CD V-742 Dosimeter (0-200R)	4.23	2,328,607	9,850,008
CD V-750 Dosimeter Charger	4.13	420,873	1,738,205
CD V-717 Remote Reading Survey Meter	30.82	94,493	2,912,274
CD V-720 High Range Survey	21.05	49,399	1,039,849
CD V-730 Dosimeter (0-20R)	6.01	127,430	765,854
CD V-781 Aerial Survey Meter	748.41	1,171	876,388
CD V-457 Demonstration Unit	127.75	2,519	321,802
CD V-138 Training Dosimeter	.5.35	120,817	646,371
Other Misc. Items (i.e., Barrier Shielding Demonstrator, Calibrators, etc.)		397,155	5,070,275
TOTAL		4,379,414	$41,157,334

5. FALLOUT FORECASTING.

Fallout forecast data is required to predict likely contaminated areas and arrival times of fallout. Daily nationwide distribution is essential because of probable damage to communications during an attack.

The FY 1981 funding provides for twice daily collection of direction and speed of upper winds at 70 National Weather Service observatories, computer processing of the observed wind data for forecasts for 133 locations and nationwide distribution of forecasts twice daily over FAA teletypewriter service "C". During a period of increased readiness, additional forecasts will be provided. The estimated cost is $10,000.

6. STATE RADIOLOGICAL DEFENSE OFFICERS.

A new project will be initiated beginning in FY 1981 to support the salaries, travel and per diem of thirty-one State Radiological Defense Officers (RDOs) in the 31 counter force States. Because of the time required for recruitment, FY 1981 funding is for a 9-month period. Funds will be allocated among the States by a formula which considers population and area, with a minimum of one person per State, D.C. and Puerto Rico.

The estimated cost is $880,000 for 1981.

7. PROGRAM STAFF.

Provides for the headquarters program staff including the costs of personnel, travel and related administrative support. The staff responsibilities include the development of requirements and engineering for and the distribution and maintenance of operational detection and countermeasures systems as well as the overall management of the Radiological Defense Program.

Distribution of Funds:	
Personnel Services and Benefits	$497,000
Travel	10,000
Administrative Expenses	50,000
Total	$557,000
Number of Permanent Full-time Personnel	6

STATE AND LOCAL CIVIL PROTECTION AND PLANNING ASSISTANCE

PROGRAM DESCRIPTION

1. LEGISLATIVE AUTHORITY.

The legislative authority for all programs in the State and Local Civil Protection and Planning Assistance Program is section 201, Federal Civil Defense Act of 1950, as amended, 50 USC App. 2286.

2. PROGRAM PURPOSE

a. Nuclear Civil Protection (NCP) Planning

Under the NCP planning program, plans are developed to protect the population either by relocation (evacuation) over a period of several days during an intense international crisis or in-place if time or circumstances preclude crisis relocation.

Crisis relocation plans (CRPs) provide for the evacuation of areas assumed, for planning purposes, to be at high risk to the direct effects of a nuclear attack, and the provision of food, temporary lodging and fallout shelter for evacuees and residents in host areas. Plans provide for key workers to commute to the risk areas during the evacuation period, to continue operation of essential industries and services.

In-place protection plans provide for sheltering the population in the best available space at or near places of residence, should time or circumstances preclude crisis relocation. Crisis evacuation is the preferred option because of its great lifesaving potential (total survival of about 80 percent in a heavy mid-1980's attack on both military and urban/industrial targets).

NCP planning is an essential element contributing to the survivability of the American people in the event of a nuclear war. Its purpose is to reduce the vulnerability of the U.S. to a large scale attack, to enhance deterrence and stability, and to reduce the possibility of crisis coercion.

Current "initial" CRPs focus on moving evacuees out of risk areas and on their reception and care in host areas. Current plans do not adequately provide for work with essential industries and services to develop detailed plans for identifying key workers (needed to keep the most essential risk-area industries in operation during the relocation period); for organizational relocation by workers of essential industries, together with their dependents; for commuting by key workers into risk areas; and for protection of on-duty workers in the risk areas. Accordingly, FY 1981 work will include pilot-testing approaches for developing enhanced CRPs to address the issues just outlined.

Nuclear Civil Protection planning is conducted primarily by contracts with the States, who hire professional planners to develop State-level plans as well as plans for local risk and host area jurisdictions, for both NCP options--crisis relocation and in-place protection.

b. National Shelter Survey

The National Shelter Survey (NSS) program was started in late 1961 to locate and mark potential public fallout shelter space for use in event of an attack. To qualify for use, each shelter was required to meet specific protection standards and accommodate 50 or more persons.

During FY 1973, shelter surveys were expanded to consider shelter needed for the most likely peacetime or attack hazard that each community would face. Emphasis was placed on surveying buildings already in the inventory and selected new buildings, plus all schools and hospitals not previously included, for resistance to direct weapons effects (e.g., fire and blast).

The host area shelter survey, implemented in FY 1975, supports the Crisis Relocation Planning program by locating congregate care facilities and upgradeable fallout shelter in designated host areas. These are usually buildings that do not meet public shelter standards, but which could serve as temporary lodging for risk area evacuees.

Additionally, the buildings are analyzed for their potential for fallout shelter upgrading; that is, expedient shelter improvement by placing earth on roofs and against exposed lower story walls. Through such actions, implemented during a period of crisis, the fallout protection of selected buildings could be improved to meet minimum standards for public fallout shelters.

Shelter surveys are principally accomplished by a "student hire" program wherein specially qualified college students work under the supervision of government architects or engineers. A nationwide training effort has been implemented by the Federal Emergency Management Agency to qualify these students as shelter survey technicians. Special permission was obtained from the Civil Service Commision to hire architectural and engineering students who were qualified by taking and passing these courses. The program has been a successful one and has been repeated, each year, since its inception in 1970. In FY 1981, 286 student positions will be utilized in the shelter survey. Approximately, 246 of these will be summer hires and 40 will be year-round cooperative education (Co-op) positions (students who work 3 months, then attend school 3 months, and so on).

c. Engineering Support Services

Prior to activation of FEMA, the overall operation of the Engineer Support program had been handled by 109 Corps of Engineers (COE) personnel located at the COE headquarters and at the former DCPA Regions as Resident Engineering Support Groups. As a part of the reorganization plan these personnel were reassigned to FEMA. The personnel coordinate the overall field work of the survey, serve as supervisors of the summer-hire and Coop students, and assemble the field data preparatory to data processing. Also, assistance in Nuclear Civil Protection planning is accomplished where requested by the Regional Director.

This program also provides for engineering guidance and expertise in the planning, design and development, and the construction of State and local Emergency Operating Centers (EOCs). The work encompasses modifications to existing State, State-area and local EOCs, new EOCs constructed with State and local funds, and new EOCs that were funded with FEMA matching funds in prior years and have not been completed. The work entails preliminary and final planning and design conferences with architects/engineers, review of construction drawings, interim and final construction inspections, operational inspections, and review of partial and final billings received against the project applications. The period of time from initial planning to actual construction completion of an EOC may vary from less than one year to several years.

Engineering guidance and technical expertise is also provided on projects involving the Broadcast Station Protection Program, including the addition of electromagnetic pulse (EMP) protection for stations to provide the President and government officials the means of reaching the public with official emergency information under fallout conditions.

In addition, the program provides engineering support in damage assessment, maintenance of the Federal Regional Centers, on-site assistance, and guidance to architectural/engineering firms on how to include shelter in the design of new buildings.

d. Shelter Marking

The purpose of posting shelter signs is to provide a visible means for the public to become aware of where shelters are located. Marked shelters increase the probability of citizens knowing where shelters are and taking optimum protective action in an attack emergency. Therefore, it is essential to mark with shelter signs those buildings in which shelter has been identified by Federally-funded engineering surveys.

e. Shelter Stocks

Adequately stocked shelters are essential for the survival of their occupants following a nuclear attack. Sufficient amounts of water, food, medical supplies, and other provisions are required to allow people to remain in shelters until local officials advise them that fallout radiation has decreased to a level where it is safe to leave.

In the early 1960's the Office of Civil Defense (a predecessor of FEMA) bought 165,000 tons of shelter food which was placed in 100,000 fallout shelters around the United States. Sanitation, medical kits, water containers, and radiological instruments were also stocked. The food and medicines far exceeded their shelf life and deteriorated. In 1976 the former DCPA recommended that they be removed from shelters and disposed of.

Shelter stocking is now a crisis-oriented program. This means that State and local governments are to develop procedures and plans for the emergency stocking of shelters with food and medicines from local sources during a period of international crisis.

Water containers and sanitation kits are also essential to the effective use of shelters. However their prior availability can be assured with Federal planning and funding, since they are nonperishable, unlike food and medical supplies.

Shelters must be provided with water containers and sanitation kits in order to realize the full lifesaving potential of crisis relocation and of development of fallout protection host areas. Water is the most critical requirement of shelter living since lack of water can force occupants to emerge from shelter within several days into a fallout environment. Sanitation containers are imperative to maintain health and prevent the spread of disease. Details on stocking shelters are contained in CPG 1-19, Guidance for Development of an Emergency Fallout Shelter Stocking Plan, and the latest policy is contained in CPG 1-19B, Shelter Stocking.

Meeting requirements for water and for sanitation presents serious logistical problems in shelter habitability, and their availability cannot be assured without Federal planning and funding. The feasibility of stocking water and sanitation kits at military depots is being studied. FEMA is also addressing the problem of their storage, whether in Federal depots, at State or local government sites in crisis relocation host areas, in shelters, or at a combination of storage sites.

f. Packaged Ventilation Kits (PVKs)

Ventilation is essential for occupants of basement shelters or crisis upgraded structures, with earth piled against openings on the first

story thus reducing natural ventilation and creating a basement environment. Packaged ventilation kits will provide the supplemental ventilation required to permit people to remain in shelters in warm weather until the decay of fallout radiation permits emergence.

While basements of large buildings do not offer a high degree of protection against direct weapon effects, some of them offer significantly better protection than other basements and upper story shelter spaces. It is estimated that some 35 million additional basement spaces could be added to the current inventory if they could be ventilated. Research shows that these spaces could be adequately ventilated with PVK's. PVK's consist of bicycle pedal-type fans and punkah hand-driven fans. The design of the pedal-type fans in the late 1960s used steel tubing and parts manufactured by the techniques and methods of that period. The new kit will use a plastic frame. A significant redution in production costs has been achieved, from $280 (in 1979 dollars) to $130 each.

The PVKs can also be used in communities where "key industry" workers are to commute to high risk areas to keep essential industry going. Basement shelter areas in large buildings will need supplemental ventilation. Also, persons relocated to schools and other host area locations will need such equipment in cases where earth has been piled against windows to reduce radiation from fallout.

Prototype units are scheduled to be available by the end of January 1980, with testing to follow. The final report is scheduled by the end of March 1980. The developmental project is on schedule.

g. Crisis Upgrade Planning

Crisis upgrade planning provides for improving the lifesaving potential of the crisis relocation option by providing detailed operational plans to produce additional shelter in host areas on an emergency basis, by pre-planned actions that would be taken during a period of acute crisis. Developing fallout shelters (to an average Protection Factor of 50) for evacuees and host area residents is essential to realizing the potential for survival in crisis evacuation to the smaller towns and rural areas. CD effectiveness analyses indicate that in a large-scale, mid-1980s attack, crisis actions to produce fallout protection in host areas will add about 20 million survivors, beyond those provided by movement to existing facilities in host areas.

Research commenced in FYs 1979 and 1980 is producing methodologies and guides on detailed planning for crisis actions to produce additional fallout protection in host areas by improving existing structures; for example, piling earth about 6 feet high along exterior walls and adding about 12 inches of earth overhead. Plans must be prepared on a building-by-building basis, including plans to add supports to overhead spans to support the weight of the earth.

h. Mobilization Designation Program

The program objective is to strengthen the emergency capabilities of civil government--local, State, and Federal--by augmenting their civil preparedness agency staffs with trained and experienced military reserve MOBDES personnel. The personnel serve as specialists on the civilian staffs of the emergency preparedness agencies. Over 80% are assigned to local agencies. In a wartime or national emergency, the MOBDES will be ordered to active duty in the assigned civil defense job for which they have been trained, to help the regular civil defense staff members carry out their emergency duties. In a peacetime disaster period, declared in writing, they may, upon request, volunteer for active duty for that disaster. In non-emergency periods, they contribute to the agency's emergency preparedness planning and operational activities.

DOD Directive 1215.6 authorized the Secretaries of the Armed Services to permit Individual Ready Reservists to be awarded retirement points for the performance of civil defense activities. They were designated as Pay and Training Category D (12 days Annual Training (AT) with pay as mandatory) and an additional requirement of performing a minimum of 24 Inactive Duty (IDT) work periods during the year for retirement points only. The Army, Air Force and Marines entered the program in 1972. The Navy participates as Category H (no Annual Training).

The separate services perform the personnel administration of the reservists assigned to the program including pay and allowances, and travel. The director/coordinator of the Agency to which the reservist is assigned manages the work schedule and participation of the MOBDES to include the completion of the required efficiency reports. The State performs a monitoring and assisting role with the FEMA Region managing the program within its area with general guidance from the national headquarters.

i. Regional Emergency Operating Centers

The Regional Emergency Operating Centers construction program produced protected facilities in six of the ten FEMA Regions. Requests for additional funds to complete this construction program have been deferred. Funds obligated in FY 1979 were for improvements to the FRC's. No funds are requested for FY 1981.

j. Emergency Operating Centers (EOCs)

In 1978-79 studies and research projects were undertaken to determine the viability of State and local government direction and control systems and, if found lacking, to develop alternate means for improvement. A salient conclusion of these studies was that past practices based on a matching funds program resulted in spotty and incomplete coverage rather than developing viable State and local direction and control systems.

The review also concluded that accomplishments of the past (development of facilities and systems) did not represent waste or wasted effort; rather, achievements to date provide a base upon which to plan a nationwide survivable State and local direction and control system.

The $5,500,000 requested for FY 1981 is to upgrade existing facilities and to construct new prototype EOCs in selected locations in as many different types of locations in counterforce areas and in as many States as possible.

The objectives of proceeding with pilot projects are to determine:

- costs of the system when deployed nationally;
- the best procurement practices;
- the most feasible structures for given sites;
- the extent of upgrading of existing facilities that needs to be done; and
- the operational feasibility of linking State to State Area to local governments with radio communications for direction and control purposes.

At the present time, operational EOCs exist in 43 State Capitols, and in 657 low risk areas in the nationwide system. The system has been 22% completed through the matching funds program. In the 31 States with counterforce areas, the 881 host areas have EOCs requiring upgrading while 252 EOCs are now operational.

The nationwide program goal is to upgrade 1,962 State Area and local direction and control systems and to provide new construction in 509 host area locations.

k. Red Cross Advisors

The Federal Civil Defense Act of 1950, as amended, provides that the Administrator (now Director, Federal Emergency Management Agency) shall "utilize to the maximum extent the existing facilities and resources of the Federal Government... and of other organizations and agencies." The American National Red Cross (ANRC) is an instrumentality of the United States and is subject to government supervision. The ANRC is obligated to perform a variety of functions for the Armed Forces and the government, including assisting the government in providing disaster assistance to the States in time of need.

Since February of 1956 (24 years), ANRC participation in civil defense has been assured through contractual arrangement to provide one consultant per region to serve as resident advisors in the development of civil defense welfare services. This program provides competence at Regional levels in such emergency mass care activities as welfare planning and operations, medical support activities (first aid and medical self-help training), and community action programs, and fills other needs in the Regions, such as liaison with Department of Health, Education, and Welfare (DHEW), State Departments of Health, Red Cross Divisions and Chapters. The Red Cross Advisors provide expertise not otherwise available in FEMA in community relations, organization, planning, and in recruiting the services of community leaders and volunteer organizations. The Red Cross Advisors are experts in planning and organization for various types of peacetime disasters and contribute to local emergency planning efforts, particularly to create effective working relations between local civil defense offices and Red Cross Chapters.

l. State and Local Direction and Control Communications

An effective direction and control system requires developing a distributed, survivable "backbone" network of EOCs. Two decades of experience have shown the matching-fund approach to be ineffectual in developing an integrated system. Current analyses indicate a need for the following elements of a nationwide survivable "backbone" direction and control system: (a) Approximately 750 multi-jurisdictional (e.g., State-Area) EOCs, versus 83 existing EOCs meeting requirements for fallout protection, radio communications, emergency power, and related operational capabilities. It is estimated that about 209 facilities have to be constructed, while 458 existing facilities could be upgraded. (b) Approximately 2,000 local (e.g., county) EOCs in low-risk areas, versus 496 such EOCs now operational. About 300 facilities need to be built, and 1,204 existing facilities upgraded. The remaining category of facilities needed in the nationwide network are those for risk area governments. Approximately 400 of these facilities (command centers) need to be "linked" by radio communications to each Statewide network. Funding requested is to provide this linkage to 80 existing State Area EOCs for approximately 52 counterforce area Emergency Operating Centers. In addition, some funding may be needed to provide radio receivers for warning in the reception area of the Edgewood, Maryland Decision Information Distribution System (DIDS) low frequency warning transmitter. All "backbone" system EOCs as well as "risk area command centers" have value in peacetime as well as attack emergencies.

There is no Statewide emergency direction and control network in the nation. Ultimate program goals are to link the 400 risk area command centers to the Statewide backbone system, 52 of which will be located in counterforce areas.

The 1981 budget requests $1,900,000 to provide direction and control communications to local governments in areas containing counterforce military installations (ICBM complexes, SAC bases, ballistic missile submarine ports).

m. Program Staff

FEMA provides a wide variety of guidance and assistance to State and local civil preparedness organizations through direct interaction with FEMA regional staffs and through policies and guidance developed by Headquarters program managers. Funds requested provide for the costs of personnel, travel and related administrative support for the civil preparedness activities at Regional offices and for Headquarters personnel engaged in management of the programs to assist State and local preparedness planning, including the nuclear civil protection planning program.

FEMA regions have a broad mission assignment to develop and sustain civil preparedness capabilities at State and local government level to effectively operate in emergencies to save lives, protect property and sustain government control. It is necessary to provide an effective flow of information and assistance between Region, State and local governments in the development of plans and capabilities as well as in actual emergency situations.

PROGRAM ACTIVITY	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981
		(Dollars in Thousands)		
Program Element				
Nuclear Civil Protection Planning....	$ 4,791	$ 5,039	$ 5,039	$ 7,110
National Shelter Survey.....	2,084	3,939	2,239	2,687
Engineering Support Services.....	3,634	0*	0*	0*
Shelter Marking.....	0	0	0	100
Shelter Stocks.....	0	0	0	100
Packaged Ventilation Kits.....	0	0	0	100
Crisis Upgrade Planning.....	0	0	0	325
Mobilization Designation Program.....	0	0	0	2,355
Regional Emergency Operating Centers.	121	0	0	0
Emergency Operating Centers.....	0	4,000	0	5,500
Red Cross Advisors.....	206	0	216	270
State and Local Direction and Control Communications.....	0	0	0	1,900
Program Staff.....	16,241	16,501	20,574	22,095
Total	$27,077	$29,479	$28,068	$42,542

* Personnel associated with this program were transferred from the Corps of Engineers to FEMA under Reorganization Plan Number 3 of 1978 and are now funded as program staff in this activity.

a. Nuclear Civil Protection (NCP) Planning

All States (and the District of Columbia) are currently involved in NCP planning. During FY 1981, priority will be given to completing CRPs in the 31 States containing counterforce military installations.

The current force of about 155 state planners will continue to develop NCP plans (including the current initial CRPs) for all parts of the U.S.

As of End:	Status (percent completion) CF Areas FY 80	CF Areas FY 81	Nationwide FY 80	Nationwide FY 81
Initial Crisis Relocation Plans	40%	56%	14%	24%
Initial Crisis Relocation Plans plus Community Shelter Plans	30%	40%	10%	14%

	Actual 1979	Estimate 1980	Estimate 1981
Positions supported	205	219	279
Professional	(147)	(155)	(215)
Support	(58)	(64)	(64)
Work years	200	213	258
Professional	(145)	(152)	(197)
Support	(55)	(61)	(61)

The 1981 effort provides for 60 additional NCP planners to (1) accelerate completion of initial CRPs in CF States; and (2) pilot-test approaches for enhanced CRPs.

b. National Shelter Survey

Shelter surveys are conducted in all States. In 1981, the funding will allow the total shelter survey effort to be increased about 20 percent over the FY 1980 level. Most of the effort will be devoted to all-effects surveys in counterforce areas with a correspondingly reduced effort (about half the 1980 level) devoted to host area surveys in the rest of the United States, to provide a basis for continued low-level crisis relocation planning for other than counterforce areas.

	Actual 1979	Estimate 1980	Estimate 1981
Number of Summer-Hire Students	236	201	246
Number of Co-op Students (equivalent work-years)	31	35	40
Number of Facilities to be Surveyed:			
Risk Areas	7,000	6,000	16,000*
Host Areas	165,000	141,000	80,000
Total	172,000	147,000	96,000

* These facilities will be located in counterforce areas.

As of End:	Status (percent completion) CF Areas FY 80	CF Areas FY 81	Nationwide FY 80	Nationwide FY 81
Host-Areas Survey	90%	100%	56%	61%
All-Effects Survey (Risk Areas)	10%	55%	3%	5%

c. Engineering Support Services

There are 87 staff years of effort available for support of FEMA Programs based on emphasis for 1981. These work years are distributed as follows:

Program	Staff Years
National Shelter Survey.....	59
Emergency Operating Centers.....	20
Broadcast Station Protection.....	6
Other Support (as required by Headquarters and Regions).....	2
Total.....	87

d. Shelter Marking

In FY 1981, both risk and host jurisdictions in areas associated with counterforce military installations will be eligible to contract for shelter marking, within funds allocated.

Approximately 125,000 facilities throughout the United States have now been identified but are unmarked. Shelters with a protection factor (PF) of 40 or more, and with space for 50 people or more, will be marked in counterforce areas, within funding guidelines. The average cost of marking a facility is $25 (two signs per facility). In FY 1981, 4,000 shelters can be marked.

e. Shelter Stocks

Stock locations will be designated in counterforce host areas determined through discussions with State and local officials. The logistics of transportation, location, and ready availability to potential users will be investigated in the FY 1981 pilot deployment.

Item	Cost	Number Procured	Spaces Stocked
Sanitation Kits	$57,500	900	45,000
Water Containers	22,500	450	45,000
Transportation	20,000	N/A	N/A

A detailed cost breakdown is as follows:

(1) Sanitation Kit ($128 per 100 spaces)

(a) Commode units (10 to a package, supplies are packed with commode units) ($57.64) provide for 50 shelter spaces for 14 days.

(b) Sanitation Supplies (less commode)
Materials consisting of commode chemical, water purification tablets, toilet tissue, etc., are estimated at $4.80 per kit (one kit for 50 shelter spaces).

(c) Labor Costs
Labor costs to assemble one kit for 50 spaces are estimated to be $1.50 per kit, based on previous contracts for such work.

Thus, sanitation costs for 50 shelter spaces are $63.94, or $1.28 per shelter space.

(2) Water containers ($50 each, one per 100 shelter spaces). 112,000 shelter spaces in host areas will be available for stocking.

(a) Cost estimates are 50¢ per shelter space for water containers.

(b) Container capacity is 350 gallons.

(3) Transportation and Storage

These costs are estimated at 20% of all costs, based on the costs incurred during the distribution of shelter supplies between 1962 and 1965.

f. Packaged Ventilation Kits (PVKs)

Activity in FY 1981 will concentrate on the development of tooling to permit mass production of the bicycle pedal-type PVK. It is planned to begin procurement of the punkah air pump in FY 1982.

g. Crisis Upgrade Planning

Initial deployment will be in 11 selected States containing counterforce military installations. Consistent with the emphasis on counterforce areas, work will be conducted in each of the FEMA Regions.

During Fiscal Year 1981, 11 crisis shelter planners will be added in selected counterforce States to initiate development of plans and to pilot-test planning guides developed through prior year research and development activities.

h. Mobilization Designation Program (MOBDES)

(1) Training and Work Requirements.

As Category D, the MOBDES performs his two weeks AT and IDT work periods by applying his spcial skills in on-the-job production at the agency to which he is assigned. In so doing he has an opportunity to function in the assignment he is to perform in the event of an emergency.

Additional professional training is acquired by attending civil preparedness school courses appropriate to the assignment. It is anticipated that a MOBDES will attend a two weeks school every three years. Special tours of short duration such as seminars, exercises and natural disaster situations are estimated as being appropriate every four years. The natural disaster requirement presently is more or less open end as the length or frequency of such incidents cannot be anticipated.

(2) Participation

An assignment is accomplished by a reservist and the director/coordinator of a Region, State, County or City civil preparedness agency reaching an agreement for agency staff augmentation and the services to be performed. Completely at the option of the director/coordinator, an application for assignment is submitted to the appropriate service Reserve Personnel Center. If the reservist is otherwise eligible he is assigned to the FEMA Region with duty station at the requesting agency.

There are over 1,400 reservists assigned under the program, which means that a minimum of 24,000 additional man-days of civil preparedness effort is being performed in addition to that of the

regular civil emergency staffs. There are over 75 assigned at Regional level; over 250 at State agencies, and over 1,200 at county or civil preparedness agencies.

i. Regional Emergency Operating Centers (REOCs)

No activity is planned. Emergency repairs will be funded as they occur.

j. Emergency Operating Centers (EOCs)

The EOCs will be developed in host areas mostly in the 31 States having counterforce areas. Specific selections of sites will be made in the third quarter FY 1980. The types and numbers of facilities along with the estimated dollar costs are listed below (Dollars in Thousands):

	Number of EOCs	
Construct State Area EOCs.....	6	$1,362
Develop Mobile EOCs.....	3	518
Construct Multijurisdictional EOCs.....	6	973
Upgrade State Area EOCs.....	10	1,118
Upgrade Mutijurisdictional EOCs.....	15	1,204
Equip Existing EOCs.....	7	325
		$5,500

k. Red Cross Advisors

FEMA contracts with the American National Red Cross to provide an advisor to each Regional office to assist the regional director in developing emergency mass care plans and prepare for other disaster effects.

Red Cross Advisors form a vital link to local communities in organization, planning and recruiting the services of community leaders and volunteer organizations; they are experts in handling various types of peacetime disasters and advising local leaders on specific actions to take in coping with specific types of disaster.

l. State and Local Direction and Control Communications

FY 1981 funding will provide for communications packages which include the following:

HF Transceiver @ $1,450 X 132	=$191,400
2M Transceiver @ $ 500 X 52	= 26,000
UHF Transceiver @ $ 750 X 52	= 39,000
CB Transceiver (Cl. D or A) $800 X 52	= 41,600
Programmable Scanners @ $450 X 52	= 23,400
Fax, Analog @ $4,500 X 132	= 59,400
RPU @ $3,000 X 52	= 156,000
Multi Publ. Safety Transceiver $7,000 X 52	= 364,000
SUB-TOTAL	=$900,800
Relays + Generators @ $7,000 X 52	= 360,000
Installation @ $4,000 X 132	= 528,000
1 Year Maintenance @ $2,500 X 52	= 130,000
TOTAL	=$1,918,800
or	=$1,900,000

m. The funds requested in 1981 provided personal services and benefits. travel and administrative expenses associated with 972 permanent full-time positions.

NATIONAL SECURITY AFFAIRS

PROGRAM DESCRIPTION

1. LEGISLATIVE AUTHORITY.

The legislative authorities for the National Security Affairs program are cited with each program element under program purpose.

2. PROGRAM PURPOSE

a. Resources Preparedness Office

(1) Resources Assessment Program

(a) Legislative Authority for resources assessment may be found in (1) the National Security Act of 1947, (2) Executive Orders 10480, 10582, 11490, and 12148, and (3) Presidential Directive of 1 May 1979.

(b) The Resources Assessment program seeks two principal goals: (1) provision to the Federal Government of a central point for civilian and military resource assessments for all conflicts, and (2) enhancement of U.S. mobilization potential for all conflict contingencies. The program is currently committed to leading the interagency Mobilization Planning Study. This Presidentially-directed study is expected to draw heavily on industrial resource and computer modeling skills for at least the next eighteen months. The program's ongoing responsibilities focus on searching for scenario-derived resource imbalances in industrial and material capabilities that could impair the ability of the U.S. to wage war. The program is divided into four parts: (1) scenario and policy analysis, which develops conflict scenarios based on National Security Council guidance and policy relating to mobilization; (2) model development, which formulates scenario-dependent conflict models addressing domestic and international impacts: (3) resources assessment, which develops scenario-dependent estimates of resources requirements and supplies to identify potential resource bottlenecks during a conflict or other crisis; and (4) interagency and legislative interface, which provides staff support to the interagency Working Group for the mobilization planning study, conducting briefings, preparing relevant Congressional testimony.

