Y4.Ap6/1:St2/981/pt.6
GOVERNMENT
Storage
OCUMENTS
JUN 10 1980
CAPPELL LIBRARY
KANSAS STATE UNIVERSITY
KSU LIBRARIES
A11500 697233

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1981

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES

NEAL SMITH, Iowa, *Acting Chairman*

L ALEXANDER, Arkansas
SEPH D. EARLY, Massachusetts
CK HIGHTOWER, Texas
GEORGE M. O'BRIEN, Illinois
MARK ANDREWS, North Dakota

DEMPSEY B. MIZELLE and JOHN G. OSTHAUS, *Staff Assistants*

PART 6

DEPARTMENT OF COMMERCE

	Page
General Administration	1
Minority Business Development Agency	97
National Telecommunications and Information Administration	169
Economic Development Administration	319
Regional Development Program	461
Maritime Administration	583

Printed for the use of the Committee on Appropriations

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1981

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES

NEAL SMITH, Iowa, *Acting Chairman*

BILL ALEXANDER, Arkansas
JOSEPH D. EARLY, Massachusetts
JACK HIGHTOWER, Texas
GEORGE M. O'BRIEN, Illinois
MARK ANDREWS, North Dakota

DEMPSEY B. MIZELLE and JOHN G. OSTHAUS, *Staff Assistants*

PART 6

DEPARTMENT OF COMMERCE

	Page
General Administration	1
Minority Business Development Agency	97
National Telecommunications and Information Administration	169
Economic Development Administration	319
Regional Development Program	461
Maritime Administration	583

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE

62-212 O WASHINGTON : 1980

COMMITTEE ON APPROPRIATIONS

JAMIE L. WHITTEN, Mississippi, *Chairman*

EDWARD P. BOLAND, Massachusetts
WILLIAM H. NATCHER, Kentucky
TOM STEED, Oklahoma
*JOHN M. SLACK, West Virginia
NEAL SMITH, Iowa
ROBERT N. GIAIMO, Connecticut
JOSEPH P. ADDABBO, New York
EDWARD J. PATTEN, New Jersey
CLARENCE D. LONG, Maryland
SIDNEY R. YATES, Illinois
DAVID R. OBEY, Wisconsin
EDWARD R. ROYBAL, California
LOUIS STOKES, Ohio
GUNN McKAY, Utah
TOM BEVILL, Alabama
BILL CHAPPELL, Florida
BILL D. BURLISON, Missouri
BILL ALEXANDER, Arkansas
JOHN P. MURTHA, Pennsylvania
BOB TRAXLER, Michigan
ROBERT B. DUNCAN, Oregon
JOSEPH D. EARLY, Massachusetts
CHARLES WILSON, Texas
LINDY (MRS. HALE) BOGGS, Louisiana
ADAM BENJAMIN, JR., Indiana
NORMAN D. DICKS, Washington
MATTHEW F. McHUGH, New York
BO GINN, Georgia
WILLIAM LEHMAN, Florida
JACK HIGHTOWER, Texas
JOHN W. JENRETTE, JR., South Carolina
MARTIN OLAV SABO, Minnesota
JULIAN C. DIXON, California
BENNETT M. STEWART, Illinois
VIC FAZIO, California

SILVIO O. CONTE, Massachusetts
ROBERT H. MICHEL, Illinois
JOSEPH M. McDADE, Pennsylvania
MARK ANDREWS, North Dakota
JACK EDWARDS, Alabama
ROBERT C. McEWEN, New York
JOHN T. MYERS, Indiana
J. KENNETH ROBINSON, Virginia
CLARENCE E. MILLER, Ohio
LAWRENCE COUGHLIN, Pennsylvania
C. W. BILL YOUNG, Florida
JACK F. KEMP, New York
RALPH S. REGULA, Ohio
CLAIR W. BURGENER, California
GEORGE M. O'BRIEN, Illinois
VIRGINIA SMITH, Nebraska
ELDON RUDD, Arizona
CARL D. PURSELL, Michigan

KEITH F. MAINLAND, *Clerk and Staff Director*

*Deceased.

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1981

MONDAY, MARCH 24, 1980.