(2) Resources Management Program

(a) Legislative authority for Resources Management is established in the National Security Act of 1947 and the Defense Production Act of 1950, as amended. Presidential authorities are specified in Executive Orders 10421, 10480, 11490, 11912 and 12148.

(b) The Resources Management program's focus is to assure adequate resources for military and essential civilian requirements for all emergencies. A major supporting goal is to assure economic stabilization under all emergency conditions. To reach these goals the program develops projects in peacetime to increase the Nation's production capability for critical materials in wartime emergencies; the program also provides an ongoing system for distribution of available resources as a nucleus for a wartime central resources management system. Plans, standby regulations, emergency organization and procedures provide for economic stabilization in any emergency.

(c) Other activities falling within the scope of this program are providing guidance and coordination of Government planning and preparedness for resources management in emergencies; development of plans for resource control measures and systems to ensure supply and distribution during emergency; development of plans for emergency economic stabilization and control; provision of policy guidance and coordination of the administration of Title I of the Defense Production Act (resources priorities and allocations), Title III on expansion of productive capacity in all resource areas, and Title VII in industrial voluntary agreements in support of national defense. Guidance and program direction are provided to State and local authorities on the management of resources in time of emergency, including war. Program staff coordinate and evaluate Federal planning and contingency readiness among Federal departments and agencies, request legislative changes, and monitor resource disruptions.

(3) National Defense Stockpile Policy Program

(a) The legislative authorities for this program are established in the Strategic and Critical Materials Stock Piling Act (as amended), the National Security Act of 1947 (as amended), the Defense Production Act of 1950 (as amended), P.L. 79-520, the Agricultural Trade, Development and Assistance Act of 1954, the Foreign Assistance Act of 1961, the Federal Property and Administrative Services Act of 1949, and Executive Orders 11490 and 12148.

(b) The program is directed to the accomplishment of four overall goals: (1) the identification of National wartime raw material vulnerabilities, (2) the formulation of activities to correct these vulnerabilities, (3) the effective oversight of these activities, and (4) the effective communication and coordination with Government and industry on raw materials problems and issues. To support the activities, data are analyzed and stockpile goals are computed for 93 raw materials; program recommendations and budget rationale are developed for activities such as the Annual Materials Plan and Defense Production Act projects; information is developed for the Congress; guidance is provided for purchase and storage of stockpile materials; recommendations for Presidential release of stockpile materials are made; information exchange is maintained with industry and government in the form of: (1) semiannual reports to the Congress, and (2) presentations and briefings to U.S. and foreign Government and industry officials.

b. Government Preparedness Office

(1) The statutory basis for the conduct of the Government Preparedness Office program derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended, the Defense Production Act of 1950, as amended; Executive Orders 10480, 11490 the Federal Civil Defense Act of 1950, as amended; the Disaster Assistance Act of 1974; and Reorganization Plan No. 3 of 1978.

(2) The Government Preparedness Office is organized by divisions as follows; (1) Continuity of Government; (2) National Systems; and (3) Test and Exercises. These divisions develop and implement overall concepts, policy guidance, and direction of activities for nationwide plans and preparedness for peacetime and wartime emergencies; and develops guidance for Federal emergency plans and State and local response plans including requirements for telecommunications, warning and damage assessment systems and tests and exercises.

c. Special Facility

(1) Manages, directs and operates the Special Facility in support of certain continuity of Government functions during emergencies.

d. Program Coordination

The purpose of this activity is to provide advice, guidance, coordination to the Federal, state, local and international civil preparedness activities in planning and developing all emergency readiness programs. Undertakes studies, develops program performance criteria and conducts reviews and evaluation of the effectiveness and progress of civil emergency preparedness programs.

e. Operations Support

(1) Legislative Authority. The statutory basis for the conduct of support activities derives from: the Communications Act of 1934, as amended; the National Security Act of 1947, as amended; the Defense Production Act of 1950, as amended; the Federal Civil Defense Act of 1950, as amended; Executive Orders 10480 and 10490; the Disaster Assistance Act of 1974; and Reorganization Plan No. 3 of 1978.

(2) Responsibilities.

- Plans, directs and manages a centralized teleprocessing and computational program to provide civil authorities with accurate and timely information for decision-making during emergencies.

- Provides telecommunications, warning, and electronic systems to support functions and responsibilities of the Agency.

- Ensures that emergency telecommunications and data processing systems are conceived, developed, installed, and used to achieve maximum commonality, reliability, and survivability.

- Manages the operation of a Special Facility to support the Federal Continuity of government program.

- Develops programs to exploit teleprocessing technology.

- Provides central planning and operational control of telecommunications and data processing resources allocated to emergency systems.

- Develops management information systems, data bases, and analytical systems in support of Federal emergency management.

- Maintains the capability to provide computer service to all programs in the Agency's mission.

- Performs computer service management functions such as preparation and distribution of technical reports, manuals, and analyses.

- Coordinates selection and acceptance of all ADP equipment, software, and services for the Agency.

- Provides representation for the Agency on interagency ADP planning committees and users.

- Performs studies and makes recommendations for data processing systems needed to satisfy requirements of emergency missions.

- Develops a data base for resource evaluation.
- Develops capabilities to carry out damage prediction and to develop a post-disaster resource data base.
- Develops computer models for evaluation of hazard probabilities and for sensitivity analysis of hypothetical nuclear attacks.
- Develops computer models which can simulate the national economy during disruptions from natural or man-made disasters, mobilization, or nuclear attack.
- Develops and operates automatic data processing equipment and systems in support of civil emergency preparedness and disaster response.
- Provides information systems and data processing in support of administrative functions of the Agency, such as personnel, financial management, budget preparation, property inventories, and procurement.
- Maintains liaison with industry and other Government computer centers.

PROGRAM ACTIVITY	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981
		(Dollars in Thousands)		
Program Element				
Resources Preparedness	$ 1,953	$ 1,937	$ 2,280	$ 2,280
Government Preparedness	556	780	686	1,500
Special Facility	6,569	7,446	8,661	7,603
Program Coordination	2,303	1,748	1,944	1,806
Operations Support	9,468	9,546	9,426	9,649
Total	$20,849	$21,457	$22,997	$22,838

1. RESOURCES PREPAREDNESS

a. Resources Assessment.

The budget for Resources Assessment in FY 1981 is $838,000. This sum can be related to the program desciption in the following table (Dollars in Thousands):

Program	FY 1981 Staff Years	FY 1981 Budgeted Funds
Economic scenario and planning development	3.8	$160
Developing and testing economic models	5.0	211
Assessment of U.S. mobilization potential	5.4	265
Data policy acquisition and development	3.3	139
National security study support	1.5	63
	19.0	$838

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b. Resources Management

Resources Management Program under the current budget projections for FY 1981 is $791,000. The following is a resource breakdown to support this program (Dollars in Thousands):

Program	FY 1981 Staff Years	FY 1981 Budgeted Funds
Implementation of Defense Production Act	2.0	$ 44
Managing Resources in National Emergencies	15.0	662
Emergency Economic Stabilization Control	2.0	85
	19.0	$791

c. National Defense Stockpile Policy

The budget for the National Defense Stockpile Policy program in FY 1981 is $651,000. This sum can be related to the program description in the following table (Dollars in Thousands):

Program	FY 1981 Staff Years	FY 1981 Budgeted Funds
Update stockpile data base and estimate new goals	6.45	$232
Develop FY 1982 Annual Materials Plan (AMP)	3.40	122
Legislative support and other supporting projects	2.65	95
Preparation of two Stockpile Reports to the Congress and two Stockpile Goal Reports to the National Security Council	1.75	63
Stockpile goal methodology development	2.75	139
	17	$651

2. GOVERNMENT PREPAREDNESS

a. Continuity of Government

National civil emergency preparedness (CEP) measures and the Continuity of Government program, as part of CEP, contribute to: deterrence of both nuclear and conventional conflict and reduction of an adversary's coercive power during crises; enhancement of confidence in national leadership and reassurance to the public of our Nation's intent and capability to prevail in crises and conflict; an increase in the likelihood that our constitutional system and values will survive; a reduction in loss of life, human suffering and the protection of national resources; and the rapid recovery of national leadership and purpose in the wake of conflict.

(1) National Security Plans and Policy

(a) Presidential Successor Support -- Planning for dispersal and limited support of Presidential successors.

(b) Federal Emergency Plan D -- A plan for nuclear attack on the nation with little or no warning. Keep twenty-two Presidential Emergency Action Documents current (Annex A); review and make necessary revisions to Annex B (Office of Defense Resources (ODR) Actions) and Annex C (Resource Plans).

(c) National Civil Emergency Preparedness Guidance -- This guide will reflect FEMA emergency responsibilities as a basis for planning efforts of government at all levels. It will be a revision of "The National Plan" and will be published in a classified and an unclassified version.

(d) FEMA Circulars and Directives -- Miscellaneous FEMA issuances dealing with Continuity of Government which require redrafting, coordination, and publishing to reflect current concepts.

(e) National Plan for General War Mobilization -- A plan for mobilization of the Nation in response to the threat or occurrence of general war. To be developed, coordinated and published.

(f) National Plan for Survival, Recovery, and Reconstitution -- A new postattack emergency plan to be developed for use by government agencies at all levels.

(g) Continuity of the Legislative and Judicial Branches of Government -- Plans to be developed, coordinated, and published in cooperation with the legislative and judicial branches, to contain procedures for continuity of those branches in the event of nuclear attack upon the Nation.

(2) Contingency Plans and Readiness

(a) Peacetime Nuclear Emergencies -- Develop and publish plan for Federal response to a Peacetime Nuclear Emergency.

(b) Response to Consequences of Major Terrorist Incidents -- Complete and publish an emergency plan for response at all levels of government to the consequences of major terrorist incidents.

(c) Contingency Plans and Readiness - General -- Keep current internal FEMA preparedness measures, such as: Succession List, Central Office Emergency Instructions, Federal Employee Emergency I.D. Card arrangements, etc.

(d) Intelligence -- Maintain an intelligence activity to support FEMA's requirements.

(e) Continental Airborne Reconnissance for Damage Assessment (CARDA) -- Provides a plan for visual and photo reconnissance of nation for damage assessment purposes.

(3) National Readiness and Evaluations. (Federal Regional, State and Local)

(a) Perform reviews and evaluations of department and agency readiness to discharge emergency preparedness functions assigned by executive order and other directives.

(b) Prepare annually a report from the Director of FEMA to the President on emergency preparedness readiness of the nation.

(c) Develop and test various techniques to evaluate readiness.

(d) Develop guidance on Federal Regional Reconstitution area planning.

(e) Keep current the Federal Civil Emergency Actions Guide list.

(f) Monitor the status of measures for the protection and availability of government facilities and property.

(4) National Defense Executive Reserve

(a) Regional Interagency Training Conferences -- Plan and conduct five regional interagency training conferences.

(b) NDER Policy and Procedures Manual -- Revise and publish new manual.

(c) Recruitment -- Recruit 30 Reservists for FEMA unit.

(d) National Conference -- Develop and conduct national conference of about 800 Reservists.

(e) Dissemination of NDER Information -- Maintain NDER data bank. Prepare annual and quarterly reports. Develop and publish semiannual newsletter. Develop and publish NDER brochure. Revise and administer NDER forms and instructional materials.

b. National Systems

The identification of operational and technical requirements for information transmission and handling systems to support the policy, programs, and operational concepts of FEMA is the responsibility of this staff, as is the provision of near and long term policy recommendations for supporting telecommunications and ADP systems in specific program and functional areas, to include Continuity of Government, Direction and Control, Warning and Damage Assessment. Oversight of the Emergency Broadcast System (EBS) is also provided. This includes review, evaluation, and recommendations for changes to procedures and equipment of an engineering nature to enhance the operability of the System. Development and oversight of the implementation of policies, standards planning and interconnectivity requirements associated with the FEMA telecommunications and ADP programs are provided. The National Systems Division staff also provide representation with the broadcast industry and serve as FEMA liaison representatives with other government agencies, Congress, and private industry on broad national telecommunications and ADP policy and planning issues. Performance standards and technical requirements for direction and control facilities such as Federal Regional Centers, Emergency Operating Facilities, and Emergency Operation Centers are developed and disseminated.

c. Tests and Exercises

Emergency plans and procedures required in response to a wide range of crisis situations are exercised, and the adequacy of supporting systems, equipment, and personnel are tested. In doing so, personnel having emergency assignments are trained, and problems or deficiencies in plans, procedures, and systems are identified. These exercises also increase the compatibility of plans, procedures, and systems and improve the interface between civil and military operations. The exercises include Presidential Successor Dispersal, Nuclear Attack, Mobilization, Continuity of Government, Nuclear Accident, Terrorism, and others as required.

3. SPECIAL FACILITY

The Special Facility is operated in support of the Continuity of Government program. It must be available and operational for certain COG functions during any conceivable emergency.

4. PROGRAM COORDINATION

This activity monitors progress of the overall emergency readiness programs with each region. Advises when major problems or policy changes are required. Directs and participates in FEMA's role in international Civil Emergency preparedness activities. Participates as Senior U.S. Representative in plenary sessions and other deliberations of NATO; Canada, and Mexico civil emergency planning committees. Provides guidance and assistance to federal departments and agencies concerning planning for the U.S. in supprt of international emergency preparedness activities. Develops studies related to establishing policies for continuity of government and crisis relocation planning. Participates as directed in studies under the auspices of the National Security Council and the Joint Chiefs of Staff.

	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981
FT(Perm)	227	227	232	227
Total EOY	257	257	262	257

STATE AND LOCAL PREPAREDNESS

PROGRAM HIGHLIGHTS	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981	INCREASE + DECREASE - FY 81 vs FY 80
			(Dollars in Thousands)		
Program Level		80	80	0	- 80
State and Local Preparedness.....		80	80	0	- 80
BudgetAuthority.....		80	80	0	0
Budget Outlays.....		80	80	0	- 0

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

Appropriations were last enacted for this account in FY 1965 and were to remain available until expended. The $79,684 balance in the account has been held for contingencies in this program. A deferral action has been taken under the provisions of the Anti-deficiency Act (31 USC. 665), which authorizes the establishment of reserves for contingencies, and under section 1013, PL 93-344.

No resources are requested for this program in FY 1981.

PROGRAM DESCRIPTION

Funds are utilized to assist State governments in devloping programs for the management of their resources in time of emergency. Each State contributes funds and personnel to the program.

The continued requirement for these funds will be reviewed in FY 1980.

RESEARCH AND SYSTEMS DEVELOPMENT

PROGRAM DESCRIPTION

1. LEGISLATIVE AUTHORITY

The Legislative authority applicable to these programs is Sec. 201, Federal Civil Defense Act of 1950, as amended, 50 USC App. 2281.

2. PROGRAM PURPOSE

a. Research and Mitigation

The FEMA Mitigation and Research (M&R) program is directed at increasing the capability of the United States to predict, prevent and respond to emergencies and disasters and recover from their impacts. The objective of this problem-focused program is to develop new scientific and engineering knowledge that can mitigate the life loss, injury, damage and economic and social disruption from such occurrences. Activities are directed at a broad spectrum of disasters, emergencies, and hazards: (a) natural, geophysical disasters, such as earthquakes, floods, hurricanes, tornadoes and other severe storms; (b) technology-induced hazards, such as urban and industrial fires, large-scale explosions, and the release of toxic, chemically reactive and radioactive materials in populous areas; (c) catastrophic failures in key network and distributive systems, such as electric power blackouts, and the disruption of other public utility and transportation systems; and (d) intentionally produced emergencies and disasters, ranging from peacetime acts of terrorism, sabotage, vandalism, and blackmail to thermo-nuclear war.

The Mitigation and Research program builds upon the ongoing research and applications programs of other Federal agencies and is conducted in coordination with them. In addition, the office reviews and coordinates the research and mitigation activities of all FEMA offices to ensure that they are not duplicative and that they contribute to FEMA objectives. The M&R office, with two legislated exceptions for earthquake hazards reduction and dam safety, does not conduct operational mitigation program per se; it performs or sponsors research and experiments on mitigation approaches and techniques for use by the operational offices of FEMA, other Federal agencies, State and local governments and industry.

The Divisions under M&R of Natural and Technological Hazards, and National Security are addressing or are planning to address the following:

Natural Hazards

Earthborne	Waterborne	Windborne
Earthquakes	Flood	Hurricanes
Landslides	Tsunamis	Tornadoes
Subsidence	Storm Surge	Snow
Volcanoes	Drought	

Technological Hazards	National Security
Environmental (toxic substances)	Civil Defense
Dam Safety	Nuclear Hazards
Accidents and Explosions	

Essential to the development of the M&R program and to the utilization of results are the systems analysis and integration and the applications activities.

Systems Analysis and Integration (SAI) staff is responsible for conducting problem definition studies to delineate problems and develop research requirements--engineering, social, economic, legal and intergovernmental, which will assist in solving or in mitigating the problem, e.g., hazardous materials. The Systems group is also responsible for such studies as the general patterns of response and behavior under emergency conditions; analyses of the benefits and impact of mitigation measures; decision processes involved in emergencies; and criteria for the evaluation of emergency response.

The Applications activity has an external focus. Its primary purpose is outreach to the users of mitigation approaches and techniques. It serves as a communications link with State, local governments and other institutions in identifying their research and mitigation requirements and insuring that useful, usable results are made available to them. This program serves as the focus for day-to-day interactions within FEMA, the Federal agencies, public-interest and volunteer groups and other private sector entities. In addition, the Applications activity is responsible for developing a complete data base on national mitigation and research activities and providing information to the user community.

3. SYSTEMS DEVELOPMENT

The civil defense Systems Development program produces and field tests guidance for State and local governments on developing and using an effective capability for saving lives and protecting property in the event of large scale nuclear crises or attacks. Guidance and systems developed for attack operations are also of value to local and State governments in peactime disasters and emergencies.

Systems Development projects are essential to develop the programs and guidance which, when applied in communities throughout the nation, result in improved capabilities for lifesaving under attack conditions. As noted in the discussions on Shelter Surveys and on Nuclear Civil Protection Planning, civil defense has potential to add many millions of survivors, over and above those who would be expected to survive a large-scale nuclear attack on the United States if there were no civil defense program. One basic civil defense option is to protect people "in-place," in best-available shelter near their residences. However, if time and circumstances permitted relocating population from U.S. metropolitan areas during a period of intense crisis, and an attack then occurred, there would be millions of additional survivors.

Actually realizing such increased survival, however, would require much more than just shelters and plans for their use, or plans for the contingency of crisis relocation. Rather, capabilities must exist throughout the United States for making effective use of available shelter, whether the population was in an in-place posture, a relocated posture, or (as would be likely) partly relocated and partly in-place. Such emergency operating capabilities include for example, Warning; Direction and Control (Emergency Operating Centers, and ability by key local and State officials to conduct coordinated operations from such centers); Radiological Defense, and Emergency Public Information. In past years, Systems Development projects have developed new programs and guidance in these and related areas (e.g., Crisis Relocation Planning, Community Shelter Planning, staffing and operating Emergency Operating Centers, and planning crisis actions to produce additional shelter in host areas).

Systems Development projects are undertaken based on prior years' civil defense research, and on needs made evident by field experience. They develop program packages to the point of readiness for field deployment, and hence frequently involve field-test with selected local and State governments.

PROGRAM ACTIVITY	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981
	(Dollars in Thousands)			
Program Element				
Research and Mitigation.....	$ 5,047	$ 7,644	$ 5,235	$ 7,644
Systems Development.....	2,657	2,110	1,519	2,110
Program Staff.....	955	1,190	1,190	1,488
Total.....	$ 8,059	$10,944	$ 7,944	$11,242

1. RESEARCH AND MITIGATION

a. National Security. The goal of this element is to maintain a continuing program to evaluate the hazards associated with the advancing technology in nuclear weapons and to develop means or techniques to lessen their effects on the United States. Specific objectives to be undertaken to achieve this goal include:

(1) Maintain full cognizance of technological developments in nuclear weapons

(2) Develop and test means to protect population and industry in case of enemy attack

(3) Upgrade the technical basis for emergency operations

(4) Investigate and develop concepts of feasible options to migigate the hazards of nuclear incidents in storage facilities and waste disposal areas and of nuclear accidents

(5) Analyze various levels of civil preparedness and the appropriate interfacing strategic systems.

b. Applications. The goals of the Applications Division are to serve as a primary focus within the Office to implement a joint process with State, regional and local governments, voluntary organizations, public interest and professional groups, and industry and commerce, to set priorities, foster sharing of knowledge and experience, and improve the cababilities and capacities of institutions to respond to hazards mitigation opportunities.

c. Specific objectives to be undertaken to achieve these goals include:

(1) Facilitate the integration of hazard mitigation approaches into the policy formulation, management support and program operation activities of State and local governments.

(2) Test and evaluate selected incentives which the Federal Government may use to increase hazard mitigation activities in the private sector and to stimulate introduction of innovation into regular use where they are needed in the national interest.

(3) Foster alternative structures for cooperation on a regional or national basis between units of local or State government to address cooperatively common mitigation issues.

(4) Promote alternative systems to develop improved cooperation in the planning and implementation of hazard mitigation activities in order to assure their relevance to the needs of affected groups.

(5) Formulate options for Federal policies that will create an improved climate for hazard mitigation in the private sector.

(6) Examine incentives and institutional structures that could be effective stimulating the private and public sectors to address hazard mitigation problems.

(7) Work with State and local government, voluntary organizations and the private sector to provide information to these interests on hazard mitigation.

(8) Mobilize voluntary organizations as potential groups to support implementation measures.

(9) Develop and maintain a comprehensive system of dissemination of emergency-related information in usable form to potential users.

d. National and Technological Hazards

The goal of this element is to develop mitigation programs which will reduce loss of life and property and ultimate Federal expenditures related to natural hazards.

Specific objectives to be undertaken to achieve this goal include:

(1) Carry out assigned responsibilities under the National Earthquake Hazards Reduction Program (PL 95-124) and National Dam Safety Inspection Act (PL 92-367).

(2) Develop the capability to predict the time, place, magnitude, and effects of natural hazards so that effective preparedness actions can be undertaken.

(3) Develop procedures for assessing risk and evaluating hazards so that appropriate construction and land-use plans can be implemented.

(4) Develop improved, economically feasible design and construction methods for building hazard-resistant structures of all types, and for upgrading existing structures.

(5) Develop the capability to identify, assess, and predict the nature of technological emergency problems.

(6) Develop methods and techniques to plan for, control and limit the occurrence and impacts of such emergencies.

(7) Develop procedures for assessing risk and evaluating hazards, so that appropriate construction and land use practices can be implemented.

e. Systems Analysis and Integration

The goal of this element is to identify new initiatives, examine cross-cutting issues and problems, conduct benefit-cost analyses, and increase the basic knowledge of the socio-economic, legal, behavioral, and management aspects of hazards, emergencies, and disasters.

Specific objectives to achieve this goal include:

(1) Improve the understanding of disaster impacts and responses.

(2) Identify the potential impacts of possible emergencies of all economic or social nature, e.g., unemployment, energy shortages.

(3) Conduct cross-hazard studies to determine general patterns of response and behavior.

(4) Perform risk analyses of benefits and impact of mitigation measures on natural or technological hazards.

(5) Evaluate the decision processes as they relate to mitigation, preparedness, response and recovery.

(6) Study decision processes involved in emergencies requiring a Federal response as they occur.

2. SYSTEMS DEVELOPMENT

During FY 1981, civil defense Systems Development projects will be conducted in the three major areas shown below.

a. Nuclear Civil Protection

Projects are expected to include work in the areas of civil defense rapid enhancement, crisis shelter upgrading, industrial protection, emergency exercising, and analyses of civil defense effectiveness as a basis for refining design of the civil defense system.

Priority will be given to developing plans for civil defense "rapid enhancement," a buildup over a period of about a year of markedly increased tension, at the start of which the decision has been made to spend $1 to 2 billion to attain improved civil defense capabilities. The FY 1981 projects will build on initial rapid enhancement system designs developed by FY 1979 and 1980 work. The FY 1981 projects will focus on developing detailed guidance, definitive plans and specifications, and training materials in areas including among others Nuclear Civil Protection planning, crisis production of additional shelter, development of Emergency Operating Centers, protection of broadcast stations, improvement of Radiological Defense systems, and citizen training. Work may also cover higher-cost rapid enhancement options, such as construction of urban blast shelters during a year of markedly increased tension.

Other nuclear civil protection projects are expected to include development of planning guides for crisis production of blast protection in risk areas (e.g., for on-duty key workers); concepts and initial planning guides for crisis actions to protect industrial equipment against attack effects; simulation exercises for local and State officials, and analyses of the effectiveness of civil defense systems and elements.

b. Radiological Defense

Projects are expected to include work in the areas of developing improved guidance and systems for radiological defense of shelterees, and of emergency services vital facilities and essential industries; monitoring and assessment (including automated techniques); decontamination methodologies; and assistance to other Federal agencies in developing response systems for technological hazards, including releases of radiological materials.

c. Direction and Control, Communications, and Warning

Projects are expected to include analysis of the coverage of commercial broadcast stations and other radio systems; development of communications architecture for a survivable civil defense direction and control system; guide for organization and use of radio amateurs by State and local civil preparedness directors; development of 10 KW survivable mini-loop antenna for high-frequency Regional radio systems; development of an enhanced meteor-burst communication capability to support a survivable direction and control system; feasibility study of integrating attack-effects sensors into survivable communications systems; low-frequency mobile, survivable warning system and guidance for organization and staffing of austere "backbone" system Emergency Operating Centers.

3. PROGRAM STAFF

Funds requested provide for 28 full-time permanent positions to include salaries and benefits, travel and other administrative and housekeeping expenses.

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY PLANNING PREPAREDNESS AND MOBILIZATION

WARNING AND COMMUNICATIONS

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in Thousands)			
Program Level					
Appropriations by Category:					
National Communications and Warnings Systems	5,190	5,133	5,133	6,253	+ 1,120
Broadcast Stations Protection	327	265	265	1,121	+ 856
U.S. Army Support Detachments	---	---	---	557	+ 557
Staff Expenses	3,128	3,242	3,242	3,247	+ 5
Federal Level Comm	13,615	13,488	13,488	14,184	+ 696
Purchase of Antenna Field	---	---	---	571	+ 571
Budget Authority	22,260	22,128	22,128	25,933	+ 3,805
Budget Outlays	22,597	22,510	22,510	24,377	+ 1,867

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The FY 1981 Budget Requests $11,749 thousand for Civil Defense Warning Systems and $14,184 thousand for Federal Level Communications Systems. The increase reflects the expanded level of effort to be devoted to the Civil Defense activities.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATE

None.

EXPLANATION OF INCREASES AND DECREASES

1. An increase of $1,120 thousand is included for expansion of the National Warning and Communications Systems and $5 thousand associated with increased staffing costs.

a. Funds in the amount of $505 thousand provide for the installation of 300 leased NAWAS terminals to expand coverage in the counterforce areas. This will maintain the NAWAS system commensurate with population growth and will result in a total of 2500 terminals dispersed throughout the 50 states. Installations in EBS stations will enhance the timeliness and accuracy of information provided to the stations.

b. Funds in the amount of $150 thousand are included for the remote operation of the Civil Defense National Radio System equipment at Santa Rosa from the Region 9 Emergency Operating Facility in California.

c. Funds in the amount of $470 thousand are included to provide for the activation operation and maintenance of Low Frequency Broadcasting Facility at Edgewood, Maryland. This facility will enhance the warning capabilities in middle Atlantic states and serve as a prototype for the development of counterforce area warning capabilities.

2. An increase of $856 thousand is included for upgrade of the Broadcast Station Protection Program. These are included to improve the system capability of the Emergency Broadcast System by providing financial assistance to AM, FM, and TV stations included in the EBS network. FEMA has BSPP stations in 376 operational areas and 15 state entry point stations. Protection for 10 additional stations in counter-force areas and one other station are included in funding request.

3. An increase of $557 thousand is included to cover staff expenses of U.S. Army Reserve support Detachments. These are to be provided without reimbursement from FEMA through FY 1980 but must be funded subsequent to that date if this level of support is to continue. The U. S. Army support Detachments are used to man communications centers in the regional facilities.

4. An increase of $696 thousand to meet leased communications tariff increases which have been approved by the Federal Communications Commission (FCC) and are presently in effect (offset in part by certain other adjustments).

5. Funds in the amount of $571 are included for purchase of an antenna facility at Olney, Maryland which contains the antennas for the Civil Defense National Radio System. Land for this antenna field is currently leased at a cost of $66,000 per year with significant year-to-year rate increases. This purchase is recommended on the basis of overall economy.