DEPARTMENT OF COMMERCE

GENERAL ADMINISTRATION

WITNESSES

ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION
GUY W. CHAMBERLIN, DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION
HOMER MOYER, GENERAL COUNSEL
MARY BASS, INSPECTOR GENERAL
JAMES K. BLUBAUGH, BUDGET OFFICER, GENERAL ADMINISTRATION
CLIFFORD J. PARKER, DIRECTOR, OFFICE OF BUDGET AND PROGRAM EVALUATION

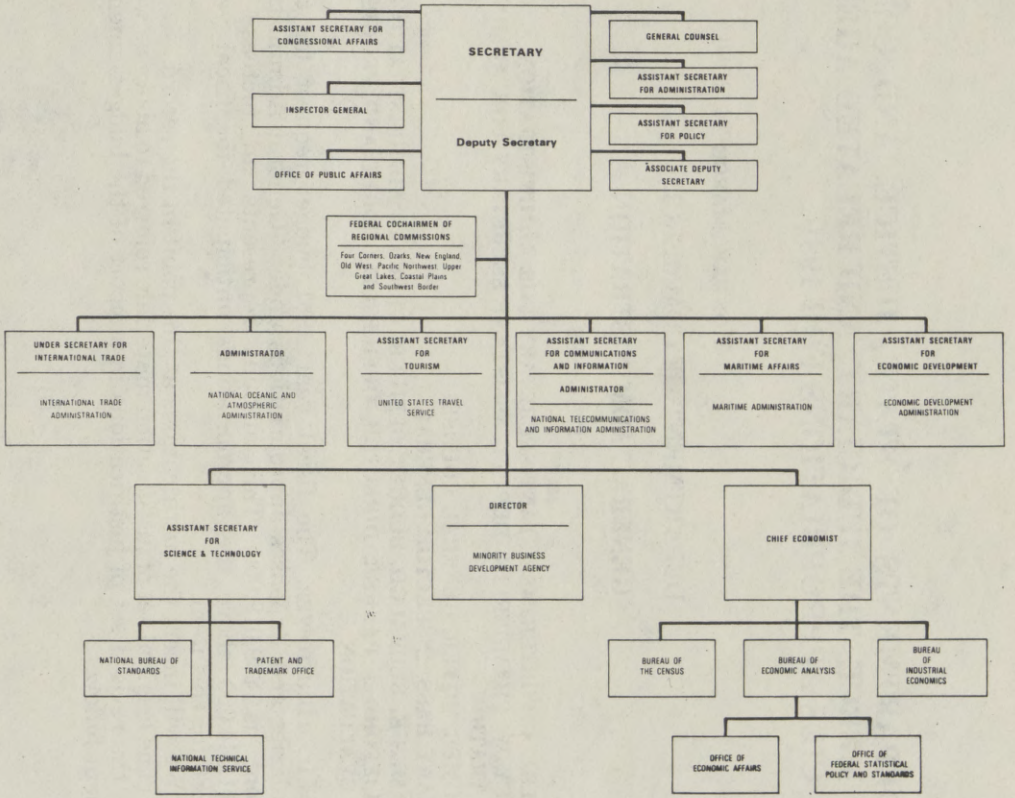
Mr. HIGHTOWER. The fiscal year 1981 budget request for the Salaries and Expenses appropriations under "General Administration" is $39,019,000. This amount represents an increase of $11,644,000 above the appropriations anticipated for fiscal year 1980 for this item.

We will insert the justifications at this point in the record.

[The original set of justification materials referred to above as well as the revised set of justifications in support of the budget amendment follow:]

U.S. DEPARTMENT OF COMMERCE

Attachment to DOO 1-1



General Statement

The historic mission of the Department of Commerce is "to foster, promote and develop the foreign and domestic commerce" of the United States. This mission has evolved, as a result of legislative and administrative additions, to encompass broadly the responsibility to foster, serve and promote the Nation's economic development and technological advancement. The Department seeks to fulfill this mission by: participating with other Government agencies in the creation of national policy through the President's Cabinet and its subdivisions; promoting progressive business policies and growth; assisting States, communities and individuals toward economic progress; strengthening the international economic position of the United States; improving man's comprehension and uses of the physical environment and oceanic life; assuring effective use and growth of the Nation's scientific and technical resources; acquiring, analyzing and disseminating information concerning the Nation and the economy to help achieve increased social and economic benefit.

The specific functions and programs of the Department that make up these broad activities are authorized by the Department's Organic Act (Act of February 14, 1903, 32 Stat. 825) or by other legislation. They also include responsibilities transferred from other agencies by Presidential Reorganization Plans, as well as responsibilities assigned to the Secretary of Commerce or the Department by Executive Order or other actions of the President. The general administration of the functions and authorities of the Department is vested in the Secretary of Commerce. Overall policy direction of the bureaus is exercised through the Secretary, the Deputy Secretary, and the Assistant Secretaries of Commerce.

A comparison of the 1980 appropriation and 1981 estimate, permanent positions, and related data on current employment is shown below.