PROGRAM (GENERAL)

In accordance with the Civil Defense Act of 1950, as amended, it is the basic mission of FEMA to save lives in the event of enemy attack. Because of the interdependence of the various elements of the system and the number of variable related to a potential enemy attack (i.e., time of day, day of week, season of year, types of weapons, distribution of targets, types of weapon bursts, weather conditions, the element of surprise, etc.) it would be difficult, if not impossible to determine a separate, reasonably specific life-saving capability for each element of the defense system.

An adequate warning system for the general public, governments, and other institutions may be expected to save lives, under certain conditions, many lives. In any community the number of lives saved would depend on a number of factors, some of which are (1) the amount of time available before the weapons are delivered, (2) the availability of shelter (i.e., blast or fallout protected space), (3) actions previously taken in expectation of an attack, (4) the location of the community relative to targets, (5) the capability of the local government to respond in a coordinated manner to provide emergency services and information to its citizens on what to do and where to go, (6) the capability to measure and react to radioactive fallout conditions, (7) the availability of essentials such as water and food to the sheltered people, and (8) the variables mentioned above regarding the nature and timing of the attack itself.

An attack warning would cause many people to seek shelter, and even in the absence of a coordinated civil defense system, some lives would be saved. On the other hand, given a fully-developed civil defense capability, without warning, many lives could be needlessly lost. A warning capability is essential to the national civil defense system if we are to protect our people.

This portion of the budget relates to providing warning to Federal, State and local government levels. Dissemination beyond that point is a local responsibility. However, FEMA assists State and local governments in this area as reflected in the "Financial Assistance" and "Emergency Operating Centers" sections of the budget.

The present Civil Defense Warning System is a combination of Federal, State and local systems which are designed to convey warning of enemy attack to Federal, State and local governments and the civilian population.

PROGRAM DESCRIPTION

The National Warning System (NAWAS) is the Federal portion of this system and provides the means for disseminating warnings to State governments and, by special arrangements, directly to selected political subdivisions.

NAWAS is essential to the civil defense program because it conveys warning of attack to warning points throughout the nation. From these key locations, warning messages are further disseminated to all populated places to trigger public survival actions outlined in community emergency plans. The concept of emergency planning, including movement to shelter, is based upon the premise that local governments and the people will receive timely warning.

NAWAS consists of Government full period voice circuits leased from the telephone companies. It is operational 24 hours a day and is designed specifically for simultaneous issuance of warnings to all stations connected on the system. These warnings originate at the National Civil Defense Warning Center located in the Combat Operations Center of the North American Air Defense Command (NORAD), Colorado Springs, Colorado. In addition, there is an alternate Warning Center that can assume the functions of the National Civil Defense Warning Center if necessary. NAWAS consists of two portions: (a) a command control circuit that interconnects the Warning Centers, FEMA Headquarters, the FEMA Regions, and the major radio and TV networks; and (b) warning circuits connecting with strategic locations throughout the Continental United States known as Warning Points. These latter installations are located in State and local police headquarters, sheriff's offices, fire departments, and civil defense headquarters approximately one half of which are continuously manned.

PROGRAM ACTIVITY

	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
National Warning System (NAWAS)	$3,094	$3,037	$3,037	$3,542

Provides for system testing and operation at two National Warning Centers which include a control circuit linking 22 key government warning points, two major news services and seven broadcast networks which further disseminate warning to 2,500 strategic locations throughout the 50 states.

PROGRAM DESCRIPTION

Under a 1955 National Security Council Directive, FEMA is responsible for the installation and operations of a special warning system for the Washington, D.C. metropolitan area, the Washington Warning System (WAWAS).

WAWAS is essential to the civil defense program as it provides warning for the seat of the Federal government. It triggers the implementation of emergency plans both for government agencies and the residents of the area. Effective and efficient operation of WAWAS will greatly increase the survival potential of the Federal government and the population.

WAWAS is composed of: (a) an outdoor warning system consisting of sirens installed and in operation in the District of Columbia and several local adjacent jurisdictions; (b) a wireline area communications circuit serving all Washington area civil defense headquarters, specific military headquarters, and certain other key Federal Government locations (this wireline circuit is provided with radio backup); and (c) a Bell and Lights Circuit serving Washington area government installations providing indoor warnings to these points. Procedures and equipment also are available to broadcast warnings over commercial broadcast stations in the area. The FEMA Region Three office provides supervision and coordinates the WAWAS program with U.S. Army Communications Command and with the States and local governments involved.

PROGRAM ACTIVITY	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
Washington Warning System....	$ 616	$ 616	$ 616	$ 616

Provides for continued lease costs for 46 dedicated full-period voice circuits, and for 500 dedicated siren circuits for full warning coverage of the Washington Metropolitan Area. Also provides for system operation and testing at the alternate national warning center at Olney, Maryland. This includes operation of the full-period telephone warning circuit with radio backup and a bell and lights system for indoor warning at federal installations.

PROGRAM DESCRIPTION

The Civil Defense National Communications System (CDNACS) is the primary teletype and voice communications network used for direction and control of emergency operations. CDNACS includes a dedicated teletype network for transmitting record communications between the national headquarters, a relocation headquarters, regional offices, states and territories, and selected Canadian civil defense locations. This teletype network simultaneously accepts and processes messages from teletype terminals and provides automatic message switching between users. The automatic switching feature allows users to send messages to a single address or to a multiple number of addresses within the system. The system requested for FY 1981 will include ten mini-computers used as automatic switches at Federal Regional Centers (FRCs), two dedicated inter-regional teletype circuits into each FRC, and seventy dedicated teletype circuits for FRC communications with State, territorial and Canadian civil defense locations.

The voice segment of CDNACS includes a combination of Automatic Voice Network circuits (AUTOVON) and dedicated, full-period, leased circuits and supplies voice circuits between national headquarters, relocation sites, regional offices, and State Emergency Operating Centers (EOCs). AUTOVON circuits assure access to all continental United States AUTOVON subscribers. Additionally, each regional office has circuit preemption capability. The full-period dedicated circuits provide direct

lines on an individual basis between each regional office and its States. Hardened cable routes containing most of the voice and teletype system circuits have been completed for six of the Federal Regional Centers.

PROGRAM ACTIVITY

	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
CD National Communication System (CDNACS).....	$1,517	$1,517	$1,517	$1,517

Provides for lease costs of 126 dedicated circuits, 168 analog facsimile units for Regions and States and 12 digital units for National Headquarters and Regions.

PROGRAM DESCRIPTION

The Civil Defense National Radio System (CDNARS) is a high-frequency radio network used for backup to the teletype and voice systems. Control facilities for the radio, voice, and teletype services are co-located with the wire voice and teletype positions to make them readily available during emergencies. The system is operational in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, the Canal Zone and Guam -- as well as in an emergency relocation site and the FEMA Regional Offices.

PROGRAM ACTIVITY

	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
CD National Radio System (CDNARS).....	$1,286	$1,286	$1,286	$2,007

Funds requested for FY 1981 provide for continuing lease costs for dedicated circuits to remote transmitters at two Regional Centers and one antenna field, and for operation of the radio system plus all required equipment maintenance at 49 State Emergency Operating Centers, the District of Columbia, Puerto Rico, the Canal Zone, and ten FEMA Regional Offices. This includes utilities and spare parts for 63 locations.

This system provides essential emergency radio back-up to the FEMA CDNACS system to insure an emergency operations and communications capability between the Headquarters and Regions and between Regions and States. Funds in FY 81 are included for the purchase of the Olney, Maryland, Antenna Facility, and remote operation of the Santa Rosa facility.

PROGRAM DESCRIPTION

Other communications services are employed at National, Regional and State civil preparedness operations centers to support day-to-day and emergency operational requirements. This equipment category includes facsimile machines, news wire service printers and National Weather Service teletypes. Also involved is ancillary equipment including hardened cable complexes to support emergency communications and warning systems at FEMA Regional Centers, the data land lines associated with the AUTODIN system, lines involved with AUTOVON, and a Secure Voice terminal in FEMA Operations Centers for communication with Joint Staff, Military Services Staff, Command Centers and Subordinate Commands.

PROGRAM ACTIVITY	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
Other Communications Services	$ 920	$ 920	$ 920	$ 1,477

Provides for various types of equipment and services required for communications capability which are not provided elsewhere in FEMA's communications systems or support. They are (1) teletype service to transmit weather data to the regions for use in radioactive fallout prediction; (2) protected cables between regions and telephone company centrals; (3) AUTODIN teletype service for transmittal of classified data between FEMA, the regions and DOD agencies; (4) AUTOVON telephone voice service between FEMA, the regions and DOD agencies; (5) AUTOSEVOCOM secure voice terminal in FEMA Operations Center for exchange of classified information with Joint Staff, National Military Command Center, Alternate National Military Command Center and Military Staff and Command Centers on a day-to-day and crisis basis; and (6) Executive Secure Voice Network (ESVN) terminals at FEMA Operations Center, regions and emergency relocation sites for classified information exchange. Includes $557 to defray staff expenses of U.S. reserve response support detachments in FY 1981. These are being provided without reimbursement by the Army through FY 1980.

PROGRAM DESCRIPTION

Communications Management Support

This category provides for salary and associated costs of personnel responsible for operational management of the Civil Defense Warning System.

PROGRAM ACTIVITY	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
Communications Management Support	$ 155	$ 155	$ 155	$ 155

Funds requested will provide for continuing administrative and technical support of day-to-day operations and for development and maintenance of emergency CD capability at National State and local levels.

PROGRAM DESCRIPTION

State and Local Communications Planning Support

FEMA also provides guidance and criteria for reliable statewide and local emergency communications systems which will (1) provide all civil government political subdivisions within each State a means to exercise directions and control of their respective resources through the most effective use of all existing systems: and (2) provide attack warning information to the civilian population, radiological defense information, damage assessment data, situation reports and other essential civil defense operational traffic.

State warning systems are established by and under the direction of the particular State to relay warnings and other emergency information received over NAWAS to political subdivisions that are not served by NAWAS. They are the State portions of the Nationwide Civil Defense Warning System and are necessary for further dissemination of warning from Warning Points so that all jurisdictions within a state are reached. The implementation of community emergency plans is dependent upon responsible authorities receiving timely attack warning information on which to take planned emergency actions. State Warning Systems add to the State's emergency communications system.

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Facilities utilized vary from State to State. Each State has warning plans which specify communications to be used and procedures to be followed. The majority use State Public Service Radio Systems (police, highway, conservation, and similar departmental networks); others use telephone, tone activated radio, teletype or special systems such as Bell and Lights. County sheriff radio nets are often linked to State networks and assist in spreading the warning throughout the counties. The Federal Government provides technical and financial assistance in establishing effective warning systems and in resolving special problems. Special studies are continuously made on possible use of additional communications facilities that can further assist in spreading the warning.

Local warning systems are the means to warn the public and alert key personnel and installations of an attack on the United States.

The presence or absence of local warning systems directly affects the implementation of community emergency plans, as the local warning system is the means of initiating public action to take protective measures. The effectiveness of these systems is directly related to the options that local authorities can take to exercise their plans for community emergency operations.

Each community has, or should have, a workable and reliable warning plan. Assistance in planning is provided by the State and Federal Governments. Plans vary according to the varying conditions and leadership of the individual communities. The Federal Government provides technical and financial aid in establishing warning systems. Local warning systems can be divided into outdoor and indoor systems:

1. Generally used for outdoor warning are sirens, horns, whistles and voice sound installations. Sirens are the most widely used devices.

2. Indoor systems consist of bell and lights systems, group alerting, sequential telephone calling, town activated radio systems, and the use of established voice sound systems such as MUZAK and similar background music services. Many communities have local arrangements and agreements for their direct access to commercial radio systems and cable television systems for broadcasting warnings and other information during emergencies.

PROGRAM ACTIVITY

	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
State and Local Communications Planning Support	$ 623	$ 737	$ 737	$ 737

Provides for technical assistance in the development, updating and review of State and Local Warning and Communications plans and procedures for Radio Amateur Civil Emergency Services (RACES), direction and control emergency public information, and emergency services activities.

PROGRAM DESCRIPTION

Broadcast Station Protection Program

The Federal Emergency Management Agency predecessor organizations in conjunction with the Federal Communications Commission established the Broadcast Station Protection Program to insure nationwide Emergency Broadcast System (EBS) Presidential programming coverage under fallout conditions. To provide for sustained operations under fallout conditions, the Federal Government has paid the cost for selected EBS radio stations to provide fallout protected studios, emergency power generators, radio links to local government Emergency Operating Centers, electromagnetic pulse (EMP) protection and emergency programming equipment. This emergency broadcast capability from Emergency Operating Centers also can be used during natural

disaster. To enhance attack and natural disaster emergency broadcast capabilities, assistance is being provided by FEMA, FCC, and the National Weather Services in cooperation with the broadcast industry to develop State and local area EBS procedures.

PROGRAM ACTIVITY	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
Broadcast Station Protection Program.....	$ 327	$ 265	$ 265	$ 1,121

This emergency broadcast capability from Emergency Operating Centers also can be used during natural disasters or other emergencies and this use is encouraged. To enhance attack and natural disaster emergency broadcast capabilities, assistance is being provided by FEMA, FCC, and the National Weather Service in cooperation with the broadcast industry to update existing State and local area plans and, where needed, develop new plans. Since January 1, 1977, State and local officials and broadcasters have voluntarily reported activation of the systems in over 900 emergencies. Prior to this time, EBS activation had been reported fewer than 50 times.

Program goals are to have 598 Broadcast Station Protection stations completed for operations under fallout conditions, one station per EBS operational area.

PROGRAM DESCRIPTION

The Decision Information Distribution System (DIDS) was designed to provide a nationwide low-frequencey one-way radio communications network to warn and inform public officials of a nuclear attack or major peacetime disaster. It was intended to augment and improve the present system on which the Nation now depends for dissemination of emergency information.

Operation of the prototype system and any further deployment was discontinued after FY 1976 pending the results of a program to integrate and upgrade the capabilities of the National Warning System (NAWAS), NOAA Weather Radio (NWR), and commercial broadcast stations to meet the stringent requirements for attack warning.

PROGRAM ACTIVITY	Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
Decision Information Distribution System.....	$ 107	$ 107	$ 107	$ 470

DIDS is a rapid, reliable, low frequency radio warning system designed to survive effects of nuclear weapons. The prototype system located on the Aberdeen Proving Ground (Edgewood) near Chase, Maryland was completed in May 1974. It was operated and maintained by the U.S. Army Communications Command.

Funds requested in FY 1981 will provide for the activiation of the Edgewood site in order to enhance middle Atlantic states' warning capabilities and serve as a prototype for development of counterforce area warning capabilities.

FEDERAL LEVEL COMMUNICATIONS SYSTEMS

Actual 1979	Budget Estimate 1980	Current Estimate 1980	Estimate 1981
$13,615	$13,488	$13,488	$14,184

Certain Federal Level Communications Systems are provided in support of the Continuity of Government Program. This program is under the auspices of Executive Order 11490 and OEP Circular 9100.2 provides for the performance of essential and uninterruptible U.S. Government functions during any conceivable emergency.

	Actual 1979	ESTIMATE Budget Estimate 1980	ESTIMATE Current Estimate 1980	Estimate 1981
WARNING AND COMMUNICATIONS	$22,645	$22,128	$22,128	$25,933
FEDERAL-STATE-LOCAL COMMUNICATIONS AND WARNING SYSTEMS	$ 8,645	$ 8,640	$ 8,640	$11,749
National	8,022	7,903	7,903	11,012
National Warning System	3,094	3,037	3,037	3,799
Washington Warning System	616	616	616	616
CD National Communications System	1,517	1,517	1,517	1,517
CD National Radio System	1,286	1,286	1,286	1,857
Other Communications Services	920	920	920	1,477
Communications Management Support	155	155	155	155
Broadcast Station Protection Program	327	265	265	1,121
Decision Information Distribution System	107	107	107	470
State and Local	623	737	737	737
Local Direction and Control Operations Procedures	623	737	737	737
FEDERAL LEVEL COMMUNICATIONS	13,615	13,488	13,488	14,184
STAFFING				
Full Time Permanent Federal Level	13	13	13	13
Civil Defense Warning Systems	128	128	128	128
Totals	141	141	141	141
Full Time Permanent Staff Years Federal Level	12	12	12	12
CD Warning Systems	126	126	126	126
Totals	138	138	138	138

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY PLANNING, PREPAREDNESS, AND MOBILIZATION

INFORMATION AND EDUCATION

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Program Level					
Budget Authority.....	$6,579	$7,891	$7,141	$10,990	+$3,849
Budget Outlays.....	$6,184	$6,713	$6,713	$10,330	+$3,618

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget requests $10,990 thousand to deploy national instructional programs on hazard mitigation and emergency management, to supply training materials to the States for such programs, and to start the Emergency Management Institute as a national center for emergency management training. By utilizing mass communication techniques, disseminate emergency public information to government officials and the general public.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

Reduction caused by Congressional Committee action.

EXPLANATION OF INCREASES AND DECREASES

Of the agencies that were merged into FEMA in FY 80, only the former DCPA had a significant training and education program, operating at the $6.0 million level. The Federal Insurance Administration had a quasi-education program for insurance agents, lenders, and builders funded for $300,000. The Federal Disaster Assistance Administration had a minor instructional materials development program, funded at $60,000. This budget supports instructional development pertaining to FEMA's new and broad missions; existing courses in the field, reaching an estimated 77,000 State and local people. Basically, so far as training and education go, FY 80 is a "hold fast" and developmental year.

FY 81 will be the first year of training and education under complete FEMA auspices. With reorganization pending, the agencies directly concerned tended to let instructional matters slide. FEMA must not only re-energize former instructional programs, largely in civil defense, that are still valid, but also take new initiatives in regard to its federal emergency management coordinative

role, and in the areas of hazard mitigation, flood plain management, dam safety, earthquake hazard mitigation, and response and recovery from major disasters. Effective response in emergency management programs depends, ultimately, upon intelligent State, local, and public actions. Training and education are principal means of getting such action. Consequently, the training and education request is increased to: provide emergency management instruction in the States and their political subdivisions; initiate emergency management instruction in the community of federal executive agencies; maintain the Emergency Management Institute; augment training in counterforce risk and associated host areas; and provide the system with technically accurate and educationally effective instructional materials.

PROGRAM DESCRIPTION

1. Legislative Authority. Several of the statutes implemented by FEMA contain provisions on training and education. Notable among these are the Disaster Relief Act of 1974 (Sec.201a and c); the Housing and Urban Development Act of 1968 (Chap. 1313); and the Earthquake Hazard Reduction Act of 1977. Of particular significance is the Federal Civil Defense Act of 1950 (Sec.201e), which authorizes the Director of FEMA to conduct training by "contract or otherwise," maintain "not more than one national civil defense college and three civil defense technical training schools," and to reimburse trainees and instructors for travel and subsistence up to 50% to attend such schools.

2. Program Headings. Major program elements are listed below along with the funding requested.

Program Element	Requested
a. Instructional Programs and Materials Developement	$ 1,000,000
b. Maintenance and Operations of FEMA Schools	3,500,000
c. Instructional Materials Reproduction, Storage and Delivery	600,000
d. Training Field Deployment Systems	3,150,000
e. Private and Professional Association Training Projects	216,000
	8,466,000
Staff Expense	1,185,000
Total	9,651,000
Emergency Information	1,339,000
Total	$10,990,000

These elements support, or are used in, the following concept of instructional program operations. General training and education program management is supplied by the headquarters training and education office which initiates developmental work, selects deployment systems, and evaluates results. The Emergency Management Institute (EMI) develops and tests curricula, courses, and materials and serves as a permanent base of instruction for the entire emergency management instructional system. Training and education programs in the field are deployed and supervised by training and education personnel in the FEMA regional offices.

While some instructional deployment will be through the established channels and contacts of federal agencies, national associations, and educational systems, a principal thrust is through d. above. This element is implemented by Regional Instructional Support Contracts, giving the regions capability to present instruction to regional federal personnel, State officials, and essential emergency management and technical training on a region-wide basis, and the capability and flexibility to concentrate instruction in the 31 States that have counterforce risk area targets.

PROGRAM ACTIVITY

In FY 1981 the following work will be done under the program elements listed below.

1. Instructional Programs and Materials Development. Thirteen (13) projects are planned including development of training for staff supporting Federal Coordinating Officers in Presidentially declared emergencies and major disasters; and follow up on 12 projects growing out of developmental work initiated in FY 1980.

2. Maintenance and Operations of FEMA Schools. This element provides for: the internal operating costs of the Emergency Management Institute; the EMI's share of general facility operations; support of attendance of local and State participants; and the services of specialists in selected areas of instruction. It is projected the EMI will instruct 1800 to 2000 participants in 22 different courses, seminars, and workshops.

3. Instructional Materials Reproduction, Storage and Delivery. This is a continuing activity aimed at keeping FEMA regions, States and local governments supplied with instructional materials. In FY 81 six (6) major supply orders will be initiated in the areas of hazard mitigation, emergency management, flood insurance and flood plain management, and radiological emergencies and defense.

4. Training Field Deployment Systems. It is projected that $3.485 million will be allocated to Regional Instructional Support Contracts, providing for 100 man years of instructional services. Approximately 30 man years will be dedicated to providing simulations exercising officials in counterforce risk and their associated host areas. This capability will also provide instruction in the field for:

Regional major disaster reservists
Federal regional and State peacetime emergency coordinators and staffs
Federal regional continuity of government and resource management staffs
Professional development courses for emergency managers
State and local peacetime/war emergency planners
State and local emergency operations simulators
Radiological defense officers
Radiological emergency response planners and defense officers/instructors
State and local staffs with hazard mitigation responsibilities
Architects and engineers
Shelter management officers/instructors
Radiological monitors for fallout shelter, emergency operations and direction and control

Federally regulated lenders
Leaders of private and voluntary agencies involved in hazard mitigation and disaster relief
Local and State elected and appointed officials

It is projected that 110,000 participants will be instructed under the Regional Instructional Support Contracts.

5. Private and Professional Association Training Projects. Three (3) major projects are under this element: seminars for architects and engineers in protective design and hazard mitigation; courses for fallout shelter analysts and shelter technicians; and disaster mass care and shelter management system training via the American National Red Cross. If not done in FY 1980, this latter activity will start with pilot projects in 3 or 4 selected host areas to test the system of Shelter Management Officers/Instructors and Shelter Manager recruitment and training.

6. Emergency Information. Dissemination of public emergency information nationwide utilizing mass communication concepts such as news releases, news photos, fact sheets, speeches by agency officials, briefing materials, general and specialized pamphlets and publications, motion pictures, and radio and television spots.

FEDERAL EMERGENCY MANAGEMENT AGENCY

EMERGENCY PLANNING PREPAREDNESS AND MOBILIZATION

PLANS AND PREPAREDNESS

REIMBURSABLE PROGRAM

PROGRAM HIGHLIGHTS	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981	INCREASE + DECREASE - FY 81 vs FY 80
			(Dollars in Thousands)		
Program Level (obligations).....	-	-	-	-	-
Appropriations.....	-	-	-	-	-
Enacted or Requested....	-	-	-	-	-
Budget Outlays.....	3,206	2,425	2,425	2,146	279

SUMMARY OF BUDGET OUTLAY ESTIMATES

1. SUMMARY OF BUDGET REQUEST

This reimbursable program consists of activities performed for other tenant government agencies when it is determined that the cost/benefits ratio is favorable. The estimate for FY 1981 consists primarily of activities undertaken in support of the U. S. Army Corps of Engineers, Middle East Divsion.

EXPLANATION OF DECREASE

The decrease of $279 thousand is primarily attributable to the phasing out of reimbursable Telecommunications support to the Corps of Engineers.

PROGRAM DESCRIPTION

1. Corps of Engineers $1,860 thousand. The stateside headquarters for this project is headquartered at the FEMA special facility. Administrative, logistical and limited communications support is provided for approximately 400 corps personnel at this location.

2. Cafeteria - $258 thousand. Two cafeterias are operated at FEMA's Western Virginia Operations Office for a two-fold purpose (a) for emergency readiness, and (b) to provide food for employees since the location of the office is remote to commercial eating facilities. Employees are charged for the food and the receipts are applied against the cost of the food and supplies for the cafeteria.

3. Executive Secure Voice Networks (ESVN)-$28 thousand. FEMA provides services to GSA to carry out this project on a reimbursable basis.

FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

HAZARD MITIGATION AND DISASTER ASSISTANCE

For necessary expenses, not otherwise provided for, to carry out activites under the National Flood Insurance Act of 1968, as amended and the Flood Disaster Protection Act of 1973 (42 U.S.C. [Chap. 50], 4001 et. seq.) the Urban Property Protection Act of 1968, as amended (12 U.S.C. 1749 bbb et. seq.), the Disaster Relief Act of 1974 (42 U.S.C. 5121 et. seq.), the Earthquake Hazards Recution Act of 1977 (42 U.S.C. 7701 [77-06] et. seq.), the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 278f, and 2201 [2219] et. seq.), the National Science and Technology Policy Organization and Priorities Act of 1976 (42 U.S.C. 6601, et. seq.) and Reorganization Plan No. 3 of 1978 including not to exceed $500 for official reception and representation expenses [118, 709,000] $113,900,000. (Department of Housing and Urban Development Independent Agencies Appropriation Act 1980; additional authorizing legislation to be proposed.)

FEDERAL EMERGENCY MANAGEMENT AGENCY

FY 1981 BUDGET ESTIMATE
HAZARD MITIGATION AND DISASTER ASSISTANCE
BUDGET PROGRAM SUMMARY
(In thousands of dollars)

BUDGET PROGRAM	ACTUAL 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(In thousands of dollars)			
Insurance and Hazard Mitigation-----	$ 12,370	9,778	10,785	11,379
Fire Prevention and Control--------	12,449	16,389	14,471	13,031
Facilities, Fire Academy----------	3,604	-0-	9,336	8,808
Disaster Relief Administration-----	7,228	9,172	9,393	8,686
Flood Studies and Surveys----------	81,811	74,000	69,500	61,591
Executive Direction----------	11,331	10,956	10,642	10,956
Total Program Obligations----------	$128,793	120,295	124,127	114,701
Change in selected resources------	3,285	---	---	---
Unobligated Balance - Beginning of Year----------	(6,986)	(700)	(4,374)	(801)
Unobligated Balance - End of Year----------	4,374	---	801	---
Unobligated Balance - Lapsing-----	4,155	---	---	---
Budget Authority----------	$133,621	$119,595	$120,554	$113,900
Reimbursable Program--------	$ 849	$ 227	$ 766	$ 246

FEDERAL EMERGENCY MANAGEMENT AGENCY

HAZARD MITIGATION AND DISASTER ASSISTANCE

DISTRIBUTION BY OBJECT CLASSIFICATION

		ACTUAL 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(In thousands of dollars)			
11.0	Personnel Compensation----	$20,206	24,798	24,731	24,969
12.0	Personnel benefits--------	1,982	2,239	2,425	2,438
21.0	Travel & transportation of persons----------	1,481	1,774	1,446	2,082
22.0	Transportation of things--	182	51	236	329
23.1	Standard level user charges	1,211	1,673	1,693	1,212
23.2	Rent, communications and utilities----------	1,415	1,535	1,653	1,364
24.0	Printing and reproduction-	3,513	869	2,880	2,516
25.0	Other services----------	92,038	82,921	81,970	73,436
26.0	Supplies and materials----	425	733	404	540
31.0	Equipment----------	415	92	1,289	415
32.0	Lands and structures------	2,986	-0-	5,400	5,400
41.0	Grants, Subsidies and Contributions----------	2,939	3,610	---	---
	Total Direct Obligations---	$128,793	$120,295	$124,127	$114,701

FEDERAL EMERGENCY MANAGEMENT AGENCY

HAZARD MITIGATION AND DISASTER ASSISTANCE

APPROPRIATION

STAFFING

Insurance and Hazard Mitigation	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
Positions				
Permanent full-time	318	...	335	325
Other	...	...	...	10
Total	318	...	335	335
Staff Years				
Permanent full-time	318.0	...	335.0	335.0
Other	...	...	...	4.0
Total	318.0	...	335.0	339.0
Fire Prevention and Control				
Positions				
Permanent full-time	68	...	68	68
Other	...	...	...	...
Total	68	...	68	68
Staff Years				
Permanent full-time	67.0	...	67.0	67.0
Other	...	...	...	...
Total	67.0	...	67.0	67.0

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
Facilities Fire Academy				
Positions				
Permanent full-time	39	...	79	79
Other	...	...	...	46
Total	39	...	79	125
Staff Years				
Permanent full-time	37.0	...	81.0	79.0
Other	...	...	...	21.0
Total	37.0	...	81.0	100.0
Disaster Relief Administration				
Positions				
Permanent full-time	174	...	174	174
Other	37	...	37	37
Total	211	...	211	211
Staff Years				
Permanent full-time	174.0	...	174.0	174.0
Other	31.0	...	31.0	31.0
Total	205.0	...	205.0	205.0
Flood Studies and Surveys				
Positions				
Permanent full-time	...	...	...	...
Other	...	...	...	...
Total	...	...	...	...
Staff Years				
Permanent full-time	...	...	...	...
Other	...	...	...	...
Total	...	...	...	...
Executive Direction				
Positions				
Permanent full-time	355	...	362	381
Other	...	...	...	...
Total	355	...	362	381
Staff Years				
Permanent full-time	355.0	...	362.0	309.0
Other	...	...	...	...
Total	355.0	...	362.0	309.0

FEDERAL EMERGENCY MANAGEMENT AGENCY
HAZARD MITIGTION AND DISASTER ASSISTANCE
INSURANCE AND HAZARD MITIGATION

PROGRAM HIGHLIGHTS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in thousands)			
Budget Authority.....	12,370	9,778	10,785	10,778	-7
Budget Outlays.....	8,524	---	9,582	10,435	+853

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The 1981 Budget proposes an appropriation of $10,778,000 for salaries, travel and administrative expenses related to the Federal Insurance Administration, and includes funds for research and mitigation activities.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increase in budget authority is the result of increased personnel costs included in the 1979 pay raise.

EXPLANATION OF INCREASES AND DECREASES

The increase in outlays results from more recent cost data.

STAFFING SUMMARY

1. SCOPE OF ACTIVITY

The Federal Insurance Administration administers three Congressionally mandated property insurance programs: the Riot Reinsurance Program, the Crime Insurance Program, and the Flood Insurance Program.

2. WORKLOAD

The Riot Reinsurance Program and the Crime Insurance Program are administered by the Office of Insurance Operations. The estimated amount of Riot Reinsurance premiums and the estimated number of policies in force in the Crime Program for the budget period are as follows:

	ACTUAL 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(Dollars in Thousands)		
Riot Reinsurance premiums.....	1,952	1,170	976	1,170
Crime Insurance policies in force.....	62,818	77,924	72,000	92,000

There are three functional areas in the National Flood Insurance Program, each administered by a separate office. Hazard mitigation and community enrollment is administered by the Natural Hazards Reduction and Evaluation Office; floodplain mapping is administered by the Program Implementation and Engineering Office; and the insurance aspects of the program are administered by the Office of Insurance Operations.

As of January 1, 1978, FIA began utilizing a contractor rather than the government-insurance industry agreement to carry out the insurance aspects of the program. This has increased the Federal role. There has been and will continue to be rapid growth in this program, however, the change to contractor operation does not increase the Federal staff required for the program. The workload indicators representative of the increased efforts in this area are as follows:

	ACTUAL 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
Policies in force.....	1,700,000	1,731,000	1,900,000	2,100,000
Studies initiated.....	791	751	330	367
Studies completed (Cumulative).....	4,488	5,775	6,474	7,646

EXPLANATION OF STAFFING REQUIREMENTS

PERMANENT FULL-TIME POSITIONS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Central Office.....	155	---	185	185	---
Field staff.....	163	---	150	150	---
Total.....	318	---	335	335	---

STAFF-YEARS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Central Office.....	155.0	---	185.0	185.0	---
Field Staff.....	163.0	---	150.0	154.0	---
Total.....	318.0	---	335.0	339.0	---

1. HEADQUARTERS EMPLOYMENT

a. Administrator's Office

No change is proposed for 1981 in this office, which provides overall direction and supervision to the programs.

b. Office of Natural Hazard Reduction and Evaluation

This office is responsible for natural hazard reduction programs as well as the evaluation of all existing and new FIA programs. Programs unique to this office are: 1) State and local programs -- state assistance programs, state self-insurance, special studies, eligibility and compliance; 2) Regulatory--implementation of Executive Orders, environmental impact statements, review and revision of regulations, and floodplain management criteria; 3) Technical assistance--to regional offices, other Federal agencies related to floodplain management, floodplain acquisition in post-disaster mitigation, and in floodplain management information activities; and 4) Program review and evaluation -- development of evaluation procedures, studies of alternative resource levels, analyses of the impact of regional office activities on FIA goals, cost-benefit analysis, as well as program evaluation.

c. Office of Insurance Operations

No change is proposed in the Office of Insurance Operations in 1981. This office is responsible for: 1) underwriting and statistical analysis to provide guidance to the programs, 2) claims including the adjustment of reinsurance claims, the review and resolution of contested claims in crime insurance and flood insurance; and sampling and auditing claims, 3) program insurance advice to service other government agencies in insurance and bonding, and 4) national flood insurance operations to effectively administer the insurance component of the National Flood Insurance Program.

d. Office of Program Implementation and Engineering

No change is proposed in the Office of Program Implementation and Engineering in 1981. This office establishes the methods and techniques for study and elevation determinations of flood hazards, directs the engineering and hydrology studies, and arranges for publication of all maps and related information. This office also serves as liaison between the program and the regional office staffs, provides central office technical assistance, arranges conferences with field staff, has responsibility for operating plans and field evaluations, and has responsibility for map revisions and appeals.

2. FIELD STAFF

No change is proposed in the field offices in 1981. These offices are responsible for the implementation of FIA's programs.

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FEDERAL EMERGENCY MANAGEMENT AGENCY

HAZARD MITIGATION AND DISASTER ASSISTANCE

FIRE PREVENTION AND CONTROL

PROGRAM HIGHLIGHTS

Program Levels	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
	(Dollars in thousands)				
Education	$ 2,558	$ 5,292	$ 3,050	$ 3,191	+$141
National Fire Data Center	3,402	3,895	5,437	5,885	+ 448
Research and Development	5,035	3,894	3,894	4,005	+ 111
Budget Authority	$10,995	$13,081	$12,381	$13,081	+$700
Budget Outlays	$13,409	$11,571	$11,580	$11,580	...

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUESTS

The fiscal year 1981 estimate for Fire Prevention and Control is $13,081 thousand, an increase of $700 thousand from 1980. The increase reflects a rise in personal services costs and within-grade increases. No additional positions are requested.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The decrease in budget authority in 1980 represents Congressional action in the 1980 appropriation.

EXPLANATION OF INCREASES AND DECREASES

	1980	1981
	(Dollars in Thousands)	
Prior year obligations	$10,995	$12,381
Increased pay rates:		
October 1978 raise	+22	...
October 1979 raise	+400	+12
Cost of within-grade increases	+245	+234
Changes in personal services costs due to changes in average employment and terminal leave payments	+737	+257
Changes in printing requirements	-58	+181
Other miscellaneous changes	+40	+16
Total Obligations	$12,381	$13,081

Enacted pay increases are estimated to cost $500 thousand in 1980 and $12 thousand in 1981.

Within-grade increases for employees are estimated to cost $245 thousand in 1980 and $234 thousand in 1981.

Increases in average employment, terminal leave and overtime account for an increase of $737 thousand in 1980 and an increase of $257 thousand in 1981.

Increased printing costs for additional handbooks and issuances related to fire and arson resulted in a net crease of $58 thousand in 1980 and a net increase of $181 thousand in 1981.

Changes in the requirements for various support items such as travel, supplies, special contracts, etc., result in increased of $50 thousand in 1980 and $16 thousand in 1981.

PLANNING AND EDUCATION

The United States Fire Administration's (USFA) planning and education activity consists of the development and dissemination of effective loss reduction programs to States, communities, and high-risk groups. Also included under this activity are the administration and operations costs to direct the accomplishment of USFA program objectives.

The Planning and Education objectives are to develop the States' capacity to deliver tested loss reduction programs to communities, and fire departments and high risk groups; to develop and test strategies to control factors which contribute to rural fire; to guide the communities in developing programs to solve their specific fire problems; to establish a public education evaluation system; to establish an urban fire loss reduction program; and to implement an arson prevention and control program.

The administration and operations objectives are to provide overall management direction, including planning, coordination and evaluation of USFA activities; to coordinate Federal fire protection programs; and to assist in the transfer and utilization of technology.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
		(Dollars in thousands)		
Planning and Education	$2,558	$2,271	$3,050	$3,191

PROGRAM ACTIVITY

Fire education programs targeted to communities and to high risk groups can significantly reduce fire deaths, injuries, property loss and incidence. Documented fire education programs have demonstrated that fire rates can be decreased by as much as 70% when such programs are addressed to specific fire problems and specific high risk groups in geographic regions or communities. The Planning and Education Program conducts research to determine the most effective methods to educate the public and high-risk groups. Tested programs are disseminated to the States and communities through the public education assistance program. Technical assistance in planning, implementation and evaluation of fire education programs is provided to the fire service; Federal State and local agencies; national organizations and associations; and medical and educational groups.

1. Operations. This program provides direction, fiscal, evaluation and planning support to USFA's planning and education programs.

2. Assistance Program. This program is USFA's primary vehicle for delivery of proven fire education programs to the States, communities and high-risk groups. The program has three major functions: (1) provides grants to States to develop their capacity to deliver loss reduction programs to communities and high-risk groups (2) establishes a national resource system to coordinate exchange of program materials among the States and Territories; and (3) provides States, communities and fire departments with technical assistance in loss reduction program planning, implementation and evaluation.

OP&E Assistance Programs include the Public Education Assistance Program (PEAP) which delivers public education and the Master Planning Assistance Program which provides communities with assistance in fire protection and emergency medical services program planning and implementation.

In FY 1981, publication of resource bulletins (public education, arson, master planning, emergency medical services) and public education monographs will continue to provide the fire service with successful methods of increasing the public's fire safety knowledge.

In addition to delivering programs in the field the resource system identifies outstanding local programs and makes them available to other communities. Projects underway in 1980 and scheduled for delivery in 1981 include:

Juvenile Firesetter Counseling Program (0 - 7 years)
Public Education Program Planning
Public Education Evaluation Techniques
Home Safety Survey Implementation
Public Education Resource Catalogue
Cooking Fire Safety Media Kit
Woodburning Stove Safety Kit
Master Planning and EMS Technical Assistance to 40 communities
Master Planning Process Guide
Multi-jurisdictional Master Planning Manual
EMS Resource Catalogue
Fire Department EMS System Design Manual

3. Education, Research and Development. This program develops, through research and testing, effective public fire education program materials and teaching methods. The program is focused on five major areas: (1) planning and management of public fire educational programs. (2) arson prevention and control, (3) residential fire education, (4) fire education programs for special environments, and (5) fire education programs for high-risk group.

Education research and development are carried out in four phases: (1) when a high-risk environment or high-risk population is identified, a needs assessment is conducted, (2) educational and loss reduction strategies are designed, (3) educational materials are developed and then pilot tested, and (4) when fully validated, transferred to the Public Education Assistance Program for broad dissemination to the public and to high-risk groups.

Projects initiated in FY 80 and planned for continuance in FY 81 include:

- Pilot testing media/audio visual materials to be used by local communtiies and fire departments to reduce cooking fires which currently cause 40% of all household fires; to be followed by delivery to the field in FY 81.

- Field testing an evaluation manual to guide communities in monitoring impact of their public fire education programs; to be followed by delivery to the field in FY 81.

- Developing age group manuals on the counseling of juvenile firesetters. A manual for ages 2-7 was produced in FY 80; children of ages 7-14 will be the focus for FY 81.

- Development and dissemination of the Arson Early Warning System was specifically mandated in FY 79. The Arson Early Warning System collected information which was used to break up a $6,000,000 thirty-four member arson-for-profit ring. The System analyzes key housing, insurance code financial and commercial indicators to determine if a building is being set up for arson. The System is being packaged for use in municipalities. In FY 1980, alternative approaches to the development structure and managment of municipal level anti-arson campaigns (including methodology systems for the identification and analysis of specific arson patterns) will be evaluated and synthesized into an arson manual. In FY 1981, this arson manual will be validated and disseminated to the field for implementation along with extensive technical assistance.

- Analyzing the fire safety needs of the handicapped (blind, deaf and movement impaired) and producing public education materials to meet their needs.

- Determining the fire safety needs of poor ethnic groups living in urban envornments and designing public education materials to meet their needs.

4. Administration and Operation. The Office of the Administrator provides for the overall administration, evaluation, and support of the USFA programs; maintains communication and coordinates information between USFA and Federal, State, and local officials, and assists in the transfer and utilization of technology. Specifically, the Office of the Administrator provides overall management of the USFA including Interagency Coordination and Integovernmental Affairs. The Office of Program Planning and Evaluation provides staff support for overall planning of USFA programs, updates the Five year Plan annually, provides management of information reports, evaluates USFA programs, and develops the National Fire Plan. The Office of Technology Utilization provides assistance to the Administrator and all USFA components in the transfer and utilization of technology and acts as the USFA Central Point for users of fire prevention and control technology.

NATIONAL FIRE DATA CENTER

PROGRAM DESCRIPTION

The work of the National Fire Data Center assures that accurate, timely information on the fire problem in the United States is available, with enough detail, for comparing fire with other national problems, setting priorities among fire programs, targeting fire protection programs to the groups most in need, identifying alternative solutions to fire problems, and assessing progress over time. The Data Center also helps public and private agencies use available information to make better fire protection decisions. In the most critical fire problem areas identified, the Data Center conducts the research and development necessary to bring new or improved technology to bear on these problems.

The objectives of this program are to develop an accurate measure of the magnitude of the Nation's fire problem and its major characteristics and trends; to assist State and local governments in improving their own fire data systems; to undertake in-depth investigations of selected types of fires; to have fire data used on the local, State, and Federal levels for making more rational decisions on remedial programs, regulations and codes, and resource allocations; to assist other government agencies and private organizations in using fire-related data; to apply technology to reduce losses from fire for both civilians and firefighters, concentrating particularly on the kinds of fires that cause the biggest parts of the problem; to improve personal protective equipment for firefighters; to evaluate and improve fire detection and suppression devices for residences; to improve the effectiveness of fire safety codes, standards, and regulations, and the enforcement and administration of these codes by State and local officials; to develop and implement a fire reference service which collects, classifies, and disseminates information to the fire community; and to provide USFA with computer data processing support and statistical consulting.

	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE FY 1980	ESTIMATE FY 1981
		(Dollars in Thousands)		
National Fire Data Center	3,402	6,551	5,437	5,885
Operations and Planning	150	300	156	179
Fire Data Systems	557	1,681	1,572	1,692
Computer Systems	387	400	365	395
Data Analysis and Management Studies	418	1,475	1,091	1,181
Home and Public Building Safety	1,082	1,290	1,104	1,195
Firefighting Safety, Health and Technology	242	580	442	478
Federal and Industrial Applications	145	215	171	185
Data Dissemination and Use	421	610	536	580

PROGRAM ACTIVITY

A coherent body of accurate and dependable data is needed for decision making by the USFA, Federal, State and local governments, the fire service, researchers and technicians, educators, and others concerned with fire prevention and control. The National Fire Data Center is developing a fire data base by tapping existing data sources whenever possible and developing new ones to fill major gaps and improve validity. Even these "new" sources are largely a matter of getting existing State and local data systems to use a common language and collect a common core of

data. The collected information, statistical and non-statistical, is analyzed and made available to Federal, State and local governments and other public and private agencies to identify problem areas, select the appropriate course of action, and evaluate program progress over time. And, as important, the Data Center is helping States and local communities improve their own fire data systems so they can do these same things for themselves.

The fire technology activities of the Data Center identify, refine, and transfer technologies that can improve fire safety, for civilians and firefighters. The R&D undertaken is that which has high commonality for fire departments and communities across the Nation, and is too large for individual departments or private sector organizations involved in the fire protection field to undertake on their own. The emphasis in home safety (where 2/3 of U.S. fire deaths occur) is on promoting development in the private sector of automatic detection and suppression systems that show cost-effective potential for fire loss reduction. These include smoke detectors, remote alarms, and sprinkler systems. The emphasis in non-residential structures is on code administration and enforcement. The emphasis in firefighter safety and health is on advancing the development of firefighter protective equipment and promoting preventive health measures, such as physical fitness programs, to reduce firefighting's high death and injury rates, particularly heart-attack-caused deaths. The emphasis in management studies is on tools for resource allocation in local fire departments, especially tools for allocating manpower.

1. Operations and Planning. This element plans, administers, and evaluates the Data Center's activities to assure accomplishing objectives with efficient use of staff and funds.

2. Fire Data Systems. While many States and most local fire jurisdictions collect fire data, the collected statistics still are frequently not compatible and do not present a cohesive picture of the U. S. fire experience. One major objective of this program is to collect the data needed to develop an accurate statistical picture of the U. S. fire experience in order to identify trends as well as differences from place to place, and to have enough data so that the details, particularly the cause, of particular types of fires can be determined on a statistically sound basis.

Since fire problems differ from one community to the next, the second major objective is to help States and cities in initiating or upgrading their own fire reporting systems; the special feature is that these systems produce data that describes the fire situation unique to each community and State, and at the same time produce information compatible with the national system so that data from across the country can be added, and communities can compare themselves to each other on a standard base. It should be pointed out that the Nation's fire service is voluntarily making a tremendous contribution of effort in this. The Data Center's role is to coordinate the program and only do the things needed to aid development that can't be done locally, such as computer software development and standardization.

The program: (1) gathers statistical data on fires, including the causes of fires, the types of property involved, the number and circumstances of deaths and injuries, and dollar loss through the National Fire Incident Reporting System (NFIRS) and other sources; (2) provides technical support and partial financial assistance to aid States and major cities; (3) collects fire-related data from other public and private sector sources; (4) operates an on-the-scene investigation program to collect in-depth data on selected types of serious fires; (5) produces and distributes quarterly feedback reports to participating States, and (6) provides partial support for an annual NFIRS Users Conference, so that ideas on solving problems in implementing the data systems can be shared, and so that the States can recommend how the Data Center could make NFIRS more useful.

By the end of FY 1980, 36 States and the District of Columbia will have joined the NFIRS. In FY 1981, seven new States will be added to the network. These States will be provided technical support, computer software, and partial financial assistance. The seven states that joined the NFIRS in FY 1980 will be given second-year grants. Data collection will increase for the states that joined the network previously. Our quality control program will be continued. Procedures will be put into use in 60 communities in each of nine NFIRS states, thereby increasing the confidence with which the data can be used at the local, State, and national levels. This improved quality control is particularly important for local community use. The local data must be accurate because only a relatively small amount of information might be available in any one community for a particular fire problem; the smoothing effect possible with masses of data at state and national levels is not often possible at the local level.

Collection of data from sources other than the fire service will be continued. In-depth investigations will be made of selected major fires (high death or high property loss) that occur. Sets of in-depth investigations of fires representing key problems will be selected and funded jointly with the Consumer Product Safety Commission and DHUD. Heating-related fires particularly will be investigated since this problem has jumped out ahead of all other fire causes and is expected to continue because of the increasing use of wood-buring stoves, fireplaces, and other supplementary heating devices.

3. Computer Systems. This program develops and uses computer software to meet Data Center and other USFA requirements, and arranges for computer terminals needed at USFA. At the present time, USFA does not plan on purchasing its own computers, but will continue to rent government or private computer services. Program planning is coordinated with FEMA's Operations Support Staff Office.

The primary responsibility here is the development, installation, and maintenance of NFIRS software in participating States. This program is in the Data Center because it is an integral part of the NFIRS program's technical assistance to states. In addition, this program element provides ADP support for the NFIRS data base, national fire loss estimates, Federal and industrial applications, USFA library cataloging, and USFA administrative systems.

It is expected that over a million fire incident records will be entered into the system during FY 1981. Special reports will continue to be produced from the NFIRS data base for Data Center analysis, Congress, other Federal agencies, the fire service, industry, and others.

d. Data Analysis and Management Studies This program analyzes the data from NFIRS and other sources to produce national fire estimates, to help identify fire problems and establish priorities among them, and to suggest remedial actions. The program evaluates the validity of NFIRS data and determines how to improve its quality. In addition the program completes analytical studies which help fire department management improve the ways they provide fire protection services. It also evaluates selected fire protection programs, and provides technical consulting to other USFA programs on statistical methods and experiment design.

In FY 1981, the program will continue to produce annual estimates of the national fire experience, defining trends in its magnitude and characteristics, including more detailed analyses than any previously published, and estimates for selected States and communities.

Data will be analyzed on several critical characteristics of fire departments and communities to produce important gross measures of risk, so the true threat of fire and its changes can be assessed at the local and State levels.

Data will be collected and analyzed to quantify fire suppression effectiveness at various crew sizes. This is the second phase of an effort, begun in FY 1980, to provide objective information that local fire protection decision makers can use in arriving at suppression policies in an improved and better-informed manner.

The national estimates of the U.S. fire problem is used by OMB, Congress, and various Federal agencies for assessing priorities of fire vs. other national problems and for assessing progress over time.

A characterization of fire problems is provided with sufficient specificity that individual communities and States have a baseline for evaluating their own problems. Results are published in USFA's annual Fire in the United States; a brief Highlights of Fire in the U. S. is distributed to Congress, State and local officials, fire departments, and others.

Fire and casualty data will be analyzed to "hone in" on facts of newly emerging or intense fire problems. For instance, heating system fires have recently replaced cooking as the leading cause of fires due to increased use of space heaters, wood-burning stoves and fireplaces by the public. A series of easily understood analytical reports, getting out hot "new" news quickly on 10-15 topics will be produced and distributed in addition to the national estimates annual report.

This program is also responsible for determining the magnitude and characteristics of firefighter health and safety problems in order to identify and evaluate programs, and protective clothing and equipment for reducing these problems.

In 1981 we will pilot-test a firefighter death and injury data system add-on to NFIRS in two states, collect actual data on firefighter duty-caused deaths and injuries from a sample of communities, and publish findings on the severity and major characteristics of firefighter health and safety problems to increase awareness in the fire service of such things as the most dangerous types of buildings, what injuries occur at what ages, and what specifically causes most injuries. We will also develop an analytical method fire departments can use to identify their most serious long-term occupational health hazards. Our program to improve protective equipment and promote safety programs in fire departments to reduce the problems identified here is described in section f. Firefighting Safety, Health, and Technology below.

5. Home and Public Building Safety. This program applies existing technology or develops new technology to improve life safety and property protection in buildings. It also improves the effectiveness of code administration and enforcement.

Two-thirds of all fire deaths due to fire occur in people's homes. Recent findings on smoke detector effectiveness and a breakthrough in sprinkler systems technology suggest that adding automatic detection and suppression systems to homes is a practical and effective way to reduce residential fire casualties and losses.

In 1979 the Data Center presented the first national statistics on the effectiveness of smoke detectors. We found that, when a fire in your home occurs, you are half as likely to die if you have a smoke detector than if you don't. We also know that even though 20% of U.S. households had detectors in 1977, only 5% of the homes that had fires had detectors -- the detectors are not where they are most needed. To further the use of detectors, the Fire Data Center, in 1979, published a survey of

State and local ordinances that require smoke detectors in homes. In 1980 a comprehensive program aimed at the 21 State legislatures that have not yet adopted smoke detector legislation will be conducted. This effort should also promote stricter laws at the local level.

Since a critical factor in market acceptance is the reliability of detectors, in FY 1981, in addition to continuing our promotion campaign, we will improve smoke detectors by continuing to evaluate their reliability in actual fires; pilot-testing a portable device for checking the sensitivity of installed detectors; analyzing defective detectors; and developing revised manufacturing standards as required.

Sprinkler systems, which have a long established record of reducing fire loss in industry and public occupancies, are being adapted for homes. The Fire Administration has led this effort working with the voluntary standards community and leading manufacturers. Communities such as Fresno, California, that are encouraging widespread sprinklering of both their nonresidential and residential occupancies are realizing reduced dollar loss from fire, reduced insurance premium rates, reduced fire department operating costs, and, most importantly, a significant increase in life safety for their citizens.

In the summer of 1979 a technological breakthrough occurred: a new, quick-response, highly reliable sprinkler head was developed. This head, by responding to a fire early in its development, keeps the fire, smoke, carbon monoxide, and heat to a safe level, requires less water, and operates off the existing domestic plumbing. Reliability and cost are the more important factors that will determine sprinkler systems acceptability to homeowners. A new sprinkler manufacturing standard is now being established, which is necessary before commercial manufacture can begin. By the end of FY 1980 the Fire Administration will have demonstrated the feasibility of the new quick-response head and low-cost sprinkler system for single-family homes. Also during FY 1980, feasibility tests including economics of sprinkler systems for new homes are being completed in the field.

In FY 1981 the sprinkler program will promote marketplace acceptance of sprinklers for new homes. A study will be made of the product acceptance problems. An education campaign for the public and the home building industry will be conducted to overcome the problems. To have an even greater impact on fire loss reduction our home sprinkler system will be adapted to retrofit existing homes. Performance requirements for a retrofit system will be established, candidate designs will be identified and tested, and solutions to installation problems such as hook-up restrictions and backflow will be identified and resolved.

Similar but much more limited work will be undertaken in 1981 to evaluate the effectiveness of residential remote fire alarm systems which are currently being installed in new home developments in various parts of the country. Serious problems with false alarms by these systems needs to be solved before widespread promotion can be advised. We believe our work with improved smoke detectors and other fire sensing technologies will contribute to resolving this problem.

Concentrating resources on residential safety results in a relatively limited effort in public building safety. We are not reviewing and evaluating individual fire codes and have only recently laid some preliminary conceptual groundwork for Fire Safety Effectiveness Statements as authorized under Sections 12 and 13 respectively of the Federal Fire Prevention and Control Act of 1974. Since fire safety code enforcement has proven to be a continuous problem in the United States, in FY 1981 we will develop code guides and management handbooks to assist State and local officials in improving inspection program management and the enforcement of codes.

6. Firefighting Safety, Health, and Technology. Firefighting has death and injury rates among the highest of any occupation. We estimate, based on the most recent census of firefighter deaths, that there are 175 deaths per year in the line of duty; over half are caused by heart attacks. In addition, there are over 50,000 injuries per year sustained at the fire scene. Also, while a more definitive study is needed, it has been estimated that it costs a community up to $250,000 for each disabled firefighter.

Field experiments have demonstrated that safety programs can reduce fire-fighter injuries and fatalities by as much as 35%. Individual fire departments have documented a reduction in injuries as a result of adopting preventive techniques such as: mandatory wearing of breathing apparatus; physical fitness programs; early warning indicator physical exams for cardiopulmonary diseases; and the use of improved protective equipment.

A number of organizations have spoken out on the importance of improving firefighter safety and health to State and local government employees, and citizens. The Intergovernmental Science, Engineering and Technology Advisory Panel (ISETAP) in its 1978-79 "needs identification process" rated firefighter safety as its number two priority problem in the fire-disaster-preparedness area. ISETAP, which is comprised of 20 Governors, mayors, city managers, and county managers advises the Executive Office of the President and the President's Science Advisor on the type of research the Federal government should support to assist State and local government.

At the request of ISETAP, the American Association for the Advancement of Science convened a workshop of national experts to identify the type of research needed in the area of firefighter safety. This group recommended that a research program be focused on four areas: Identification and analysis of the Causes of Firefighter Death and Injury; Firefighter Protective Equipment and Tools; Firefighter Physical Fitness; and Firefighter Management and Operational Techniques

The International Association of Firefighters has also expressed its concern about the need for more firefighter safety and health work in testimony before Congress and in discussions with the U. S. Fire Administration. In addition, President Carter in his Proclamation of August 15, 1979 on the occasion of Firefighter's Memorial Sunday stated, "Because of my grave concern for the firefighters of this county, I have urged the Federal government to undertake numerous programs aimed at reducing the dangers faced by this country's firefighters. We must do more to reverse the trend toward more injuries and deaths of firefighters."

In FY 1980 the Data Center is increasing work on fire-fighter health and safety. In addition to the analysis of the firefighter safety problem described in Data Analysis and Management Studies above, by the end of FY 80 we will have studied the toxic environment of working fires; and determined requirements and designed prototypes of firefighter protective clothing designed for significantly greater protection at less weight and an acceptable market cost; and started a study of the causes of acute and chronic diseases in the fire service.

In FY 1981 this program will accomplish the following:

- Finish Field-testing the firefighter protective clothing outfit developed during the past three years by USFA with NASA and industry. Determine and publish the design and manufacturing specifications, and performance standards which will be incorporated into the voluntary standards used by fire equipment manufacturing firms. Conduct product awareness programs for the fire service community on improved protective clothing.

- Based upon performance evaluation, develop and promote an improved physical fitness program for the firefighter that will insure that he can perform his duties efficiently; to reduce the high incidence of cardiovascular problems; to reduce the incidence of sprains and strains which are among the leading types of injuries to firefighters.

- Identify safety programs in use, where data is available from the fire departments that shows they are effective, and disseminate information across the fire field so departments can follow the success of others.