(in thousands of dollars)

Appropriations	1980 Appropriation		1981 Estimate		Inc.(+) or Dec.(-)		Perm. Emp.
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	12/31
Salaries and expenses	610	$27,375	740	$39,019	+130	$11,644	540
Special Foreign Currency Program	...	...	...	...	...	...	...
Total	610	27,375	740	39,019	+130	11,644	540

ACTIVITY/SUBACTIVITY CHANGE CROSSWALK
(Dollar amounts in thousands)

Format of Fiscal 1980 Congressional Budget Submission Appropriation/Activity/Subactivity	Amount (1981 Request)
Executive Direction:	$ 3,566
Immediate Office of the Secretary	1,026
Executive Secretariat	200
Under Secretary	312
Chief Economist	304
A/S for Administration	305
A/S for Economic Development	137
A/S for Industry and Trade	552
A/S for Maritime Administration	109
A/S for Policy	217
A/S for Science and Technology	291
A/S for Telecommunications & Information	113
A/S for Tourism	
Departmental Staff Services:	$ 26,384
General Counsel	2,424
Congressional Affairs	547
Public Affairs	781
Policy Development	3,215
Inspector General	10,021
Appeals Board	79
Administrative Services	250
ADP and Procurement	448
Budget and Program Evaluation	1,823
Civil Rights	481

Format of Fiscal 1981 Congressional Budget Submission Appropriation/Activity/Subactivity	Amount (1981 Request)
Executive Direction:	$ 3,566
Immediate Office of the Secretary	1,026
Deputy Secretary	312
Executive Secretariat	200
Under Secretary for Trade 1/	172
Deputy Under Secretary for Trade 1/	116
Chief Economist	304
A/S for Administration	305
A/S for Economic Development	137
A/S for International Economic Policy 1/	88
A/S for Maritime Administration	109
A/S for Policy	217
A/S for Science and Technology	291
A/S for Telecommunications & Information	113
A/S for Tourism	
A/S for Trade Administration 1/	88
A/S for Trade Development 1/	88
Departmental Staff Services:	$29,753
General Counsel	2,424
Congressional Affairs	547
Public Affairs	781
Policy Development	3,215
Inspector General	10,021
Appeals Board	79
Administrative Services	250
ADP and Procurement	448
Budget and Program Evaluation	1,823
Civil Rights	481

Controller	354
Investigations and Security	814
Organization and Management Systems	910
Personnel	1,853
Publications	219
Regional Affairs & Program Coordination	2,165
Administrative Services	3,057
Secretary's Special Initiatives	2,000
Total	$35,007

Controller	354
Investigations & Security	814
Organization and Management Systems	910
Personnel	1,853
Publications	219
Regional Affairs & Program Coordination	2,165
Office of Science and Technology 2/	312
Central Charges 3/	3,057
Secretary's Special Initiatives	$2,000
Executive Development	3,700
Total	$39,019

1/ Reflects Trade Reorganization inititatives

2/ Transferred from the International Trade Administration

3/ Formerly titled "Administrative Services"

Appropriation Summary Statement

Appropriation: Salaries and expenses

The appropriation "Salaries and expenses" provides for the executive direction of the Department of Commerce, including the Secretarial Officers and their immediate staff; for departmental staff services necessary for effective management and administration, including such functions as audit, budget and program evaluation, Congressional relations, public information, legal, organization and management, personnel, policy development, financial management, publications, and security; for the Secretary's special initiatives; and for executive development and bonus pay awards for SES executives.

This program, also referred to as the Office of the Secretary, provides for the general management of the Department and the principal support to the Secretary in formulating policy and in providing advice to the President. The office provides program leadership for the Department's functions and exercises general supervision over the operating units. It also directly carries out program functions as may be assigned by the Secretary from time to time, and provides, when determined to bemore economical or efficient, administrative and other support services for designated operating units.

The Office of the Secretary consists of the Secretary and the Secretarial Officers, designaed staff immediately serving these officials, and a number of "departmental offices" which have Departmentwide functions or perform special program functions directly on behalf of the Secretary. The Secretarial Officers are: Associate Deputy Secretary; Under Secretary for International Trade; Deputy Under Secretary for International Trade; General Counsel; Chief Economist; and Assistant Secretariesfor Industry and Trade, Science and Technology, Administration, Policy, Economic Development, Maritime Affairs, Telecommunications and Information, Congressional Affairs, and Tourism. The Under Secretary serves as the principal deputy of the Secretary in all matters affecting the Department and performs continuing and special duties as the Secretary may assign from time to time, including, as may be specified by the Secretary, the exercise of policy direction and general supervision over operating units not placed under other Secretarial Officers.

The budget request for "Salaries and expenses" in 1980 reflects a net program increase of 111 positions and $9,210,000.