7. Federal and Industrial Applications. This activity is the contact office in the Data Center for Federal agencies and private industry organizations that want to use the NFIRS data. Fire data and supporting published information concerning consumer products, manufacturing standards, construction materials, and a diverse range of other topics important in fire protection are selected, analyzed, and provided to these "critical actor" groups. This activity was begun in FY 1979 when sufficient data started to be available from the NFIRS data base for this purpose. The program will continue in FY 1981, providing hard data for targeting the fire programs of other Federal agencies; promulgating cost-effective, fire-related Federal regulations (data may stop ill-advised regulations as well as support good ones); responding to fire information needs of other Federal agencies; and promoting the design and regulation of fire-safe buildings and products through the industry's trade associations and voluntary standards committees.

8. Data Dissemination and Use. In FY 1980 this program was increased to help get fire data used, not just collected, at State and local levels. This program makes findings clear enough so busy fire service officers, firefighters, State and local officials, and other "user groups" can grasp results quickly. Complex statistical information, equipment design specifications, and other research results are translated into clear graphics and simple English. This is the important last step in turning Data Center activities into impact in the field.

In addition to publishing and disseminating all Data Center products, and preparing articles for fire and trade journals, this program is responsible for the quality control of all USFA publications and audio-visual products through the Editorial Review Board, and the updating and distribution of USFA's Publication Catalog to inform the fire community, industry, government officials, and others of what's been produced and where it's available.

The third objective of this program is to provide basic library and reference service to the USFA staff and to provide bibliographic tools that help the fire service, local government, industry, Congress, and others access the published literature relevant to fire. The operating premise of the USFA Fire Library is not to provide expensive one-on-one services, but rather to help others help themselves by developing bibliographic guides and search tools. The program uses existing Federal and non-Federal information services to the greatest extent possible and channels information requests to other services whenever that is appropriate.

In addition to basic library service for the USFA staff and responding to a limited number of requests for technical information for the staff, the fire service, and others, the Library will continue production of the bi-monthly publication, Fire Technology Abstracts, which identifies and indexes for retrieval much of the book, journal, and report literature not covered in other sources.

RESEARCH AND DEVELOPMENT

PROGRAM DESCRIPTION

The USFA research and development activity contains a major portion of the Fire Research Center at the National Bureau of Standards in Gaithersburg, Maryland. The Fire Research Center provides improved planning, research and technology necessary to decrease significantly fire-caused deaths, injuries, and economic losses, and to improve the effectiveness of fire protection.

The goal of the Fire Research Center is to provide the needed knowledge for making rational and cost-effective choices among alternative strategies of fire prevention and control which can help eliminate fire as an obstacle in the pursuit of other national needs. The approach of the Fire Research Center is to concentrate a combination of in-house and extramural research in three thrusts: 1) providing the technical basis for the most effective use of existing and emerging technology such as fire detection and suppression systems, methods of reducing unwanted ignitions, and improved methods of detecting arson; 2) measuring and predicting the fire risk posed by materials, designs, products, and practices, including identifying the important fire phenomena which govern fire initiation as well as its spread and growth and toxicity of its combustion products, and test methods for controlling these important fire properties; and 3) synthesizing fire science and engineering technology into decision and design options of known risk and cost by the application of probabilistic and systems analysis techniques to real fire problems. Building upon a basic fire research program at the National Bureau of Standards this program provides results in the form of technical information, as well as proposed test methods, design concepts, recommended standards and practices, of utility to standards-setting bodies, state and local regulatory officials, other Federal agencies (particularly the U. S. Fire Administration), industry and the general public.

The Center will translate basic research findings on smoke movement into performance and design requirements for smoke control systems and proof test using full scale tests. New information developed and technical support on control of smoke movement will be provided to the Academy in FY 1981 as part of the process of updating the existing course on Fire Safety Building Design. Recommended changes to NFPA 90-A 2nd model codes will be submitted and a handbook prepared for the American Society of Heating and Air Conditioning Engineers.

Also in FY 1981, a pilot program to evaluate the state-of-the-art in analytical aids to arson detection will be established, and a guide will be published that surveys the equipment available and its capabilities to assist in arson investigation in both the lab and field.

FEDERAL EMERGENCY MANAGEMENT AGENCY

FACILITIES, FIRE ACADEMY

PROGRAM HIGHLIGHTS

PROGRAM LEVELS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in thousands)			
Budget Authority.....	$ 6,400	$ 8,808	$ 8,808	$ 8,030	-$ 778
Budget Outlays.....	3,523	7,434	7,434	6,745	-$ 689

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The fiscal year 1981 estimate for Facilities, Fire Academy is $8,030 thousand, a decrease of $778 thousand from 1980.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

There is no change in the current 1980 Budget Estimate from the original 1980 Budget Estimate.

EXPLANATION OF INCREASE AND DECREASE

FY 1981 amounts do not reflect the one time facility start up costs, i.e., furniture and furnishings for the buildings, which was purchased in FY 1980.

PROGRAM DESCRIPTION

This budget activity provides funds for the advancement of the professional development of fire service personnel and others engaged in fire prevention and control activities. The Academy is organized into three program areas: operations, planning and evaluation; education and training development; and assistance programs.

BUDGET REQUIREMENTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Operations, Planning and Evaluation.....	$ 584	$ 3,920	$ 3,920	$ 4,110	+ $ 190
Education and Training Development.....	2,274	3,360	3,360	2,420	- 940
Assistance Programs.....	665	1,528	1,528	1,500	- 28
Total Requirements.....	$ 3,523	$ 8,808	$ 8,808	$ 8,030	- $ 778

PROGRAM ACTIVITY

1. Operations, planning and evaluation:

   a. This program provides overall guidance and administration of the Academy system. The program also provides for administrative staff support to the Board of Visitors, which reviews the programs of the Academy annually and makes recommendations to the Administrator, U. S. Fire Administration, and the Director, Federal Emergency Management Agency, regarding the operation of the Academy. This program also provides short and long range planning; budget planning; facility management particularly relating to the resident site; and overall Academy data information systems, as well as evaluation of the total Academy effort.

2. Education and training development:

   a. The National Fire Academy develops and delivers programs to improve the ability of the fire service and others in reducing fire losses. Courses are being developed, based upon educational research, while maximum advantage is being taken of already existing and tested programs. The Academy is developing a nationwide delivery system which utilizes and complements existing state and local educational efforts. The Academy program will serve as the hub of a nationwide network which disseminates educational programs to and through existing fire training schools, fire science programs in community colleges, and fire management and fire protection engineering programs at the college or university levels.

   b. This program develops the course material which will be tested and delivered by the Academy system. The National Survey on Training and Education conducted during 1975 and 1976 recommended that the Academy offer courses responsive to fire service and fire protection practitioner needs. This survey verified that training and education are severely lacking in quality and quantity throughout the Nation. For example: 70 percent of the fire departments do not require officer development training: 60 percent do not conduct inspector training; 24 states do not provide fire prevention training. Where education and training is provided, often it is not based upon sound principles of educational technology or fire safety practices. Fire losses in the United States are primarily affected by decisions made by people on the State and local level. To reduce fire losses, more technically qualified people are needed and, through them, more informed decisions must be made.

3. Resident Program:

   The Academy has recently undergone many changes with the opening of the Emmitsburg site and the increase in staffing to operate this facility. Along with these changes has been a complete review of course offerings, program objectives, and target audience needs. As a result, the educational program for FY 1981 will be restructured into a more unified, integrated curriculum with emphasis on two major program areas: Fire Protection Management and Fire Service Technology.

   a. The Fire Protection Management Program will be directed at different officer levels and divided into three specific areas of concentration: Emergency Incident Management, Fire Prevention and Loss Management, and Fire Service Management.

      (1) The Emergency Incident Management area of concentration will serve the emergency scene commander and is designed to provide a broad background to deal with various types of emergencies. Course subjects in this area will include emergency incident and disaster management, and management of various types of fire scenes such as rural, wildland, aircraft, high rise, hazardous materials, and pesticides.

(2) The Fire Prevention and Loss Management area will focus on the prevention of fires and structural fire protection. This area will include such subjects as fire inspection, codes, building design, fire protection systems, and fire safety education. In addition to fire service personnel, individuals in allied fire protection professions will have an interest in this area of instruction.

(3) The Fire Service Management area will deal with the non-fireground aspects of managing and administering a fire department. Subjects in this concentration will include: executive development, personnel management, budgeting in a political environment, master planning, fire service and the community, management of training and physical fitness programs and evaluating productivity.

b. The Fire Service Technology Program will include specialized courses, such as: Fire/Arson Investigation and Education Methodology, along with courses to meet emerging needs. In addition, this program area will include a series of courses covering the broad area of technical skills and knowledge required by the firefighter in nonmanagement positions. Subjects included for the firefighter in this technology series will include: basic firefighter skills, fire apparatus and pump operations, emergency communications, fire company operations and fire apparatus mechanics. This latter series of technical training will be provided through the Outreach Program.

c. Outreach Program - The Outreach program will have an emphasis on the volunteer department and is designed to present courses off-campus to address local needs. This program will include portions of both the Fire Protection Management Curriculum and the Fire Service Technology series mentioned above. The Academy Faculty delivering the Outreach courses will be supplemented by contract or local instructors. Each geographical area will be assessed to determine particular education and training needs, and the desired courses will be offered at locations convenient to the students.

An integral part of the Outreach Program is the Open University Program which permits firefighters access to higher education across the country in recognized universities. It also permits participation by those firefighters who, because of distance or time limitations, normally would not pursue higher education.

d. Train-the-Trainer - It is noted that several of the courses in both the Fire Protection Management and the Fire Service Technology Programs are being developed in the train-the-trainer mode. This method of delivery will result in maximizing the effectiveness of our impact on the education and training of fire service personnel throughout the country.

4. Assistance Programs

The National Survey on Training and Education also indicated a lack of commitment by many state governments to organize or fund fire service education and training programs. The report futher stated that "the fragmentation of fire service training in some states results in the absence of identifiable organizations of agencies through which Federal programs can be routed." This results in fire service personnel being deprived of education and training necessary to provide the best protection to their communities. The Assistance Program allows states to establish organizations and develop plans so that appropriate education and training is provided to fire service personnel and others through the State.

FEDERAL EMERGENCY MANAGEMENT AGENCY

HAZARD MITIGATION AND DISASTER ASSISTANCE

DISASTER RELIEF ADMINISTRATION

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in thousands)			
Budget Authority.....	$ 7,228	$ 9,172	$ 9,393	$ 8,686	---
Budget Outlays.....	7,228	7,991	7,991	8,001	+10

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The fiscal year 1981 estimate for administrative expenses is $8,686 thousand, which include both regular administrative expenses and those for the Temporary Housing Program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The increase in budget authority in 1980 represents an increase in personnel costs caused by the 1979 pay raise.

PROGRAM DESCRIPTION

Personnel who coordinate the disaster relief program are responsible for administering a comprehensive national program of Federal disaster assistance, including both preparedness and response activities. When a disaster strikes, Federal Emergency Management Agency (FEMA) personnel evaluate the damage and requirements for Federal assistance; develop recommendations to the Director and the President for major disaster or emergency declarations; administer the President's Disaster Relief Funds for providing assistance under Public Law 93-288; and coordinate assistance by other Federal agencies and voluntary organizations. In addition, FEMA administers preparedness and operational readiness programs.

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The types of assistance provided to disaster victims include:

- assistance to individuals, such as temporary housing; mortgage and rental relief payments; unemployment assistance; loans to individuals, businesses, and farmers; distribution of food coupons; grants to individuals; legal services; and counseling.

- assistance to States and local governments, such as financial grants or direct Federal assistance for debris clearance, protective and health measures; repair or replacement of roads, bridges, sewer and water system, public buildings and equipment, and public utilities; and funding for repair or replacement of private, non-profit facilities serving the public interest.

- other forms of assistance, such as grants to assist States in developing and improving plans, programs and capabilities for disaster preparedness and response; and other programs and activities designed to prepare for, or minimize the effects of, natural disasters.

Program Offices and their responsibilities are as follows:

a. Associate Director: Provides overall direction, coordination and management of Federal disaster response and recovery activities.

b. Public Assistance Office: Monitors, develops policy and guidelines, and provides engineering and technical assistance on the public assistance programs.

c. Individual and Family Assistance Office: Directs the mobile home program, and monitors, develops policy and guidelines and provides staff assistance on all individual assistance programs.

d. Federal Response Coordination Office: Responsible for program coordination activities as they relate to disaster response across the board, as well as special projects.

e. Program Support Office: Responsible for disaster response and recovery resources allocation, internal management and administration, the declaration process and reports.

f. Regional Offices:

(1) Provide direction and overall coordination for the Federal disaster assistance program activities delegated to them by the Director.

(2) Direct and administer Federal disaster assistance authorities in the several States constituting the respective Region. Provide overall direction, coordination, and management of Federal disaster preparedness and assistance activities at the Regional level.

There is a continuing workload in operational readiness activities and general program management, including program and administrative support. On September 30, 1979, FEMA was administering 146 open disaster agreements. The workload in fiscal year 1981 is expected to continue at approximately the same level. The magnitude of the workload, and the extent to which temporary augmentation staff are used, will vary with the level of disaster activity.

EXPLANATION OF STAFFING REQUIREMENTS

	PERMANENT FULL-TIME POSITIONS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Total	211	228	174	174	....

No additional staffing is required.

	STAFF-YEARS				
	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Total	205.0	225.0	205.0	205.0	....

FEDERAL EMERGENCY MANAGEMENT AGENCY
HAZARD MITIGATION AND DISASTER ASSISTANCE
FLOOD STUDIES AND SURVEYS

PROGRAM HIGHLIGHTS

Program Level	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Budget Authority.....	85,096	74,000	69,500	61,591	- 7,909
Budget Outlays.....	78,077	---	81,900	66,291	-15,609

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The FY 1981 Budget proposes $61,591,000 for studies and surveys for the National Flood Insurance Program.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The reduction in budget authority is a result of Congressional action contained in the FY 1980 HUD-Independent Agencies appropriation.

EXPLANATION OF INCREASES AND DECREASES

The decrease of $7.9 million in budget authority results from the current redirection of the National Flood Insurance Program whereby resources are shifted to the area of technical assistance which better fulfills the purpose of the program.

The reduction in outlays results from the decrease in budget authority.

PROGRAM DESCRIPTION

1. Legislative Authority. The National Flood Insurance Act of 1968 authorizes a National Flood Insurance Program. This program enables property owners to buy insurance against losses resulting from physical damage to or loss of real or personal property arising from floods.

Amendments to the program which were enacted in December 1969 expanded the definition of "flood" to include mudslides (i.e., mudflows) caused by accumulations of water, which cause a river of mud to slide down a hill causing property damage to buildings and provided for a temporary emergency program to speed up the availability of coverage. Additional amendments enacted in 1971 clarified the types of coverage.

The Flood Disaster Protection Act of 1973 (P.L. 93-234), effective December 31, 1973, further amended the program. The Act substantially increased the limits of coverage and made other changes in available insurance coverage. In addition, the Act provided strong incentives for the purchase of flood insurance and for community participation, designed to reduce future flooding and Federal disaster relief outlays.

The Act also required consultation with appropriate elected officials of local governments regarding the community's flood hazard, established procedures for communities wishing to appeal FIA determinations regarding the flood hazard, and repealed the prohibition against payment of Federal disaster assistance benefits for losses to property eligible for flood insurance.

The Act was amended in 1974 to require lenders to notify borrowers when the property they wished to purchase is in a flood hazard area and to allow special consideration for actuarial rates in areas where Federal flood protection works are underway.

In 1977, the Act was amended to increase the limits of coverage under the regular program, provide reimbursement for map appeals under some circumstances, and provide low interest loans for reconstruction in floodways and eliminate the requirement for federally related mortgage institutions to require flood insurance in nonparticipating communities.

The Act contemplates a dual approach to the problem of flood damage. Insurance will be available on a subsidized basis for existing structures and at risk premium (actuarial) rates for new structures to cover flood losses; and, as a condition for availability of insurance, communities must also adopt and enforce flood plain management measures to reduce the probability and severity of damage.

In order to accomplish the above, flood-hazard areas had to be identified initially. During FY 1979, it was determined that the identification process was significantly well enough underway so as to change the emphasis of the program towards hazard reduction or hazard mitigation. Technical assistance efforts relating to floodplain management are being expanded to this end. The activities associated with the change in emphasis will ultimately provide the payoff to the taxpayers for the costs of identification and insurance subsidies. The amount of unsafe construction in the nation's floodplain will be reduced at an increasing rate, thereby lowering the increase in government liability that has occurred in the past.

Commencing in 1979 with the creation of FEMA, the main focus of hazard mitigation was expanded from flood activities to a broader mitigation role.

2. Flood Plain Management Measures. Flood insurance can only be offered in areas that adopt and enforce flood plain management measures. Criteria have been

--To restrict the unwise and unsafe development of land exposed to severe flood damage;

--To guide the development of proposed construction away from areas threatened by severe flood hazards;

--To provide minimum building safety standards for any structures which may be constructed in such areas;

--To assist in reducing damage caused by floods; and

--To improve the long-range land management and use of flood prone areas.

a. Notification to Flood Prone Communities. Section 201 of the Flood Disaster Protection Act of 1973 requires the Agency to publish information on known flood prone communities and to notify them of their tentative identification as such. To accomplish the task, the Federal Insurance Administration (FIA) issues a Flood Hazard Boundary Map to each flood prone community. The community must thereafter either apply for participation in the program or satisfy the Director that it is no longer flood prone. A hearing may be granted to resolve disputed cases, but the Director's decision is final.

During the early stages of preparing Flood Hazard Boundary Maps, certain technical and administrative problems were encountered. These have been overcome through close cooperation between FIA, the States and the communities. Communities are now given time to comment, prior to placing the maps in effect, in order to provide a forum for community input. As of the end of December 1979, maps had been rescinded and more revised. In addition, determinations to eliminate individual lots from the flood plain were issued. The Agency continues to work closely with the communities on any difficulties that develop.

There are approximately 19,000 known flood prone communities in the nation, many of which have come to FIA's attention since the passage of the 1973 Act. As information becomes available concerning other flood prone communities, the Director is required to notify these communities of their status.

b. Community Eligibility. Flood insurance coverage is available only in communities which have been designated as eligible by the Federal Insurance Administrator. In order to qualify for the sale of flood insurance, the community must:

--Adopt and enforce flood plain management measures which meet minimum Federal standards designed to minimize exposure of future construction to flood hazards; and

--Officially apply for participation in the National Flood Insurance Program.

Although a community may enter the program at any time, it should take these actions within one year after being notified of its flood prone status. Should the community fail to do so, no Federal financing is available for the acquisition or construction of buildings in identified areas of special flood hazard--with the exception of special provisions for previously existing and occupied structures--until the community enters the program or the Administrator revokes the identification.

3. Insurance Program.

a. Regular Program. The program authorized by the 1968 Act envisions the study of each area in which flood insurance is made available in order to determine the insurance premium rates which would be required--on a sound actuarial basis--to pay all expenses and losses over a reasonable period of years. As a basis for the establishment of such rates, contracts are entered into with other Federal agencies (U.S. Corps of Engineers, U.S. Geological Survey, etc.) or with qualified private firms to develop data, such as flood frequency and depth damage relationships, necessary for setting actuarially sound premium rates. The requested appropriation is for this purpose.

Recognizing that the studies could not all be undertaken at once and that there would be delays in a community becoming eligible for the regular program, Congress enacted emergency provisions in 1969, making it possible for the Administrator to designate a community as eligible for flood insurance without the necessity of waiting for completion of the ratemaking study, thus accelerating the extension of insurance availability to new areas.

b. Emergency Program. Pursuant to the Housing and Urban Development Act of 1969, as amended, flood insurance may be made available until September 30, 1980, for participating areas prior to establishment of actuarial rates. Floodplain management measures are required under the emergency program, but the limits of coverage under this phase are considerably less than the limits available under the regular program.

PROGRAM ACTIVITY

The process by which a community ultimately enters the regular program usually begins with a determination by FIA that the community contains areas of special flood hazards. Flood Hazard Boundary Maps are prepared for the community which indicate the location of these areas, and the community is notified of its flood prone status. Communities must then either apply for participation in the program or demonstrate that they are not flood prone. If, within one year of notification, they do not elect to participate in the program and are unable to demonstrate that they are not flood prone, they become ineligible for Federal financial assistance for acquisition or construction in the flood prone areas of such communities, except for special provisions relative to previously existing and occupied structures.

Communities that elect to participate in the National Flood Insurance program become eligible for federally subsidized flood insurance after they first adopt and enforce the minimum required flood plain management measures and officially apply for participation in the program.

At this point, property owners in the community may obtain flood insurance at subsidized rates up to the maximum coverage permitted under the emergency program. In order to make additional coverage available at actuarial rates under the regular program, the FIA typically must initiate and conduct a time consuming detailed risk zone and elevation study which results in a Flood Insurance Rate Map. During the study, representatives of the community are kept advised of progress and given an opportunity to provide input. Following the completion of the detailed study, FIA is required by statute to afford local community officials an opportunity to formally examine the final draft rate map and appeal its elevation. When all appeals have been settled, necessary revisions made to the rate map, and appropriate ordinances adopted, the community then enters the regular program.

If a community has no identified special flood hazard areas, or if developmental pressures and flooding conditions are such that a detailed risk zone and elevation study would not be cost beneficial, a community may enter the regular program without a detailed elevation study or with a study that is less costly and less complex than the detailed elevation study.

1. Identification of Special Flood Hazard Areas. Flood Hazard Boundary Maps are prepared which show the local community and the special flood hazard areas. These maps are based on such information as historical records of high water, hydrological and hydrographic analysis of the area and the watershed, climatological studies, and (for coastal areas) analysis of storm tracts and bathymetry.

2. Community Eligibility. Flood prone communities that elect to participate in the National Flood Insurance program become eligible for federally subsidized flood insurance. In order to qualify for this insurance, communities must adopt and enforce minimal flood plain management measures to minimize exposure of new construction to flood hazards, and must officially apply for participation in the National Flood Insurance program. As of December 31, 1979, there were 16,733 communities eligible for flood insurance.

3. Detailed Risk Zone and Elevation Studies. Hydrological and engineering studies are necessary to establish elevations for probable frequency of inundation at a significant number of flood stages, and the resulting map divides the flood hazard area into a number of rate zones with the estimated actuarial premium rates to provide flood insurance on a self-sustaining basis. These rates are further differentiated to reflect the type of structure, the elevation of the lowest habitable floor, and the use of the structure.

Because these studies are necessary before critically flood prone communities can establish truly effective flood plain management measures and enter the regular program, their completion as rapidly as possible is the highest priority within the Federal Insurance Administration. The following table shows the progress made to date and projections through 1979:

STATUS OF DETAILED
RISK ZONE AND ELEVATION STUDIES

	ACTUAL 1979	ESTIMATE 1980	ESTIMATE 1981
Studies completed, beginning of year.....	3075	4488	6474
Studies assigned during year: Communities not in regular program (new).....	(749)	(225)	(230)
Additional areas within communities in the regular program (restudy update).....	(42)	(105)	(137)
Studies completed during year (appeal process started).....	1413	1986	1172
Studies completed, end of year (accumulative).....	4488	6474	7646
Communities with elevations in regular program at end of year.....	3037	4477	6190
Communities without elevations in regular program at end of year a/.....	965	5523	5523

a/ Minimal flooding hazard or no special flood hazard areas.

4. Use of Federal Agencies and Others. Pursuant to law, the risk zone and elevation studies are performed, to the extent that personnel and expertise are available, by other Federal agencies having special technical capability to perform the work through interagency agreement. The Congress directed these agencies to give the highest practicable priority to the completion of these studies. However, as the volume of studies increases, limitations on resources available in other Federal agencies require that an increasing proportion of the total study effort be performed by States, other public organizations, and by private contractors. Competitive procedures are followed to secure the highest quality work.

FEDERAL EMERGENCY MANAGEMENT AGENCY

HAZARD MITIGATION AND DISASTER ASSISTANCE

EXECUTIVE DIRECTION

PROGRAM HIGHLIGHTS PROGRAM LEVELS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
		(Dollars in thousands)			
Total Budget Activity.....	$11,331	$10,956	$10,642	$10,956	+$314
Budget Outlays.....	10,425	---	9,698	10,408	+710

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

The FY 1981 Budget requests $10,956 thousand for salaries, travel, and administrative expenses for the Director of the Federal Emergency Management Agency, his immediate staff and the common administrative functions, such as accounting, budget, personnel, procurement, security, and legal activities necessary to the operation of the agency.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The decrease in budget authority in FY 1980 represents Congressional action on the FY 1980 appropriation.

EXPLANATION OF INCREASES AND DECREASES

The increase in budget authority in FY 1981 represents an increase in staff years based on all positions being filled at the end of FY 1980.

The increase in outlays is a result of the increase in staff years detailed above.

PROGRAM DESCRIPTION

This program activity provides funding for the following offices: Office of the Director, including the Office of Regional Coordination, the Office of Equal Opportunity, the Office of Congressional Relations; the Office of Inspector General; the Office of General Counsel; the Office of Personnel; and the Office of Finance and Administration. The support for the Director of each FEMA regional office is included in this request.

STAFFING REQUIREMENTS *	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Permanent full-time.....	348	...	372	381	+9
Staff years.....	348.0	...	372.0	309.0	(-)63.0

1. Office of the Director

a) Director Staff...

Permanent full-time....	5	...	5	5	...
Staff years.....	5.0	...	5.0	5.0	...

b) Regional Coordination Office

Permanent full-time.....	3	...	4	4	...
Staff years.....	3.0	...	4.0	4.0	...

No change is proposed for 1981 in this office which was established to oversee general headquarters/field relationships. In addition to acting as an ombudsman for field activities on behalf of the Director, the Regional Coordinator is the principal point of contact for resolving open issues between the field and headquarters.

c) Equal Opportunity Office

Permanent full-time.....	2	...	4	4	...
Staff years.....	2.0	...	4.0	4.0	...

No change is proposed in this office for 1981. The Equal Opportunity Director advises the FEMA Director on matters relating to equal opportunity in FEMA programs and equal employment programs within the agency.

d) Congressional Relations Office

Permanent full-time.....	6	...	4	4	...
Staff years.....	6.0	...	4.0	4.0	...

No change is proposed in 1981 for this office. The Congressional Relations Director, with her staff, advises the Director and other principal staff of the Agency on legislative affairs and performs the following Congressional services and relations functions for the entire agency:

--Keeps members of Congress and Congressional Committees informed of programs and legislative plans and actions of the Agency in which they have an interest.

--Provides information to and answers inquiries from Congressional offices on Agency programs and activities.

--Works with the General Counsel in the Congressional relations aspects of legislative activities.

--Contributes to policy formulation through representation of Congressional points of view and the explanation of Agency policies to the Congress.

--Provides functional supervision with respect to Congressional relations activities in the field.

--Receives, controls, and works toward prompt response to all Congressional correspondence and inquiries.

*The decreases in staff years where indicated are attributable to projected attrition. The increase in permanent full time positions in Budget and Finance Division is due to the implementation of a fully automated accounting system which will provide better service to disaster victim and state and local government.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
e) Public Affairs					
Permanent full-time.....	23	...	23	23	...
Staff years.....	23.0	...	23.0	23.0	...

No change is projected in this activity furing 1981. The office of Public Affairs provides emergency public information to the media, public interest groups, State and local governments, and other Federal Agencies.

2. Office of the Inspector General

Permanent full-time.....	27	...	41	41	...
Staff years.....	27.0	...	41.0	41.0	...

No change is proposed for this office in 1981. The Inspector General is the Agency's focal point for independent review of the integrity of Agency operations. Though the role of the Inspector General does not lessen the responsibility of the Associate Directors or heads of other major elements to carry out their functions effectively, efficiently, and with integrity, he is the central authority concerned with the quality, coverage, and coordination of the audit, investigation and security services of the Agency. In directing these monitoring and review activities, the Inspector General emphasizes both the protective and constructive aspects of these services as a tool of managment within a comprehensive Agency effort to attain improved management effectiveness. The Office of Inspector General has authority to inquire into all program and administrative activities of the Agency, and the related activities of all parties performing under contracts, grants or other agreements with the Agency. These inquiries may be in the nature of audits, investigations, or such other reviews as may be appropriate in the circumstances.

3. Office of the General Counsel

Permanent full-time.....	25	...	23	23	...
Staff years.....	25.0	...	23.0	20.0	(-)3.0

No change is proposed in this office in 1981. The General Counsel, as the Chief Law Officer of the Agency, is the legal advisor to the Director and other principal staff of the Agency. It is the responsibility of the General Counsel and his staff to provide legal opinions, advice, and services with respect to all programs and activities and to provide counsel and assistance in the development of the Agency's programs and policies.

4. Office of Personnel

Permanent full-time.....	51	...	52	52	...
Staff years.....	51.0	...	52.0	42.0	(-)10.0

No increase in staff is proposed for the Office of Personnel which is responsible for the planning, development, administration, and evaluation of all personnel programs for the Agency.

5. Office of Finance and Administration

Permanent full-time.....	2	...	3	3	...
Staff years.....	2.0	...	3.0	3.0	...

The Finance and Administration Director is responsible for the development and promulgation of policies, standards, procedures, systems, and materials related to the administrative management program of the Agency and for the execution of such policies and directives in headquarters and in the field. No increase is proposed for this office in 1981.

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 va 1980
a) Budget and Finance Division					
Permanent full-time.....	121	...	77	86	(+)9
Staff years.....	121.0	...	77.0	77.0	...

The Budget Branch advises the Finance and Administration Director, the FEMA Director, and other officials of the Agency on budget matters, including the budgetary implications of policy and legislative proposals. It formulates, reviews, evaluates, and makes recommendations concerning Agency-wide policies, plans, standards, and basic procedures on budget formulation, presentation, and execution, including the administrative control of funds. In addition, the branch prepares and submits budget estimates to the Office of Management and Budget and to the Congress. It serves as the principal point of contact with the Congress, the Office of Management and Budget, the Appropriations Committees, Budget Committees, and other Federal agencies on all budget matters and appropriation hearings.

The Accounting Branch provides policy direction, review, and coordination of the fiscal and accounting responsibilities of the Agency and provides accounting services for all administrative activities of the Agency and for all operating programs.

b) Acquisition Management Division					
Permanent full-time.....	31	...	41	41	...
Staff years.....	31.0	...	41.0	31.0	(-)10.0

No change is projected in this division during 1981. The Acquisition Management Division is responsible for developing procurement and contract policy, and for implementing standards and procedures to provide an effective procurement and contracting program.

c) Administrative Services Division					
Permanent full-time.....	42	...	85	85	...
Staff years.....	42.0	...	85.0	64.0	(-)21.0

No change is projected in this division during 1981. The Administrative Services Division is responsible for the development, administration and evaluation of administrative service functions for the Agency. These services include headquarters building operations, Agency space management, library services, occupational health and safety services and overall management of the printing and supply activities.

6. Regional Directors

Permanent full-time.....	10	...	10	10	...
Staff years.....	10.0	...	10.0	10.0	...

No change is projected in this activity during 1981. The Regional Director is directly responsible to the FEMA Director for execution of Agency programs, the overall management of the Agency's Regional program, and supervision and direction of Regional office functions.

FEDERAL EMERGENCY MANAGEMENT AGENCY

HAZARD MITIGATION AND DISASTER ASSISTANCE

REIMBURSABLE PROGRAM

PROGRAM HIGHLIGHTS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
Program Level (Obligations)	$849	$766	$243	$246	+$ 3
Appropriation	...	...	...	...	...
Enacted or Requested	...	...	...	...	...
Budget Outlays	$849	$766	$243	$246	+$ 3

CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES. The decrease is due to the loss of a reimbursable program by the U.S. Fire Administration.

SUMMARY OF BUDGET ESTIMATE

Summary of Budget Request

This reimbursable program provides required support to administer the Riot Reinsurance and Crime Insurance programs.

EXPLANATION OF INCREASES AND DECREASES

The increase of $3 thousand is the result of increased personnel costs based on within grade increases.

PROGRAM DESCRIPTION

This activity provides required administrative support on a reimbursable basis for on-going insurance programs where essential insurance needs are unavailable in the private business sector.

STAFFING

POSITIONS	ACTUAL 1979	ESTIMATED 1980	ESTIMATED 1981
		(Dollars in thousands)	
Permanent full-time	8	8	8
Other	---	---	---
Total	8	8	8
STAFF YEARS			
Permanent full-time	8.0	8.0	8.0
Other	---	---	---
Total	8.0	8.0	8.0

FEDERAL EMERGENCY MANAGEMENT AGENCY

FEDERAL INSURANCE ADMINISTRATION

RIOT REINSURANCE PROGRAM
(National Insurance Development Fund)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE+ DECREASE- 1981 vs 1980
		(Dollars in Thousands)			
Program Levels:					
Riot reinsurance premiums earned	$1,952	$1,170	$ 976	$1,170	+$194
Investment income	4,754	3,060	3,623	3,040	-$583
Riot reinsurance claims	3,110	1,000	862	835	-$ 27
Studies and surveys	---	500	500	---	-$500
Administrative expenses	120	113	121	123	+$ 2
Budget Outlays	-3,473	-2,617	-3,090	-3,155	-$ 65

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for the Riot Reinsurance program for 1981. The program will continue to be funded from premiums and investment income through the National Insurance Development Fund.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The reduction in reinsurance premiums earned and claims paid in FY 1980 is a result of States withdrawing from the program during FY 1979.

The increase in investment income is the result of higher interest rates than previously projected.

The increase in administrative expenses results from the additional funds required to implement the pay increase which became effective in October 1979.

The increase in net receipts results from the factors cited above, primarily the increase in investment income.

EXPLANATION OF INCREASES AND DECREASES

The increase in premiums earned is based on some states reinstating riot reinsurance.

The decrease in investment income is the result of a declining fund balance.

The reduction in studies and surveys results from the initiation of a study of insurance availability in 1980, which will not be required in 1981.

The slight reduction in net income results primarily from the reduction in investment income.

PROGRAM DESCRIPTION

1. Background. The deteriorating insurance market in inner city areas and the civil disturbances of the mid-sixties made it virtually impossible for many property owners and small businessmen to obtain insurance. Congressional concern over the lack of insurance availability for these properties which, except for their location, were insurable risks, resulted in the programs authorized by the Urban Property Protection and Reinsurance Act of 1968 (Title XI of the Housing and Urban Development Act of 1968). Riot Reinsurance availability was expressly conditioned upon continuing participation by insurers in approved Fair Access to Insurance Requirements (FAIR) Plans for citizens requiring "essential property insurance." The powers of the Director to offer new riot reinsurance contracts terminates on September 30, 1980, under existing legislation. The budget estimates for the Riot Reinsurance program assume that legislation will be enacted to extend the program beyond that expiration date since severe commercial market capacity shortages are forcing more of the population into FAIR Plans.

2. FAIR Plans. Private insurers, working together under the supervision of the State insurance regulatory authority, establish plans, called Fair Access to Insurance Requirements (FAIR) Plans, to assure property owners an opportunity to obtain essential property insurance. These plans may be established pursuant to State statute making participation mandatory for all property insurers authorized to do business in the State; they may be established pursuant to general regulatory authority where the regulatory power of the State insurance official so permits; or they may be established through a voluntary association of insurers acting under the supervision of the insurance authority where local circumstances permit.

FAIR plans are intended to assure that every property will be considered and rated for insurance purposes on the basis of the use and condition of such property without respect to its location or other exposure to hazard beyond the control of its owner or occupant. Company participation in a FAIR plan meeting minimum standards is a prerequisite to Federal reinsurance in any State. These minimum standards are:

- Before a property may be declined for insurance or subjected to higher rates, there must first be an inspection, without cost to the owner, to determine the insurability of the property as measured against reasonable underwriting standards relevant to the peril for which insurance is desired.

- A written report must be prepared on the inspection setting forth the condition of the property, the applicable premium rate and, if the property has been found deficient, the specific improvements needed to render such property insurable or insurable at an unsurcharged rate.

- An industry placement facility must be made available through which the owner of an eligible property, who has been unable to secure coverage in the normal market, can obtain coverage at rates based upon the actual condition of the property without respect to hazards which are beyond his control.

- There must be supervision by the State insurance regulatory authority to assure that the rights of citizens are fully protected and that the plan operates equitably. Insureds must be notified of the availability of a procedure for submitting complaints to the appropriate insurance department.

- There must be a continuing program of public education so that the plan receives widespread public notice.

States have been urged to adopt a Full Insurance Availability system. This would enable persons who are currently uninsured, or who have been forced into the substandard and unlicensed markets, or into FAIR plans or automobile assigned risk plans, to purchase essential insurance at an appropriate rate from the insurer of their choice. Under this proposal, no insurance company could refuse to sell property or casualty coverage to any insurable risk. At the same time, the Full Insurance Availability system reflects the right of insurers to seek a reasonable profit and provides procedures whereby so-called residual market losses can be distributed more equitably than is done currently. The system entails no Federal role, no Federal or other public subsidy, and would require all risks to pay a premium appropriate to the exposure they represent. The complete implementation of Full Insurance Availability could eliminate the need for FAIR Plans in the 28 States where they now exist, but such implementation cannot be anticipated in the near term.

3. Reinsurance by the Federal Government. Reinsurance protection against excess losses due to riot or civil disorder is offered to insurers that participate in FAIR Plans in cooperating States.

a. Reinsurance Coverage. Where reinsurance is purchased by a primary insurer from the Federal Government, it must be purchased to cover losses resulting from riots or civil disorders on all the following property insurance lines:

- fire and extended coverage:
- vandalism and malicious mischief;
- other allied lines of fire insurance;
- burglary and theft; and
- similar coverages under multiple perils policies, including commercial and homeowners' policies.

Reinsurance coverage may also be purchased, at the option of the insurers, to protect against excess riot or civil disorder losses in any of the following lines of insurance:

- inland and ocean marine;
- glass;
- boiler and machinery; and
- aircraft physical damage.

b. Reinsurance Contracts. Reinsurance is provided in cooperating States to participating insurers through annual contracts with the Federal Insurance Administration, which run from October 1 to September 30 each year. The standard reinsurance contract expiring September 30, 1980 was made available on the basis of a provisional premium computed at an annual rate of 0.025 percent of the insurer's direct earned premiums on reinsured lines, subject, however, to liability of the insurer for payment of additional premium of up to 0.25 percent, payable in incremental steps of 0.05 percent depending upon loss experience, if the total of all losses under all contracts for the contract year exceeds the total of all provisional premiums under such contracts.

Primary insurers are required to retain a portion of losses for their own account. The current contract provides for a net retention equal to the greater of $1,000 or 2-1/2 percent of the insurer's direct premiums earned within a State up to the amount of their unabsorbed net retentions if that is required to cover aggregate losses in that State.

Terms for the succeeding contract are expected to be similar to those now in effect.

c. Reinsurance Operations. The National Insurance Development Fund is credited with all premium and other receipts and is charged with all loss payments to reimburse a participating insurer in cooperating States for the amount of the approved claims for losses from riots and civil disorders in that State in excess of its net retention. In addition, as indicated above, assessments may be made against participating insurers to cover severe losses. It is anticipated that the favorable loss experience will continue and that the reserves being accumulated in the Fund against possible catastrophic occurrences will be sufficient to obviate any need for resorting to the authorized borrowing authority of $250 million or seeking appropriations for the Riot Reinsurance program.

4. State Sharing of Losses. In order for Federal reinsurance to be available, the State must enact legislation under which it agrees to reimburse the Director for payment of Federal reinsurance losses from riots or civil disorders in that State up to a maximum equal to five percent of the total insurance premiums on lines reinsured by the Federal Government in the State. The State may, consistent with its constitution, raise the necessary reimbursement funds through appropriation from the general funds, assessments against insurers, or special levies. It is expected that more States would participate if the requirement for State sharing of losses were eliminated.

PROGRAM ACTIVITY

1. FAIR Plans. The following tabulation shows the status of State FAIR Plans and enactment of State-sharing legislation as of December 31, 1979:

States with operative FAIR Plans -- FEMA reinsurance available:

Connecticut	Maryland	Ohio
Delaware	Massaschusetts	Pennsylvania
District of Columbia	Michigan	Puerto Rico
Georgia	New Jersey	Rhode Island
Illinois	New Mexico	*Washington
Kentucky	North Carolina	Wisonsin

*The FAIR Plan in Washington is mandatory for the largest insurers, voluntary for the rest. All other FAIR Plans are statutory or mandatory.

During FY 1979, Federal Riot Reinsurance was terminated in eight jurisdictions. In Iowa, Minnesota, Missouri, New York, Oregon, and Virginia, insurance was terminated because rates charged for coverage under FAIR Plans was higher than that charged for coverage under the voluntary market. In California, Louisiana and Kansas, riot reinsurance is not available because those states do not provide for the statutorily required five percent state backup. In addition, in Indiana and Puerto Rico, riot reinsurance was not made available for the 1979-80 contract year because no steps have been taken in those jurisdictions to comply with the public membership requirements of the Act.

2. Insurance Policies in Force Under FAIR Plans. The Plans have become important as sources for essential property insurance for risks unable to obtain placement through the normal market. In many States, the FAIR Plans have become the largest single writer of fire and extended coverage insurance. From inception to June 30, 1979, 8.0 million policies had been written. The amount of insurance in force as of that time was $33.2 billion.

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3. Review and Compliance. The Review and Compliance Division was established pursuant to the provision of the Housing and Urban Development Act of 1970. It has the responsibility for determining that FAIR plans are complying with the Act and the regulations promulgated pursuant to the Act. Technical examinations were completed in 1979 in Missouri, Michigan, California, New York, and two in Illinois.

4. Extent of Losses. At the time the Act was passed, studies of the extent and geographic distribution of riot losses in prior years, particularly 1967 and 1968, indicated that a fund of approximately $50 million would be needed to cover riot and civil disorder losses on a State-by-State basis if they were on the order of size of the Newark, Detriot and Watts riots. Factoring in inflation in housing construction costs of 72 percent between 1967 and 1975 and assuming inflation through 1981 at 7 percent, a fund of approximately $125 million would be required to cover a loss of similar size. Excluding draw-downs for the Crime Insurance program, the balance of the National Insurance Development Fund available for riot losses will be about $125 million in 1979. This should be adequate to cover riot losses of the magnitude experienced in the late 1960's.

The following table summarizes claims under the riot reinsurance contracts through December 31, 1979:

CONTRACT PERIOD	CLAIMS PAID	CLAIMS PENDING	CLAIMS DENIED
		(Dollars in Thousands)	
1968-1969.....	$ 2,861	...	$1,979
1969-1970.....	3,187	...	1,803
1970-1971.....	2,834	...	831
1971-1972.....	1,379	...	320
1972-1973.....	449	...	161
1973-1974.....	355	...	...
1974-1975.....	927	...	...
1975-1976.....	2,074	...	...
1976-1977.....	127	...	800
1977-1978.....	2,237	...	294
1978-1979.....	...	1,600	...
Total	$16,430	$1,600	$6,188

Although claims are estimated at $862,000 for 1980 and $835,000 for 1981, the actual amount incurred for future claims under the program will, of course, depend on riot or civil disorder occurrences which remain actuarially unpredictable.

5. National Insurance Development Fund Income and Reserves. The Fund balance from premiums and earnings, less payments for claims, administration, studies and surveys, was nearly $66 million as of September 30, 1979. The balance is expected to drop to approximately $55 million by September 30, 1980. For 1981, claims payments and expenses are expected to exceed premiums received and income earned by about $10.7 million--a net operating income from the Riot Reinsurance program of approximately $3.2 million, and a net loss of approximately $13.9 million in the Crime Insurance program.

The Fund was established from proceeds from the operation of the Riot Reinsurance program. It has also been used as the vehicle for the initial funding of the Crime Insurance program, and it receives deposits from crime insurance premiums and other receipts. Separate accounts are maintained for each program within the overall Fund. Temporary funding provided for the Crime Insurance program from the Riot Reinsurance Fund is expected to be reimbursed to that program. The status of the National Insurance Development Fund is projected as follows:

	ACTUAL 1979	BUDGET ESTIMATE FY 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981
	(Dollars in Thousands)			
Unobligated fund balance start of year.....	325,514	314,791	315,713	304,651
Riot Reinsurance Program				
Reinsurance premiums earned.....	1,952	1,170	976	1,170
Investment income.....	4,754	3,060	3,623	3,040
Reinsurance claims....	-3,110	-1,000	-862	-835
Studies and surveys...	...	-500	-500	...
Administrative expenses	-120	-113	-121	-123
Subtotal, Riot Reinsurance.....	3,476	2,617	3,116	3,252
Crime Insurance Program				
Insurance premiums earned.....	12,296	13,325	14,806	15,785
Insurance claims.....	-19,623	-24,148	-22,842	-23,598
Operating expenses....	-5,400	-5,879	-5,699	-5,886
Studies and surveys...	-309	-322	-321	-100
Administrative expenses	-120	-114	-122	-123
Subtotal, Crime Insurance.....	-13,156	-17,138	-14,178	-13,922
Change in selected resources (undelivered orders)	-119	...	...	...
Unobligated fund balance, end of year.....	315,715	300,270	304,651	293,981
Borrowing Authority.	250,000	250,000	250,000	250,000
Fund reserve.....	65,715	50,270	54,651	43,981

FEDERAL EMERGENCY MANAGEMENT AGENCY

FEDERAL INSURANCE ADMINISTRATION

CRIME INSURANCE PROGRAM
(National Insurance Development Fund)

PROGRAM HIGHLIGHTS

	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1981 vs 1980
			(Dollars in Thousands)		
Number of policies issued....	62,818	77,924	72,000	76,000	+4,000
Premiums earned.....	12,296	13,825	14,806	15,785	+$979
Insurance losses incurred....	19,623	24,148	22,842	23,598	+$756
Operating expenses.....	5,400	5,879	5,699	5,886	+$187
Studies and surveys.....	309	322	321	100	-$221
Administrative expenses.....	120	114	122	123	+$1
Budget Outlays.....	15,427	16,117	13,687	13,788	+$101

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

No appropriation is requested for the Crime Insurance program for 1981. To the extent available, the program is funded from premium income. Additional temporary funding is provided through the National Insurance Development Fund.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

The decrease in estimated number of policies issued is based on more conservative projections.

The increase in premiums earned is the result of an increase in the average policy amount.

The decrease in insurance losses incurred is the result of decreased policies in force.

The decrease in operating expenses is also a reflection of a decreased number of policies in force.

The increase in administrative expenses is a result of the additional funds required to implement the pay increase which became effective in October 1979.

The decrease in outlays is a result of the factors mentioned above, a decrease in losses and expenses and an increase in premiums earned.

EXPLANATION OF INCREASES AND DECREASES

1. Policies Issued and Premiums Earned. The expected increase in the number of policies issued and in the amount of premiums earned is a direct result of publicity and promotional activities which are making more people aware of the Federal Crime Insurance Program, the addition of new States so that more residents and businessmen become eligible for the insurance, and the impact of the decline in voluntary market availability of crime insurance.

2. Losses and Operating Expenses. The increases in estimated losses and operating expenses are the result of the added exposure resulting from increased insurance sales and expenses connected with a greater number of policies in force and an increase in the average policy amount, as well as increases in the average amount of each claim paid.

3. Outlays. The increase in budget outlays results from additional losses and increases in operating expenses which more than offset increases in premium income.

PROGRAM DESCRIPTION

1. Background. The President's National Advisory Panel on Insurance in Riot-Affected Areas, in its January 1968 report entitled "Meeting the Insurance Crisis of Our Cities", pointed out that one important factor in the deterioration of inner-city areas was the unavailability of basic insurance coverages, including insurance against burglary, robbery, and theft. A study of the availability of crime insurance, conducted by the Federal Insurance Administration in 1970, concluded that there was a critical problem of availability of insurance in many areas. The Federal Crime Insurance Program, as authorized, became effective in August 1971.

Inflation beyond that built into the rates and declines in securities markets sharply reduced the surplus funds of private insurers and in turn has aggravated the problem by reducing the amount of insurance coverage available through the private sector. This and continuing crime problems in the nation have heightened the use of residual market mechanisms generally and the Federal Crime Insurance program specifically.

2. Legislative Authority. Title VI of the Housing and Urban Development Act of 1970 (P.L. 91-609), approved December 31, 1970, authorized a program of direct insurance through the facilities of the Federal Government for properties located in States where the private market or programs under State supervision either do not make crime insurance available or make it available only at prohibitive cost. This law is an amendment to the National Insurance Development Program (Title XII, National Housing Act) and utilizes the same funding mechanism as the Federal Riot Reinsurance program. Legislative authorization to enter into new insurance contracts terminates on September 30, 1980. The budget estimates assume that legislation will be enacted to extend the program beyond this date.

3. Review of Insurance Availability. Continuing reviews are conducted to determine whether crime insurance is available at affordable rates either through the normal insurance market or through State action. Many states do not appear to have a crime insurance availability problem. A few states which do have serious availability problems have implemented programs of their own. In such states, the Federal Crime Insurance Program is generally not activated. For example, in California and Michigan, separate programs have been designed with funding being provided through State action from its general funds or through a special "loading" on all property insurance policies written in the State. New Jersey has also established a State program but since the Governor and the Insurance Commissioner requested that Federal crime insurance also be available because of a critical affordability problem in various parts of the State, the Federal program operates in the State along with the State-sponsored program.

Where practicable, surveys to determine whether crime insurance is available and affordable are conducted through existing organizations. State Insurance Commissioners, Governors, Mayors, Insurance Associations, representatives of business and consumer interests, and where necessary, educational institutions and nonprofit organizations are used to conduct these investigations. The source of funds for these studies is the National Insurance Development Fund.

In 1974, the Federal Insurance Administration published its report on the availability problems of insurance generally. This report, "Full Insurance Availability", recommends a voluntary market approach to the handling of residual risks. In any State adopting such a program, if the plan covers crime insurance, the Administrator will give prompt consideration to terminating the availability of Federal Crime Insurance in favor of this perferable approach.

During 1975, Illinois, Massachusetts and Rhode Island made homeowners insurance, including crime insurance coverage, available through their FAIR plans. FIA has directed letters to Federal crime insurance policyholders in those States suggesting that they "comparison shop" this broader, more comprehensive coverage, and also that they investigate insurance availability in the voluntary market.

4. Selling and Servicing Insurance. Crime Insurance is a direct Federal program in which the Federal Government assumes the risk-bearing function. The insurance is available to businesses and residences in participating jurisdictions without regard to the actuarial risk, if protective devices have been installed. Revised regulations to liberalize the requirements for protective devices for commercial coverage are now in force. When these devices, which are required for crime insurance on residences and commercial burglary and combined coverage, but not for commercial robbery insurance, have been installed, insurance is made available at affordable rates. These premium rates are based on crime statistics compiled by the Federal Bureau of Investigation and vary with the geographic location. For commercial crime insurance the rates vary based on the type of business and amount of gross receipts together with the FBI statistics.

The program is carried out by a contractor who services the policies through regularly licensed property insurance agents and brokers or directly with policyholders. Since December 1976, all services have been provided by a single company which was selected competitively.

PROGRAM ACTIVITY

1. Jurisdictions Covered. Based on a study during 1971 of crime insurance availability at affordable rates, it was determined that there was a critical problem in ten jurisdictions. Subsequently, additional jurisdictions have been determined to have availability/affordability problems and have been added to the program. The following table depicts the jurisdictions presently covered, the date of their entry into the program, and the policies presently in force:

CRIME INSURANCE POLICIES
BY STATE

(As of September 30, 1979)

STATE	DATE OF ENTRY	RESIDENTIAL	COMMERCIAL	TOTAL
Alabama	7/77	164	67	231
Arkansas	8/76	75	27	102
Colorado	9/75	63	102	165
Connecticut	8/71	255	142	397
Delaware	3/74	95	17	112
District of Columbia	8/71	139	289	428
Florida	2/74	3059	780	3839
Georgia	9/75	435	362	797
Illinois	8/71	1373	677	2050
Iowa	5/77	4	8	12
Kansas	4/73	372	56	428
Maryland	8/71	190	324	514
Massachusetts	8/71	2393	998	3391
Minnesota	8/76	47	15	62
Missouri	8/71	1569	482	2051
New Jersey	2/73	1651	664	2315
New Mexico	6/79	--	--	--
New York	8/71	28529	9179	37708
North Carolina	4/78	291	35	326
Ohio	8/71	713	418	1131
Pennsylvania	8/71	3209	1602	4811
Rhode Island	8/71	190	96	286
Tennessee	8/72	193	461	654
Virginia	1/77	79	58	137
Washington	3/79	7	--	7
Wisconsin	3/79	2	1	3
Puerto Rico	6/78	485	370	855
Virgin Islands	10/78	4	2	6
Total		45,586	17,232	62,818

2. Funding. Both the Crime Insurance program and the Riot Reinsurance program are funded through the National Insurance Development Fund. To the extent that income in the Crime Insurance program is not sufficient to meet losses and expenses, operating balances accumulated from riot reinsurance operations are temporarily used to cover the difference. The statute authorizes these losses to be reimbursed in future years either through premium income or appropriations. By the end of 1981, the operating balance in the National Insurance Development Fund is expected to be $44 million. In addition to this, the fund has an authorization of $250 million in Treasury borrowings. A detailed status of the fund is presented in the Riot Reinsurance section.

As a consequence of providing insurance at statutorily required "affordable" rates to risks normally shunned by the private insurance industry, losses and expenses in 1981 are estimated to exceed premium income by about $13.9 million. Premium income of $15.8 million and losses of about $23.6 million are projected. Operating expenses of $5.9 million to cover commissions, writing policies, maintaining accounts, conducting inspections, and settling claims are projected, as are studies and surveys and administrative expenses of $.2 million.

FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

NATIONAL FLOOD INSURANCE FUND

For repayment under a note dated September 28, 1979, issued by the Director of the Federal Emergency Management Agency to the Secretary of the Treasury pursuant to Section 15(e) of the Federal Flood Insurance Act of 1956, as amended, $603,000,000.

FEDERAL EMERGENCY MANAGEMENT AGENCY
FEDERAL INSURANCE ADMINISTRATION
NATIONAL FLOOD INSURANCE FUND

PROGRAM HIGHLIGHTS	ACTUAL 1979	BUDGET ESTIMATE 1980	CURRENT ESTIMATE 1980	ESTIMATE 1981	INCREASE + DECREASE - 1980 vs 1981
		(Dollars in Thousands)			
Program Levels					
Policies in force, end of year:					
Number.....	1,650,000	1,731,000	1,879,000	2,125,000	+246,000
Amount.....	62,519,000	62,204,000	71,496,000	81,194,000	+9,698,000
Flood Insurance claims (amount).....	399,345	171,504	186,958	209,115	+22,157
Insurance underwriting expense.....	39,090	41,098	49,319	55,800	+6,421
Premium income.....	137,327	145,478	152,053	171,278	+19,225
Budget authority.....	----	----	----	603,000	+603,000
Budget outlays.....	238,623	87,900	154,482	108,358	-46,124

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $603,000,000 is requested in FY 1981. This appropriation will be used to repay borrowings against $1 billion borrowing authority.

2. CHANGES FROM ORIGINAL FY 1980 BUDGET ESTIMATES

The number of policies in force will be slightly higher than previously anticipated. This estimate is based on experience from the last several years.

The amount of insurance in force will be higher than previously projected, because the amount of coverage per policy is increasing, as well as the increase in the numbers of policies.

Claims and underwriting expenses are projected higher than previously anticipated. The increase in claims is a result of more policies in force and increased coverage per policy. The slight increase in underwriting is a result additional policies in force.

Premium income will be slightly higher than previously anticipated because of more policies in force.

The increase in budget outlays is the result of changes explained above.

EXPLANATION OF INCREASES AND DECREASES

An increase in the number of policies in force is anticipated because there will be additional communities in which flood insurance is available and because of increased consumer awareness of the program's benefits. The Flood Disaster Protection Act of 1973 requires the purchase of insurance in communities where it is available as a condition of receiving some forms of Federal financial assistance for acquisition and construction of buildings or projects within special flood hazard areas identified by the Federal Emergency Management Agency. Thus, as additional communities with special flood hazards are identified and as existing structures are refinanced and new structures built, additional policies will be sold.

The increase in insurance losses incurred is the result of the increased number of policies expected to be in force. The increase in underwriting expense is the result of the increase in policies. The increase in premium income is the result of the greater number of policies in force.

The decrease in budget outlays results from extremely high losses during FY 1979 of which part will be outlayed during FY 1980. If FY 1980 and 1981 are average loss years, as projected, the outlays will decrease.

PROGRAM DESCRIPTION

1. INSURANCE PROGRAM

a. Coverage. All existing buildings and their contents in communities where flood insurance is available, through either the emergency or the regular program, are eligible for a first layer of coverage at subsidized premium rates. Full-risk actuarial rates are charged to new construction or substantial improvements commenced in identified special flood hazard areas after December 31, 1974, or after the effective date of the Flood Insurance Rate Map issued to the community, whichever is later. In communities in the regular program, a second layer of flood insurance coverage is available at actuarial rates on all properties and full actuarial rates for both layers apply to all new construction or substantial improvements located in special flood hazard areas.

Coverage is available for one- to four-family residential properties, and other residential properties, other business properties, churches, agricultural properties, properties occupied by private nonprofit organizations, and properties owned by local and State governments and agencies thereof.

The Flood Disaster Protection Act of 1973 broadened the scope of insurance coverage to include erosion losses caused by abnormal water levels and similar unforeseeable flood related conditions, and made it clear that flood related mudflow losses are covered.

The following table summaries the limits of insurance available under existing law:

Structure:	EMERGENCY PROGRAM	REGULAR PROGRAM	
		1ST LAYER OF COVERAGE	2ND LAYER OF COVERAGE
Single-family residential	Up to $ 35,000	Up to $ 35,000	$ 35,001-$185,000
Other residential	Up to $100,000	Up to $100,000	$100,001-$250,000
Small business	Up to $100,000	Up to $100,000	$100,001-$250,000
Other non-residential	Up to $100,000	Up to $100,000	$100,001-$200,000

Contents:	EMERGENCY PROGRAM	REGULAR PROGRAM 1ST LAYER OF COVERAGE	REGULAR PROGRAM 2ND LAYER OF COVERAGE
Residential (per unit)	Up to $ 10,000	Up to $ 10,000	$ 10,001-$ 60,000
Small business	Up to $100,000	Up to $100,000	$100,001-$300,000
Other-nonresidential	Up to $100,000	Up to $100,000	$100,001-$200,000

NOTE: Higher coverage available under the Emergency Program in Hawaii, Alaska, Virgin Islands and Guam.

b. Subsidized Premium Rates. The National Flood Insurance Act provides for the establishment of "chargeable" or subsidized premium rates designed to encourage the sale of flood insurance, at less than full actuarial levels. Subsidized flood insurance premium rates were reduced after Hurricane Agnes, when only one percent of those at risk were covered by insurance, in order to encourage further sale of policies.

The 1973 Act provides that all flood insurance may be written at subsidized rates on construction in participating communities until December 31, 1974, or until the effective date of the Flood Insurance Rate Map (FIRM) with 100-year flood elevation data, whichever is later. Subsequent new construction and additional limits of coverage for existing construction within the identified special flood hazard areas of a Flood Insurance Rate Map will be eligible for flood insurance only at actuarial rates.

The following table shows the current subsidized premium rates available for limits of coverage:

TYPE OF STRUCTURE	LIMITS OF COVERAGE AND SUBSIDIZED RATES: STRUCTURE COVERAGE	RATE a/ (Per Unit)	CONTENTS COVERAGE	RATE a/ (Per Unit)
Single-family residential	$ 35,000	$0.25	$ 10,000	$0.35
All other residential	100,000	0.25	10,000	0.35
All nonresidential b/	100,000	0.40	100,000	0.75

a/ Rates per $100 of coverage.
b/ Includes hotels and motels with normal occupancy of less than six months.

c. Actuarial Rates. Studies and investigations of specific areas to determine flood risk at various elevations are carried out in conjunction with the U. S. Army Corps of Engineers, Soil Conservation Service, U. S. Geological Survey, National Oceanic and Atmospheric Administration, Tennessee Valley Authority, Bureau of Reclamation and (as necessary) State and local agencies and private engineering firms. These studies are used to estimate probable average annual damages from flooding that have a one percent chance of occurrence in any given year, and the pure risk rate for flood insurance. In addition, the full-cost premium rates (i.e., actuarial rates) take into account all costs of conducting the insurance business.

Some sparsely populated special flood hazard areas, however, as well as flood risk zones outside the special flood hazard areas, do not warrant detailed studies to determine evaluations. In these areas, actuarial zone rates are used.

2. INSURANCE OPERATIONS.

The National Flood Insurance Act of 1968, as amended, authorizes flood insurance on a national basis to be provided by a joint program with the Federal Government and the private insurance industry or through the facilities of the Federal Government. Until December 31, 1977, flood insurance was provided by a joint government-insurance industry program. As of January 1, 1978, the Federal Government assumed the full responsibility for operating the program. The financial impact of that decision is a reduction in total Federal costs and in acturial premium rates charged to policyholders.

PROGRAM ACTIVITY

A complete description of the National Flood Insurance Program is included in the section, Flood Studies and Surveys.

Program financing. The instrument through which the Federal Government fulfills its financial responsibilities is the National Flood Insurance Fund which is financed by Treasury borrowings. The Director is authorized to borrow $500 million from the Treasury with an additional $500 million available with approval of the President and notification to Congress. The second $500 million was borrowed during FY 1979. An appropriation is requested to repay this second $500 million and to repay part of the debt incurred during 1980.

NATIONAL FLOOD INSURANCE FUND
FINANCIAL TRANSACTIONS a/
(In thousands of dollars)

	CUMULATIVE 9/30/78	ACTUAL FY 1979	ESTIMATE FY 1980	ESTIMATE FY 1981
Policies in force:				
Number	1,342,892	1,700,000	1,900,000	2,100,000
Amount	$45,879,008	$67,200,000	$71,500,000	$81,200,000
Program costs, funded:				
Agents commissions & taxes	$ 76,044	$ 25,505	$ 27,293	$ 30,744
Operating expenses	82,819	13,585	22,086	25,056
Total underwriting	158,863	39,090	49,379	55,800
Losses	420,481	380,505	177,776	198,845
Loss adjustment	31,220	18,840	9,182	10,270
Total loss & adjustment.	$ 451,701	$ 399,345	$ 186,958	$ 209,115
Interest on Treasury borrowing	37,375	22,120	36,399	10,613
Adjustment to prior years.	...	2,491	...	...
Total program costs, funded	$ 647,939	$ 463,046	$ 272,736	$ 275,528
Changes in selected resources	3,502	1,878	8,620	- 6,043
Total obligations	$ 651,441	$ 464,924	$ 281,356	$ 269,485
Offsetting collections, received	373,482	137,327	152,053	171,278
Obligations, net (Federal subsidy)	$ 277,959	$ 327,597	$ 129,303	$ 98,207
Cumulative obligations, net (Federal subsidy)	277,959	605,556	734,859	833,066
Unobligated balance, end of year	$ 222,041	$ 394,444	$ 265,141	$ 269,934

a/ Financial data through 1978 has been adjusted to make all financial data comparable pursuant to Federal assumption of operating responsibility on 1/1/78.

FEDERAL EMERGENCY MANAGEMENT AGENCY

APPROPRIATION LANGUAGE

FUNDS APPROPRIATED TO THE PRESIDENT

DISASTER RELIEF

For necessary expenses in carrying out the functions of the Disaster Relief Act of 1970, as amended (42 U.S.C. 4401), and the Disaster Relief Act of 1974, as amended (42 U.S.C. 5121 et seq.), [and Reorganization Plan No. 3 of 1978, authorizing assistance to States and local governments, $193,600,000] $375,570,000, to remain available until expended. (Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1980; additional authorizing legislation to be proposed.

FEDERAL EMERGENCY MANAGEMENT AGENCY

FUNDS APPROPRIATED TO THE PRESIDENT

DISASTER RELIEF

APPROPRIATION-BUDGET PROGRAM SUMMARY

	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT* ESTIMATE FY 1980	ESTIMATE FY 1981
	(Dollars in Thousands)			
Budget Program/Project				
Total Program Obligations.....	$373,365.	$213,287	$527,287	$375,570
Recovery of prior year obligations	---	---	---	---
Unobligated balance available, start of year.....	-6,280	-19,687	-19,687	---
Unobligated balance available, end of year.....	19,687	---	---	---
Total Appropriation.....	$394,000**	$193,600	$507,600	$375,570

* FEMA currently has a $314 million proposed supplemental appropriation before Congress.

** Includes amount for activities transferred to Hazard Mitigation and Disaster Assistance, FEMA, Budget Authority FY 1979 $7,228.

FEDERAL EMERGENCY MANAGEMENT AGENCY

FUNDS APPROPRIATED TO THE PRESIDENT

DISASTER RELIEF

DISTRIBUTION BY OBJECT CLASSIFICATION

		ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT* ESTIMATE FY 1980	ESTIMATE FY 1981
			(Dollars in Thousands)		
25.0	Other Services.....	$177,348	$101,311	$247,825	$178,395
41.0	Grants, Subsidies, and Contributions.....	196,017	111,976	279,462	197,175
99.0	Total Obligations.....	$373,365	$213,287	$527,287	$375,570

* Includes a $314 million proposed supplemental appropriation.

FEDERAL EMERGENCY MANAGEMENT AGENCY

FUNDS APPROPRIATED TO THE PRESIDENT

DISASTER RELIEF

PROGRAM HIGHLIGHTS	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT* ESTIMATE FY 1980	ESTIMATE FY 1981	INCREASE + DECREASE - FY 81 vs FY 80
			(Dollars in Thousands)		
Program Level					
Disaster Relief Obligations	$373,365	$198,385	$527,287	$375,570	- $151,717
Budget Authority	394,000	193,600	507,600	375,570	- 132,030
Budget Outlays	284,220	275,600	377,397	428,226	+ 50,829
Number of Disaster and Emergency Declarations	53	48	48	48	---

*FEMA currently has a $314 million proposed supplemental appropriation before Congress.

SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

An appropriation of $375.57 million is requested for FY 1981 to provide major disaster and emergency assistance to individuals and State and local governments affected by natural disasters. These funds would also cover all administrative expenses directly related to disaster response. A portion of these costs was previously applied to the three percent authorization applied against funds appropriated to the President for disaster relief. Administrative expenses not related to disasters are now funded through the Hazard Mitigation and Disaster Assistance appropriation.

Although the number and magnitude of disasters cannot be predicted, the appropriation request of $375.57 million will provide FEMA with the ability to meet the immediate funding requirements of emergencies and major disasters. Should the provision of authorized assistance require funds in excess of this amount, supplemental appropriations would be necessary.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

Due to unusually severe major disasters during FY 1979, supplemental funding was required and is reflected by the decreases in both Disaster Relief Obligations and Appropriations for FY 1981. The supplemental appropriation of $314 million anticipated additional Budget Outlays of $136,000 in FY 1980 and $178,000 in FY 1981.

PROGRAM DESCRIPTION

1. INTRODUCTION

Under the provisions of the Disaster Relief Act of 1974 (P.L. 93-288), the President is authorized to provide a wide range of Federal assistance to supplement the relief efforts of State and local governments in response to major disasters and

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other emergencies. The Director of the Federal Emergency Management Agency (FEMA), under Executive Order 12148, has been delegated the responsibility for providing these services. This responsibility has been further delegated to the Associate Director, Disaster Response and Recovery (DR&R), and to FEMA Regional Directors. Prior to the activation of FEMA, the authorities were exercised by the Federal Disaster Assistance Administration (FDAA) under a redelegation from the Secretary of Housing and Urban Development.

The Associate Director, DR&R, is responsible for managing assistance programs authorized under the Act. This includes the administration of disaster reponse and recovery assistance authorized by P.L. 93-288 for disaster victims and State and local governments and the coordination of disaster relief activities of other Federal agencies.

2. DECLARATION PROCEDURE

If the response to a disaster is beyond the effective capability of State and local governments, the Governor may request a Presidential declaration of a major disaster or emergency. This request must include a certification by the Governor of a reasonable expenditure of State and local funds for disaster relief and an estimate of the extent and nature of Federal assistance required for each of the affected counties and the State. In the case of a major disaster, it would also verify the execution of the State's emergency plan.

FEMA Regional personnel review the Governor's finding that a major disaster or emergency exists by assessing the extent of damage and the Federal assistance required. This assessment is forwarded to Headquarters, FEMA. Headquarters, FEMA, following review of this information, recommends appropriate action to the President, who makes the final determination as to whether a major disaster or emergency declaration is necessary. The Governor may appeal an adverse decision to the President through FEMA Headquarters and Regional offices.

Kinds of Declarations: P.L. 93-288 specifies two major kinds of Presidential declarations: a major disaster and an emergency.

A major disaster is any hurricane, tornado, storm, flood, high water, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance by the Federal Government. This kind of situation is definitely beyond the capability of State and local resources, and requires a wide range of Federal supplemental assistance.

An emergency may also be caused by any of the above mentioned phenomena. However, an emergency is less encompassing and requires Federal emergency assistance to supplement State and local efforts to save lives and protect property, public health and safety or to avert or lessen the threat of a disaster. Federal assistance in an emergency meets a specific need that the Federal Government is uniquely able to provide. For example, the President in 1979 declared emergencies in Illinois and Wisconsin to provide Federal assistance for snow removal for emergency access when required for the public health and safety.

The Disaster Relief Act of 1974 also authorizes the President to provide assistance, including grants, equipment, supplies, and personnel, to a State for the suppression of a forest or grassland fire on public or private lands that threatens to become a major disaster. The authority has been delegated to the Director of FEMA, and, in turn, to the Associate Director, DR&R. The Governor of a State requests such assistance through the FEMA Regional Director and supports the request with information on the nature of the threat and the need for Federal assistance.

3. ADMINISTRATION AND DIRECTION

Once a major disaster or emergency is declared, the Associate Director, DR&R, appoints a Federal Coordinating Officer (FCO) to coordinate the administration of relief activities. The FCO works closely with State and local officials and other

Federal agencies to assure rapid and effective assistance. All relief efforts for declared disasters or emergencies, including those authorized by separate statutes and provided by other Federal agencies and the relief efforts of volunteer organizations, are coordinated by the FCO. This is done to provide as comprehensive service as is possible and to reduce response time and eliminate duplication.

4. MAJOR FEMA PROGRAMS

There are many different relief programs available through FEMA. Many of these services are authorized under the Disaster Relief Act of 1974. FEMA programs, such as fire administration, flood insurance, training and education, and mitigation and research are covered by separate enabling legislation. The Preparedness Assistance Program authorized by Section 201 of P.L. 93-288 has now been transferred within FEMA and is part of the Plans and Preparedness Office. Specific descriptions and comments pertaining to that program are elsewhere in this presentation.

Two principal forms of disaster assistance are provided by FEMA: Public Assistance (aid to the State and local governments) and Assistance to Individuals and Families (aid for the disaster victims). In addition, as mentioned above, FEMA, through the Federal Coordinating Officer, coordinates the entire Federal response.

a. Public Assistance. Soon after a disaster declaration, State and local officials are briefed on the types of assistance available and the application procedure. (States, their political subdivisions, and Indian tribes and Alaska Native Villages and certain private, nonprofit organizations are eligible applicants.) A project application is submitted within 90 days of a major disaster declaration, and within 30 days of an emergency declaration. Damage Survey Reports, prepared by Federal engineers, which document damage and recommend the eligible restorative work and eligible costs, are the basis for the application. Grants are made for emergency protective measures, debris clearance, and the repair and restoration of damaged public and certain private, nonprofit facilities.

(1) Debris removal is normally accomplished by the affected local government, with financial assistance from FEMA. However, if that local government requests, and FEMA determines that direct Federal assistance is necessary, FEMA can direct another Federal agency to perform the work.

(2) Emergency protective measures include, but are not limited to, search and rescue, demolition of unsafe structures, warning of further risks and hazards, public health and safety measures, and other actions necessary to remove or to reduce immediate threats to public health and safety, public property, or private property when in the public interest.

(3) Repair or Restoration of Public Facilities. FEMA provides funds for the permanent repair or restoration of public facilities belonging to a State or local government. A public facility includes any publicly owned building or structure, including those used for educational or recreational purposes; any airport facility; any park; any street or road not built with Federal funds; any flood control, navigation, irrigation, reclamation, water supply and distribution, or watershed development facility; and any public power or sewage treatment facility. The Act also provides assistance for the repair or restoration of certain private nonprofit education, utility, emergency, medical, and custodial care facilities damaged or destroyed by a major disaster.

(4) Other Programs. In addition to the above, a number of other forms of assistance are available through FEMA. Emergency communications and emergency public transportation may be furnished. Community disaster loans may be provided; under this program, FEMA may make loans, for up to 25 percent of the annual operating budget for the

fiscal year in which the disaster occurred, to a local government which has suffered a substantial loss of taxes and other revenue because of a major disaster and demonstrated a need for Federal financial assistance in order to perform its municipal functions.

b. Individual and Family Assistance

(1) Coordination. In order to supply necessary services to individuals in a quick and effective manner, the FCO establishes one or more Disaster Assistance Centers in the disaster area shortly after a disaster declaration. At these centers, victims can meet with Federal, State, local, and private organization representatives to receive advice and assistance in applying for disaster services. A wide range of assistance is available; typically, disaster victims may require temporary housing, disaster loans for repair of homes and replacement of personal property, and individual and family grants to meet disaster-related necessary expenses and serious needs.

(2) Combined Application/Verification Process. FEMA is currently developing and testing a combined application/verification process. It combines the application forms for three high-use programs -- temporary housing, home/personal property loans and grants. FEMA and the other Federal agencies involved endorsed this idea during Congressional oversight hearings on the disaster program in March 1978. The process also provides for one home verification visit, rather than the separate and numerous visits currently performed by the three agencies. This process is a function of the Federal Coordinating Officer, and his/her representatives take the application and perform the single verification. The individual agencies determine eligibility and the appropriate form of assistance for the applicant. Meeting as a panel, each agency discusses and coordinates these determinations to assure that the applicant receives a complete but single "assistance package" and that duplication of benefits did not occur. Prior to the individual agency's determination, each applicant is assigned a CAVP advisor to act as a liaison between the applicant and the "system". During the delivery-of-assistance phase, each agency is responsible for maintaining this liaison until assistance is provided. Although the cost of performing these functions is borne entirely by FEMA, the total financial outlay by the Federal Government would be less than if these services were provided by each of the agencies involved. Additional benefits include: reduction of confusion caused by separate applications and verifications, a single point of contact for disaster victims, less possibility of duplication of benefits, and greater responsiveness of the Federal Government to diaster victims. At this time, the program has been field tested in three small disasters with success. A major test is planned for FY 1980.

(3) Temporary Housing. Under this program, a State or Federal agency, with funds from the President's Disaster Relief Fund, provides temporary housing to families requiring such assistance as a result of a major disaster or emergency. The Temporary Housing program provides assistance in the form of rental assistance (available government-owned and assisted housing units or privately owned housing units on the open market) and mobile units which either are owned or leased by the government. Both of these forms of assistance are provided for a period not to exceed one year, at which time rent is established on the basis of an applicant's financial ability to pay. The Temporary Housing program is also authorized to provide furniture and household kits which replace essential items lost as a result of the disaster.

When assistance is provided, housing advisors work with assisted applicants to develop appropriate housing plans so that suitable

alternate housing can be located within the applicant's financial ability. If alternate housing is not located within the 12-month rent-free period, assisted applicants are charged a fair market rental, taking into consideration their financial condition.

Under this program, rental or mortgage payments may also be made on behalf of individuals and families who, as a result of financial hardship caused by a major disaster, have received written notice of eviction or dispossession.

To support the Temporary Housing program, the Mobile Home Storage program was established in 1974 to assure readily available mobile homes and travel trailers. At present there are four Strategic Storage Centers located throughout the country which provide government-owned mobile homes when such assistance is required in disaster response operations.

(4) Disaster Unemployment Assistance. The U.S. Department of Labor, through the State Employment Service, administers job placement and disaster unemployment assistance programs for persons unemployed as a result of a major disaster, upon authorization from FEMA. FEMA furnishes advances from the President's Disaster Relief Fund for the Department of Labor to provide benefits under this program.

Compensation may be provided until the victim is able to obtain a job, or for up to one year after the declaration of a major disaster. The compensation provided cannot exceed the maximum amount of payment under the State's unemployment compensation program. During the time that the person is unemployed, the State Employment Service makes every effort to find the individual a suitable position.

(5) Individual and Family Grants. In instances where assistance from governmental disaster programs or other means is unavailable or insufficient to meet necessary expenses or serious needs of individuals and families, the Governor of the State may request Individual and Family Grant assistance from FEMA. This program authorizes grants up to $5,000 per individual or family to meet disaster-related necessary expenses or serious needs which cannot be met through other means. FEMA provides 75 percent of the funds for this program; the State contributes the remaining 25 percent. The State administers the program, and individuals and familes must apply within 60 days of the disaster declaration. FEMA provides technical assistance to States by helping them develop administrative plans required for participation in this program.

Grants may be used for a number of disaster related purposes. The funds may be used to obtain required medical or dental care. For housing, grants may be utilized to repair or replace, clean, provide access, and remove debris from residences. The grant program is also being used to provide temporary housing resources, allowing the States to make grants for Limited Home Repairs to damaged residences. Under this program, a grant is made to the homeowner, allowing the applicant to arrange for his own repairs. When repairs can be made quickly to restore a dwelling to a habitable condition, a homeowner remains in his residence in lieu of other forms of temporary housing. Applicant surveys conducted during the 1979 disaster season indicated that Limited Home Repair recipients were satisfied with the program. Personal property, including clothing, household items, appliances, and tools and equipment essential for employment, may also be cleaned, repaired, or replaced. Expenditures to obtain public transportation or to repair or replace private transportation are allowable, provided the loss of transportation was disaster related. Grants are also permitted for funeral expenses.

Any expense or need which may be described as non-essential, luxury, or decorative is not eligible. Further, business losses, improvements to real or personal property, landscaping, real or personal property used exclusively for recreation, and financial obligations incurred prior to the disaster are also ineligible.

(6) Other Programs. Other forms of individual and family assistance which are also available, include:

(a) Crisis Counseling Assistance, funded by FEMA, is supplied by the National Institute of Mental Health. Disaster victims are eligible to receive professional counseling services to relieve mental health problems caused or aggravated by disasters.

(b) Legal services are provided through the Young Lawyers section of the American Bar Association, through appropriate Federal or State agencies, or by direct mission assignment to a legal services provider.

c. State Disaster Preparedness Grants

Under this program, each "State" (as defined by the Disaster Relief Act of 1974, with the exception of the Canal Zone) applied for and received a one-time grant of up to $250,000 to develop plans, programs, and capabilities for disaster preparedness and prevention. That program is completed. States may also apply for annual grants, not to exceed $25,000, on a 50-percent matching basis, to improve, maintain, and update disaster plans and capabilities. This "improvement" grant can be used to identify particular risks and needs, to refine and expand response plans to address specific contingencies or functions or agencies, to train disaster staffs, to inform the public about preventive and remedial actions, and to assist local jurisdictions with their own disaster preparedness plans and capabilities.

5. PROGRAMS PROVIDED BY OTHER AGENCIES.

Many Federal agencies provide disaster and emergency assistance under separate enabling legislation exclusive of the Disaster Relief Act of 1974. Some of these programs are available even without a Presidential declaration of a disaster or an emergency.

The Department of Agriculture provides a variety of measures including: emergency food stamps, crop insurance, a crop loss disaster program, disease and pest control, emergency livestock feed, various conservation measures, rural electrification, and industrial development in small cities and rural areas. Business disaster loans, economic injury loans, loans for product loss, and home repair rebuilding loans are available to disaster victims from the Small Business Administration. The Army Corps of Engineers undertakes a number of flood control programs. The Department of Health, Education, and Welfare supplies emergency health services and surplus property and provides for the restoration of schools and health facilities damaged by disasters. Aid for highway repair on the Federal Aid System is made available by the Federal Highway Administration, and the Department of Commerce provides aid for commercial fisheries and building damage research. The Department of the Interior supports grants for earthquake hazard reduction and other activities, and the National Weather Service operates a forecast and warning service for severe weather phenomena.

The Internal Revenue Service furnishes advice, counseling, and guidance on tax matters to disaster victims. The Veterans Administration and Social Security Administration provide counseling to their clientele during major disasters. In the case of the Veternas Administration, forbearance on mortgage payments may be arranged.

In addition, the various Housing and Urban Development programs may be of benefit to disaster victims. Community development block grants from HUD may be made available to affected localities. Adjustments to Federal loans, insured home loans, and loans for mobile home financing, property improvements, and rental housing are all available under various housing acts.

6. VOLUNTEER AGENCIES.

In any disaster or emergency, numerous volunteer organizations provide invaluable help and assistance. Three such volunteer agencies are recognized under the Disaster Relief Act of 1974: The American National Red Cross, the Mennonite Disaster Service, and the Salvation Army. Under the direction of the Federal Coordinating Officer, these organizations work closely with FEMA and other Federal agencies in supplying food, clothing, shelter, and medical care to disaster victims, in conducting search and rescue operations, and in helping to repair and restore damaged facilities.

PROGRAM ACTIVITY

More than $373 million was obligated in FY 1979 for payment for disaster relief services performed in response to situations which occurred in 1979 and prior years. The following table indicates the amounts obligated in 1979 by categories of assistance:

Category of Assistance	Amount ($000)
Public Assistance	$208,964
Temporary Housing	15,871
Disaster Unemployment Assistance	5,273
Individual and Family Grants	111,555
Fire Suppression Assistance	590
Emergencies	30,083
State Disaster Preparedness Grants	1,029
Total	$373,365

1. DISASTER AND EMERGENCY DECLARATIONS.

The President declared 42 major disasters and 11 emergencies and FEMA approved seven fire suppression grants during 1979. Thirty of the major disasters were caused by floods, combined in some cases with tornadoes. A total of 33 States and three Territories received Federal disaster assistance under these authorizations. Of the 53 Presidential declarations, Texas was the recipient of Federal assistance five separate times. Florida received four declarations, while California, Louisiana, Alabama and Mississippi each had three. These declarations were made in response to 80 requests for assistance from State Governors. After each request, the extent and nature of the damage and the need for Federal assistance were carefully assessed before a recommendation was made to the President.

An assistance agreement executed between the Federal Government and a State remains in effect until all authorized recovery work has been completed. All major disasters and ten of the emergencies declared in 1979 remain open. As of September 30, 1979, assistance was also being provided under 104 major disaster declarations and 11 emergencies declared prior to the beginning of 1979.

The following tables list the major disasters and emergencies declared during 1979:

MAJOR DISASTERS

State	Date Declared	Cause
California	10/09/78	Landslides
Louisiana	12/06/78	Severe storms and tornadoes
Kentucky	12/12/78	Severe storms and flooding
West Virginia	12/14/78	Severe storms and flooding
Arizona	12/21/78	Severe storms and flooding
New Mexico	01/29/79	Flooding
Trust Territory	02/12/79	Typhoon Alice
Hawaii	03/07/79	Severe storms and flooding
Arkansas	04/11/79	Tornado
Texas	04/11/79	Severe storms and tornadoes
Oklahoma	04/13/79	Severe storms and tornadoes
Mississippi	04/16/79	Storms, tornadoes and floods
Alabama	04/18/79	Storms, wind, flooding
Missouri	04/21/79	Tornadoes, torrential rains and flooding
Texas	04/26/79	Severe storms, tornadoes and flooding
North Dakota	04/26/79	Severe storms, snowmelt and flooding
Minnesota	04/30/79	Severe storms and flooding
Illinois	04/30/79	Severe storms and flooding
Louisiana	05/02/79	Severe storms and flooding
Tennessee	05/07/79	Severe storms, tornadoes and flooding
Florida	05/15/79	Severe storms, tornadoes and flooding
Texas	06/14/79	Severe storms and flooding
Kansas	06/15/79	Severe storms and flooding
New Mexico	06/23/79	Severe storms, snowmelt and flooding
Iowa	07/01/79	High winds and tornadoes
Wyoming	07/19/79	Severe storms and tornadoes
Kentucky	07/19/79	Severe storms and flash flooding
Virginia	07/20/79	Severe storms and flash flooding
California	07/27/79	Heavy rains, flash floods and mud flows
Texas	07/28/79	Severe storms and flash flooding
Indiana	07/31/79	Severe storms and flooding
Puerto Rico	07/02/79	Hurricane David
Alabama	09/13/79	Hurricane Frederic
Mississippi	09/13/79	Hurricane Frederic
Florida	09/13/79	Hurricane Frederic
Maryland	09/14/79	Severe storms, tornadoes and flooding
Virgin Islands	09/16/79	Hurricanes David and Frederic
Texas	09/25/79	Severe storms and flooding
Louisiana	09/25/79	Severe storms and flooding
North Carolina	09/29/79	Severe storms and flooding
Virginia	09/29/79	Severe storms and flooding
Florida	09/29/79	Severe storms and flooding

EMERGENCIES

State	Date Declared	Cause
California	10/29/78	Brush fires
Illinois	01/16/79	Blizzards and snowstorms
Wisconsin	01/19/79	Blizzards and snowstorms
Washington	03/12/79	Flooding
Missouri	03/12/79	Ice jam and flooding
Georgia	03/13/79	Rain, flooding and mudslide
New Hampshire	03/15/79	Flooding
Alabama	03/17/79	Flooding
Florida	03/24/79	Severe storms and flooding
Iowa	04/06/79	Severe storms and tornadoes
Mississippi	04/14/79	Storms, tornadoes and floods

2. DISASTER ASSISTANCE PROVIDED.

Responding to the major disasters and emergencies declared in 1979, FEMA coordinated the provision of a wide range of public assistance to States and local governments and assistance to individuals and families. Technical assistance was also provided to State and local governments throughout the year. In a disaster situation, one or more Disaster Assistance Centers are set up to provide guidance and assistance to disaster victims. During FY 1979, over 212 thousand applications were processed. In addition, FEMA fulfilled its role as coordinator in disaster or emergency situations in communion with other Federal agencies and State and local governments. These activities are discussed in the following sections.

a. Public Assistance. About 66 percent of the funds supplied for disaster relief are provided for public assistance activities, such as debris removal, the repair and restoration of damage public facilities, fire suppression assistance, and other activities. This includes emergency work to protect life, public health and safety, and property and permanent restoration activities which are more extensive and may require planning, design, and formal contracting. In 1979, over $239 million was obligated for public assistance activities, including $68 million for direct Federal involvement (work performed by Federal agencies). These obligations were made for disasters and emergencies which occurred in 1979 and prior years.

(1) Emergency Assistance. Federal equipment and personnel were supplied to assist in snow removal and cleanup after the storm that hit Illinois and Wisconsin in January 1979. Nearly $27 million was obligated for emergency snow removal from these storms alone. Storms and flooding, including coastal flooding in Alabama and Mississippi following Hurricane Frederic in September 1979 required extensive assistance to remove debris and wreckage from roads, utilities, buildings, and homes damaged by these floods. Emergency assistance totaled $55 million.

(2) Repair and Resoration of Damaged Facilities. Numerous public facilities, including road systems, water control facilities, public buildings and related equipment, and public utilities were damaged as a result of major disaster situations in FY 1979. Over $107 million was obligated to repair and restore these facilities.

In addition, over $5 million was obligated to repair and restore private nonprofit facilities including educational, custodial care, and medical facilities.

b. Individual and Family Assistance. This type of assistance includes such items as temporary housing, disaster unemployment assistance, and individual and family grants. Obligations were incurred for $134 million from the President's Disaster Relief Fund for these purposes in 1979 to assist 107,765 disaster victims. The total cost for providing these services is expected to be about $239 million for disasters declared in FY 1979.

(1) Temporary Housing. The largest temporary housing activity since 1972 occurred during FY 1979. Thirty-nine of the 42 major disaster operations required temporary housing assistance. Twenty-one of these operations were performed by 14 States, indicating greater State participation in the program than the previous year. Approximately 44,000 families received temporary housing, and over $48.6 million was obligated for this program. It is estimated that the total cost of this program will be $100,000,000. In support of this increased activity, 3,000 new mobile homes were purchased and used in disaster operations where existing resources were not avail-

able. Additionally, over 3,000 refurbished units were dispatched to disaster sites throughout the year from the four Strategic Storage Centers.

(2) Disaster Unemployment Assistance. The Department of Labor was authorized $5.7 million in order to provide disaster unemployment assistance for 14,600 individuals.

(3) Individual and Family Grants. Approximately $84 million was obligated in FY 1979 for the 75 percent Federal share contribution for individual and family grants. These funds assisted approximately 103,000 individuals and families in 42 disaster declarations (39 major and 3 emergencies). These families received a wide range of assistance to meet their serious unmet needs, including limited home repair, restoration of personnel property, and disaster related medical and dental care. The affected States were responsible for administering the grant program and paying 25 percent of grant costs.

(4) Counseling. FEMA advanced a total of $250,000 for crisis counseling assistance to the State of Texas (Wichita Falls, tornado) and Mississippi (Jackson floods).

c. State Disaster Preparedness Grants. Eligible for the annual $25,000-maximum Improvement Grant are the 50 States, the District of Columbia, the Commonwealths of Puerto Rico and the Northern Mariana Islands, the Trust Territories of the Pacific Islands, and the Territories of American Samoa, Guam, and the Virgin Islands--all of which particpated in the now-completed Development Grant Program. Of these 57 jurisdictions, 45 have received at least one improvement grant, and most of the remaining 12 are expected to participate before the end of the Federal fiscal year 1980. Funds are available in FY 1980 and requested for FY 1981 to provide grants in the full amount to all eligible jurisdictions. Actual obligations in FY 1979 totaled $1,028,978.

d. Assistane Provide by Other Federal Agencies. Each major disaster declaration triggers assistance from other Federal agencies, for example, the Small Business Administration (SBA) and the Department of Agriculture's Farmers Home Administration (FmHA). In 1979, SBA provided to major disaster areas $216 million in home/personal loans and $144 million in business loans. FmHA provided $129 million in loans to farmers. A variety of assistance comes from several other Federal agencies, although it is not triggered by the declaration itself. This year the Federal Highway Administration provided $30 million to rebuild roads and bridges in disaster areas. The U.S. Office of Education provided $4 million to public schools that suffered disaster damage. The Department of Agriculture provided free food stamps and several types of assistance to farmers. The Department of Agriculture approved applications for emergency food stamps totaling approximately $37 million. The Corps of Engineers rebuilt dams, levees, and other water control facilities.

e. Volunteer Agencies. The Red Cross, Salvation Army, Mennonite Disaster Service, and other volunteer agencies furnished food, clothing, shelter and other relief and recovery assistance to disaster victims. Relief efforts in declared disasters were coordinated with FEMA.

STATUS OF THE FUND

The following table shows the actual and estimated status of the Disaster Relief Fund for the fiscal years 1979 - 1981 in thousands of dollars:

	ACTUAL FY 1979	BUDGET ESTIMATE FY 1980	CURRENT* ESTIMATE FY 1980	ESTIMATE FY 1981
Unobligated balance, start of year...	$ 6,280	$ 19,687	$ 19,687	---
Recovery of prior year obligations...	---	---	---	---
Appropriations.....	394,000	193,600	507,600	$375,570
Obligations incurred.....	373,365	213,287	527,287	375,570
Unobligated balance, end of year.....	19,687	---	---	---

* Includes a $314 million proposed supplemental appropriation.

GPO 888-276

APPENDIX A

FEDERAL EMERGENCY MANAGEMENT AGENCY
FUNDS APPROPRIATED TO THE PRESIDENT

Justification of Supplemental Estimates Fiscal Year 1980

"Disaster Relief"

"For an additional amount for "Disaster Relief" for necessary expenses in carrying out the functions of the Disaster Relief Act of 1970, as amended (42 U.S.C. 4401), the Disaster Relief Act of 1974 as amended (42 U.S.C. 5202) and Reorganization Plan No. 3 of 1978, authorizing assistance to States and local governments, $314,000,000 to remain available until expended."

This supplemental appropriation is requested to enable the Federal Emergency Management Agency to carry out its responsibility to alleviate the suffering and damage which results from disasters. The large number of disasters during the latter part of 1979 has resulted in greater than anticipated demand for disaster assistance.

Summary of Budget Request.

The amount appropriated for Disaster Relief in FY 1980 was $193.6 million. It is necessary to request a supplemental appropriation of $314 million for disaster relief activities because of the severe weather conditions which have affected portions of the nation during September and October 1979 and January and February 1980.

The areas affected by the severe weather included Puerto Rico and the Virgin Islands sticken by Hurricane David; Alabama, Mississippi and Florida stricken by Hurricane Fredric; California and Arizona stricken by severe rain storms, mudslides and flooding, resulting in disaster declarations.

DISASTER RELIEF
Status of Funds as of March 10, 1980
($ IN THOUSANDS)

Funds Available - FY 1980		$213,287
Unobligated Balance FY 1979	$ 19,687	
1980 Appropriation	193,600	
Funds Required		527,287
Obligations incurred 10-1-79 to 3-10-80	203,390	
Federal/State planning grants	1,425	
Fire Suppression Assistance	1,000	
Declared Disasters		
#597 September 1979 Puerto Rico - Hurricane Fredric	46,957	
#598 September 1979 Alabama - Hurricane Fredric	74,874	
#599 September 1979 Mississippi - Hurricane Fredric	6,576	
#601 September 1979 Maryland - Tornadoes and Flooding	5,370	
#609 October 1979 California - Earthquake	7,392	
#614 February 1980 Arizona - Flooding	15,800	
#615 February 1980 California - Mud slides and flooding	139,000	
All Others	18,541	
Potential 1980 Declarations	7,002	
Supplemental Appropriation required		$314,000

Estimated Funds Required by Program
($ In Thousands)

Disaster No.	Date Declared	State	Public Assistance	Temporary Housing	Disaster Unemployment Assistance	Individual Family Grants	Total
597	Sept 79	Puerto Rico	$ 36,381	$ 3,500	$ 1,376	$ 5,700	$ 46,957
598	Sept 79	Alabama	60,234	7,500	1,140	6,000	74,874
599	Sept 79	Missis-sippi	1,726	2,372	438	2,000	6,536
601	Sept 79	Maryland	5,370	-0-	-0-	-0-	5,370
609	Oct 79	California	6,957	110	-0-	325	7,392
614	Feb 80	Arizona	15,147	288	50	315	15,800
615	Feb 80	California	130,932	3,000	68	5,000	139,000
All Others			18,541	-0-	-0-	-0-	18,541
TOTALS			$275,288	$16,770	$3,072	$19,340	$314,470

As of March 10, approximately $10 million remained available in the President's Disaster Relief Fund. Total requests from State and local governments for funds required to complete activities pursuant to existing disaster and emergency declarations is approximately $160 million. In addition, requirements for two recently declared disasters in Arizona and California are expected to exceed $15.8 million and $139 million respectively. We are unable to meet requirements throughout the nation with the funds available. Unless the requested supplemental is promptly enacted, FEMA will be unable to reimburse local governments for funds which they have already expended in anticipation of prompt reimbursement; similarly, FEMA will not have the resources to continue advancing funds for the Individual and Family Grant Programs which can be used for emergency clothing, medical and other eligible expenses.

In order to conserve the limited funds to meet urgent human needs, FEMA has taken several steps including establishing a priority system of expenditures, conditional approval of public assistance projects (which has the effect of delaying needed activity) pending the availability of funds, and requiring other Federal agencies to carry out responsibilities from their own funding sources and without any clear indication of when they may expect reimbursement. All of these actions will be continued until enactment of the supplemental appropriation. Further, there is virtually no financial capacity to respond to any additional disaster or emergency declarations.

PROGRAM DESCRIPTION

The President's Disaster Relief program is designed to supplement the efforts and available resources of State and local governments and voluntary relief organizations. The President's declaration of a "major disaster" or an "emergency" authorizes Federal assistance under the Disaster Relief Act of 1974, as amended, and triggers other Federal disaster relief programs. The Federal response is coordinated by the Office of Disaster Response and Recovery of the Federal Emergency Management Agency.

When a disaster threatens or occurs, local authorities take immediate steps to warn and evacuate citizens, alleviate suffering, and protect life and property. If additonal help is needed, the Governor may direct execution of the State's emergency plan, use State Police or National Guardsmen, or commit other State resources as the situation demands. Federal establishments, particularly military installations which are located in or near the disaster area, may provide immediate lifesaving assistance, and other Federal agencies may be able to provide assistance under their own statutory authorities. However, if the situation is beyond the capabilities of local and State forces, supplemented by limited assistance of Federal forces on the scene, the Governor may request that the President declare a "major disaster" or an "emergency".

A "major disaster" is defined in the Disaster Relief Act of 1974, Public Law 93-288, as any "hurricane, tornado, storm, flood, highwater, wind-driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, drought, fire, explosion, or other catastrophe in any part of the United States which, in the determination of the President, causes damage of sufficient severity and magnitude to warrant major disaster assistance above and beyond emergency services by the Federal Government to supplement the efforts and available resources of States, local governments, and private relief organizations in alleviating the damage, loss, hardship, or suffering caused by a disaster".

An "emergency" is defined as any of the various types of natural disasters included in the definition of a "major disaster" which requires Federal emergency assistance to supplement State and local efforts to save lives and protect property, public health and safety, or to avert or lessen the threat of disaster.

A Presidential declaration of a "major disaster" or an "emergency" makes a broad range of assistance available to individuals and State and local governments. This help may include:

To individuals -

Temporary housing for disaster victims whose homes are uninhabitable until other housing resources are available. No rental is charged during the first 12 months of occupancy;

Minimum essential repairs to owner-occupied residences in lieu of other types of temporary housing resources, so that families can return quickly to their damaged homes;

Temporary assistance with mortgage or rental payments for persons faced with loss of their residences because of disaster-created financial hardship for a period not to exceed 12 months;

Disaster unemployment assistance and job placement assistance for those unemployed as a result of a major disaster;

Individual and family grants of up to $5,000 to meet disaster-related necessary expenses or serious needs of those adversely affected by a major disaster when they are unable to meet such expenses or needs through other programs or other means;

Legal services to low-income families and individuals;

Consumer counseling and referrals to appropriate mental health agencies to relieve disaster caused mental health problems.

To States and Local Governments -

Clearance of debris on public or private lands or waters;

Emergency protective measures for the preservation of life and property;

Repair or replacement of roads, streets, and bridges;

Repair or replacement of water control facilities (dikes, levees, irrigations works, and drainage facilities);

Repair or replacement of public buildings and related equipment;

Repair or replacement of public utilities;

Repair or restoration to pre-disaster condition of public facilities damaged while under construction;

Repair or restoration of recreation facilities and parks; and

Repair or replacement of private, nonprofit educational, utility, emergency, medical, and custodial care facilities.

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APPENDIX B

FEDERAL EMERGENCY MANAGEMENT AGENCY

RADIOLOGICAL EMERGENCY RESPONSE PLANNING AND PREPAREDNESS SUPPLEMENTAL

JANUARY SUBMISSION

FEDERAL EMERGENCY MANAGEMENT AGENCY
RADIOLOGICAL EMERGENCY RESPONSE PLANNING AND PREPAREDNESS

A. PROGRAM HIGHLIGHTS

	Actual 1979	Estimate 1980 ($000)
Program Level		
Radiological Emergency Response Planning and Preparedness	0	$8,900

B. SUMMARY OF BUDGET ESTIMATES

1. SUMMARY OF BUDGET REQUEST

A total of $8.9 million is required by the Federal Emergency Management Agency (FEMA) as a supplemental appropriation for Fiscal Year 1980 to carry out new assignments pertaining to off-site radiological emergency response planning and preparedness activities for nuclear reactor accidents.

2. CHANGES FROM ORIGINAL 1980 BUDGET ESTIMATES

On December 7, 1979, the President responded to the recommendations of the President's Commission on the Accident at Three Mile Island (Kemeny Commission Report). Among the many actions taken, the President directed FEMA to assume responsibility for all off-site nuclear emergency planning and response. He has transmitted a supplemental appropriation of $8.9 million to Congress to enable FEMA, among other activities, to complete the review of State emergency plans in all States with operating reactors by June 1980.

3. Urgency of Funding

Unless the supplemental appropriation request of $8.9 million is provided by February 15, 1980 FEMA will not be able to meet the scheduled completion of the reviews by June 30, 1980 as directed by the President.

C. EXPLANATION OF INCREASES AND DECREASES

The increase of $8.9 million in Fiscal Year 1980 will provide the funding to carry out the Presidential directive.

D. PROGRAM DESCRIPTION

1. Program Purpose

Specifically, the President directed FEMA to: (1) take the lead in off-site emergency planning and response; (2) complete by June 1980 the review of State emergency plans in those States with operating reactors;

(3) complete as soon as possible the review of State emergency plans in those States with plants scheduled for operation in the near future; (4) develop and issue an updated series of interagency assignments to delineate respective agency capabilities and responsibilities and clearly define procedures for coordination and direction for both emergency planning and response; (5) assure that Department of Energy resources and capabilities for responding to radiological emergencies are made available and augmented as needed to service civilian related radiological emergencies; (6) assure the development of programs to address the Kemeny Report recommendations for additional research and public education needs; (7) address the need for improved advance preparation for emergencies and public education programs in the context of State emergency response plans: (8) provide the States with technical assistance wherever appropriate; (9) develop precedures for dissemination of information during an emergency; and (10) report periodically to the Oversight Committee and the President on progress made, and advise the Oversight Committee on the need for further Federal assistance.

2. Program Participants and Activities

a. Program Participant - Forty States have been identified as having a radiological emergency response planning requirement. Of these, 25 States have one or more fixed nuclear facilities already in operation; 10 States have a population at some risk (within a 50 mile radius) because of their proximity to adjacent States with operating reactors; and 5 States have nuclear facilities planned or currently under construction. Planning in the following 40 States will be accomplished: Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia and Wisconsin.

b. Activities - To carry out the Presidential directive, FEMA will require funds to: (1) provide for salaries, travel, and personnel benefits of Staff to manage the program ($510,000); (2) develop public information and operational guidance materials ($800,000); (3) develop and initiate public education programs ($500,000); (4) provide additional technical assistance to States through contracts which authorize an average of about 2 planners per State (82 planners total) (3,415,000); (5) develop and produce (on a pilot run basis) low range dosimeters ($950,000); (6) procure and field test radio protective substances ($525,000); (7) develop guidance on training programs for State and local government personnel ($300,000); (8) develop guidance on the conduct of exercises to test plan viability ($700,000); (9) provide grants to certain States and localities which has nuclear facilities adjacent to densely populated areas to conduct special studies to resolve protective action problems ($500,000); (10) survey the need for and conduct necessary research on a wide range of requirements such as protective actions, radioprotective substances, and operational response systems ($300,000); and (11) provide for technical assistance from other Federal agencies ($400,000).

Proposed Organization and Staffing

A new line division (Radiological Hazards Division) within the FEMA Office of Population Preparedness will be established to carry out the FEMA programs directed by the President. The Division will consist of 14 positions and will be responsible for the following: Review and assessment of State and local nuclear facility off-site response plans; development of guidance materials on planning, training, and exercising; monitoring status of planning activities in States; coordinate activities with other Federal agencies; monitor activities of the Regional Advisory Committees; assist in conducting training programs for planners and State and local government officials; assist in developing proposed rule-making; assist in development of public information materials; and development of status reports.

Two additional positions will be assigned to another Division within Office of Population Preparedness to accomplish the tasks involved in design and development of low range dosimeters.

Emergency Planning, Preparedness, and Mobilization
Distribution By Object Classification
(In thousands of dollars)

Direct Obligations		Estimate FY 1980
11.0	Personnel Compensation Salaries for 5 positions for FY 80. GS 7 - Clerk Typist GS 6 - Clerk Typist GS 6 - Clerk Typist GS 11 - Equipment Specialist (management of equipment procurement & logistics) GS 11 - Physicist (design and development of low range dosimeter)	91
12.0	Personnel Benefits Personnel benefits for 5 positions during FY 80.	9
21.0	Travel and Transportation of Things Travel funds to accommodate increased travel requirements in FY 1980 for the FEMA Headquarters and Regional staff in their visits to State and local governments for plans development, assessment, and exercises.	410
24.0	Printing and Reproduction Printing costs for technical guidance or plan development and exercises; public information materials; and public education program.	302
25.1	Other Services Funds to provide contracts with States and firms to cover: (a) 82 planners for 40 States to conduct training and exercises; (b) development of low range dosimeters; (c) develop guidance on exercises and training programs; (d) obtain technical assistance from other Federal agencies; (e) develop public education and information programs; (f) develop guidance on radioprotective substances; (g) conduct a logistics support study; and (h) conduct a research program.	6,675
26.0	Supplies and Materials Funds required for materials and supplies primarily in the development of low range dosimeter instruments.	13
31.0	Equipment Funds to provide for procurement of a low range dosimeter on a pilot run basis and for procurement of radioprotective substances.	900

41.0	Grants, Subsidies and Contributions Funds to provide grants to specific states that have high population density within a 10 mile radius to fixed nuclear facility (on the order of 100,000 persons or more) to conduct approximately 12 evacuation-time studies.	500
	Total Direct Obligations	$8,900

APPENDIX C

FEDERAL EMERGENCY MANAGEMENT AGENCY

RADIOLOGICAL EMERGENCY RESPONSE PLANNING AND PREPAREDNESS SUPPLEMENTAL

MARCH REVISION

March, 14, 1980
Revised Mar 28, 1980

FEDERAL EMERGENCY MANAGEMENT AGENCY
RADIOLOGICAL EMERGENCY RESPONSE PLANNING AND PREPAREDNESS

A. PROGRAM HIGHLIGHTS

	Actual 1979	Estimate 1980
Program Level		
Radiological Emergency Response Planning and Preparedness	0	$8,900

B. SUMMARY OF BUDGET ESTIMATES

1. Summary of Budget Request

A total of $8.9 million is required by the Federal Emergency Management Agency (FEMA) as a supplemental appropriation for FY 1980 to carry out new assignments pertaining to off-site radiological emergency response planning and preparedness activities for nuclear reactor accidents.

2. Changes from Original 1980 Budget Estimates

On December 7, 1979, the President responded to the recommendation of the President's Commission on the Accident at Three Mile Island (Kemeny Commission Report). Among the many actions taken, the President directed FEMA to assume responsibility for all off-site nuclear emergency planning and response. He has transmitted a supplemental appropriation of $8.9 million to Congress to enable FEMA, among other activities, to make a comprehensive review of State emergency plans in all States with operating reactors by June 1980, and to establish the administrative basis for a continuing overview of the status of preparedness in the ensuing months beyond June 1980.

3. Urgency of Funding

Without the supplemental appropriation FEMA will have great difficulty in completing the review of off-site plans and preparedness by June 30, 1980 as directed by the President. It will be impossible to establish an administrative basis for preparedness beyond that date or to meet the near-term schedule implied in the Senate bill.

C. EXPLANATION OF INCREASES AND DECREASES

The increase of $8.9 million FY 1980 will provide the funding to carry out the Presidential directive, and will provide the obligatory authority to enhance preparedness activities required by S.562 or the NRC rulemaking which may extend beyond September 30, 1980.

D. PROGRAM DESCRIPTION

1. Program Purpose

Specifically, the President directed FEMA to: (1) take the lead in off-site emergency planning and response; (2) complete by June 1980 a review of State emergency plans in those States with operating commercial power reactors; (3) complete as soon as possible the review of State emergency plans in those States with power reactors or other fixed nuclear facilities scheduled for operation in the near future; (4) develop and issue an updated series of interagency assignments to delineate respective agency capabilities and responsibilities and clearly define procedures for coordination and direction for both emergency planning and response for all types of fixed nuclear facilities; (5) assure that Department of Energy resources and capabilities for responding to radiological emergencies are made available and augmented as needed to service civilian related radiological emergencies; (6) assure the development of programs to address the Kemeny Report recommendations for additional research and public education needs; (7) address the need for improved advance preparation for emergencies and public education programs in the context of State emergency response plans; (8) provide the States with technical assistance wherever appropriate; (9) develop precedures for dissemination of information during an emergency; and (10) report periodically to the Oversight Committee and the President on progress made, and advise the Oversight Committee on the need for further Federal assistance.

2. Program Participants and Activities

a. Program Participant - Forty States have been identified as having a radiological emergency response planning requirement. Of these, 25 States have one or more fixed nuclear facilities already in operation; 10 States have a population at some risk (within a 50-mile radius) because of their proximity to adjacent States with operating reactors; and 5 States have nuclear facilities planned or currently under construction. Planning in the following 40 States will be accomplished: Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, and Wisconsin.

b. Activities - To carry out the Presidential directive, FEMA will require funds to: (1) provide for salaries, travel, and personnel benefits of staff to manage the program ($267,000); (2) develop public information and operational guidance materials ($250,000); (3) contract services totaling $3,775,000 consisting of: (a) exercises evaluation assistance ($300,000), (b) automatic data processing and management information systems ($50,000). (c) National Contingency Plan Development ($100,000), (d) R&D on accident assessment, dosimeters and exercise scenarios ($300,000), (e) training of medical personnel ($300,000) (f) workshops and seminars for State and local officials ($200,000), (g) studies of evacuation dynamics ($250,000), (h) funding for contract planners at the State level ($2,275,000); (4) develop and provide equipment for accident assessment totaling $2,350,000 consisting of: (a) radiological instrumentation development and distribution ($665,000), and (b) Atmospheric Release Advisory Capability (ARAC) at sites and State emergency centers in highly populated areas ($1,685,000); (5) grants to State and local government for preparedness functions beyond utility capability ($2,258,000).

Proposed Organization and Staffing

A new line division (Radiological Emergency Preparedness Division) within the FEMA Office of Population Preparedness is established to carry out the FEMA programs directed by the President. The division consists of 15 positions and will be responsible for the following: reyiew and assessment of State and local nuclear facility off-site response plans; planning, coordination and managing contract support work on accident assessment and transportation dynamics; development of guidance materials on planning, training, and exercising; monitoring status of planning activities in States; coordinate activities with other Federal agencies; monitor activities of the Regional Advisory Committees; assist in conducting training programs for planners and State and local government officials; assist in developing proposed rulemaking; assist in development of public information materials; and development of status reports.

Two additional positions will be assigned to another Division within the Office of Population Preparedness to accomplish the tasks involved in design and development of radiological instrumentation.

FEDERAL PLANNING PREPAREDNESS AND MOBILIZATION
DISTRIBUTION BY OBJECT CLASSIFICATION
(IN THOUSANDS OF DOLLARS)

DIRECT OBLIGATIONS		ESTIMATE FOR FY 1980
11.0	Personnel Compensation	
	Salaries for 5 positions for FY 1980 GS-11 Equipment Specialist (P&P) GS-6/7 Secretary/Stenographer GS-5/6 Clerk Stenographer GS-4/5 Clerk Stenographer GS-4/5 Clerk Stenographer	38
12.0	Personnel Benefits	4
	Personnel benefits for 5 positions in FY 1980	
21.0	Travel and Transportation of Things	225
-	Travel funds to accommodate increased travel requirements in FY 1980 for the FEMA headquarters and regional staff in visits to State and local governments, and for invitational travel of State and local government staff for plans coordination.	

24.0 Printing and Reproduction 250K

Printing costs for technical guidance or plan development and exercises; public information materials; and public education programs.

25.1 Other Services 3,775K

Funds to provide contracts with States, universities and private firms to cover:

a. Exercises Evaluation $300K

Contract support for the planning, assessment and evaluation of exercises required by joint NRC/FEMA criteria of January 1980.

b. Automatic Data Processing $ 50K

Consulting support and program acquisition for the program management information system and plans filing and indexing system for managing and accounting for preparedness development and status.

c. National Contingency Plan Development $100K

Contract support for the development and concept testing of the integrated features of a national plan. This would include recommendations for utilization of in place computer assistance within agencies.

d. Research and Development $300K

Includes support for field verification of computer assisted emergency systems as ARAC ($110K); for initiation of development programs for high range dosimeter and testing and calibration of the plume exposure rate verification system ($75K) and for research on the basis for evaluating exercises ($115K).

e. Training $300K

Funds will be used to develop a training course and curriculum intended for medical personnel (doctors, nurses, technicians) responding to a radiological emergency as proposed to the Training Subcommittees of the Federal Interagency Central Coordinating Committee by the Food and Drug Administration Bureau of Radiological Health (HEW) in January 1980.

f. Workshops $200K

The preparedness upgrading program will require at least five workshops for purposes of communicating and receiving comments on specific problem areas such as training and certification, technical requirements of the joint NRC/FEMA criteria document and Federal/State/local relationships in radiological emergency preparedness.

g. Evacuation Dynamics $250K

Funds for contract support to study the evacuation times of 12 stations named by NRC as critical because their population exceeds 100,000 persons in the ten-mile emergency planning zone.

h. Funds for Planners at the State/Local Level $2,275K

Funds are needed to provide field assistance to State and local governments through direct contract assistance for planners and technicians. Assistance will include plans development, coordination and direct assessment of preparedness required by the joint NRC/FEMA criteria. Contracts would authorize about 80 planners (2 per State) for the balance of FY 1980.

31.0 Equipment 2,350K

Preparedness requires increased availability of field type radiological instruments and for improved assessment technology in the States with high populations, greater than 100,000 persons, in the 10-mile Emergency Planning Zones.

a. Radiological Instrumentation $665K

These funds would supplement the original requests for $345,000 by NRC to allow deployment of 1,000 plume exposure rate verification systems in the States and local government organizations with radiological preparedness responsibilities around fixed nuclear facilities. Such systems were shown essential by the TMI-2 accident. In addition, these funds will provide for procurement of 10,000 low range dosimeters to be used for training radiological emergency workers.

b. Atmospheric Release Advisory Capability $1,685K

Computerized emergency response assessment is a vital part of the judgment base in responding to accidents involving releases to varying meteorological conditions. A pilot installation of ARAC at operating units in high population areas listed by NRC provides means to incorporate a developed Federal system into State and local preparedness functions. These funds will provide terminals and auxiliary equipment to enable State and local government officials to access on-site data and make independent judgments on protective actions in 5 States with operating reactors. (Specific sites to be determined based on Chairman Ahearnes' letter to Mr. Macy of March 4, 1980).*

41.0 Grants to State and Local Governments $2,258K

Funds to enable grants to State and local governments for preparedness functions are needed in order to assure timely development of these functions. These grants would be reserved for problem areas where the contributions by utility operators are insufficient to assure the Preparedness level sought by NRC and FEMA.

TOTAL DIRECT OBLIGATIONS $8,900K

*These funds are not for on-site equipment or installation in New York (Indian Point) or Illinois (Zion) which are separately funded.

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