Summary of Requirements
(Dollar Amounts in Thousands)

Appropriation: Salaries and Expense

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	1980 Appropriation			610	$ 27,375
GA-7	Add: FY 1980 transfers			+ 13	+ 247
	Appropriation currently available 1980			623	27,622
	Adjustments to base and built-in changes:				
GA-8	Adjustment for 1980 pay increases and related costs.	...	+ 983		
GA-8	Other increases	+ 6	+1,483		
GA-8	Other decreases	...	- 279		
	Subtotal, adjusments to base and built-in changes			+ 6	+ 2,187
	1981 base			629	29,809

	Comparison by activities:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) or Dec.(-) Over 1981 base Perm. Pos.	Inc.(+) or Dec.(-) Over 1981 base Amount
GA-11	Executive direction of the Department.	85	$ 3,105	85	$3,244	91	$3,691	88	$ 3,566	- 3	$- 125
GA-13	Departmental staff services	500	20,921	538	22,378	538	24,118	652	29,753	+114	+ 5,635
GA-33	Secretary's special initiatives	...	1,614	...	2,000	...	2,000	...	2,000	...	...
GA-34	SES performance awards and executive development	...	...	...	...	...	...	...	3,700	...	3,700
	Increase									+111	+ 9,210
	Total requirements	585	25,640	623	27,622	629	29,809	740	39,019		

Justification of Adjustments to Base and Built-in Changes
(Dollar amounts in thousands)

Transfers - Fiscal Year 1980	Pos.	Amount
Transfer to "Minority Business Development", Minority Business Development Agency..	-12	$ -326

Under P.L. 95-224, the Federal Grant and Cooperative Agreement Act, the Minority Business Development Agency (MBDA) is given new award authorities which it will administer through its headquarters and regional offices. As a result, the level of contract activity generated by MBDA which is presently administered by the Office of Procurement and ADP Management (O/Sec.) is expected to decrease. It is therefore requested that the Office of the Secretary transfer out 12 positions and $326,000 in funding to MBDA in order to accommodate this change.

	Perm. Pos.	Amount
Transfer from "Operations and Administration, "Industry and Trade Administration...	+25	$ +573

After a careful analysis of the organization and structure of the Bureau of Domestic Business Development, (BDBD), it was recommended that this organization cease to exist as a separate entity within the Industry and Trade Administration. The basic goal of this activity, which is to assist U.S. industry and government leaders to strengthen the American economy, was deemed too broad in scope to function to full effectiveness particularly in addressing itself to problems brought about by the rapidly expanding area of world trade.

Accordingly, it is requested that a complete reorganization be instituted whereby its existing resources be transferred to other areas of Commerce where the advantages of specialization could be more effectively utilized. That protion of BDBD that would be transferred to the Office of the Secretary will be distributed as follows:

- The Assistant Secretary for Policy (+6 positions +$ 172,000) will transfer in the resources of the Business/Government Issues Division of the Office of Business Policy Analysis for use in legislative analysis. As such, it will continue on a Departmentwide basis, to develop positions on pending legislation, identify areas having an impact on both the business community and the Department, and other related duties.

- The Assistant Secretary for Science and Technology (+7 position +$178,000) will be responsible for taking over the duties of BDBD's Office of Business Programs. This office is extensively involved in Industry Assistance programs through facilitating communication between the Department and private industry.

- The Associate Deputy Secretary for Regional Affairs (+12 positions +$223,000) will assume the principal duties of the Ombudsman's office. This function serves as a focal point for all inquiries into the Department as well as providing information and services on a wide range of business-related programs and activities.

Adjustment for 1980 pay increase and related costs

	Perm. Pos.	Amount
Total cost in FY 1980 of pay increase supplemental	...	$+ 1,179
Less amount absorbed	...	- 226
Anticipated FY 1980 pay increase supplemental	...	+ 953
Additional amount in FY 1981 to provide full-year cost of pay increase	...	+ 30
Subtotal, adjustment for FY 1981 pay increase	...	+ 983

The anticipated supplemental in 1980 of $953,000 includes $950,000 for the general schedule pay increase effective October 9, 1979, and $3,000 for wage board pay increases to be granted during 1980. An additional $30,000 is required in 1981 to cover full-year cost of the 1980 pay supplemental.

Other increases

Within-grade step increases	...	$+ 154
Federal Telecommunications System increase	...	+ 37
Rent payments to GSA (SLUC)	...	+ 250
Printing & reproduction increase (Federal Register)	...	+ 60
Audit Reimbursables	...	+ 250
Annualizations of FY80 transfers from International Trade Administration	...	+ 432
Annualizations of FY80 supplemental for trade reorganization	...	+ 300
Total	...	+ 1,483

Other decreases

Less: One compensable day in 1981	...	$ -69
Travel reduction	...	... -210
Total	...	-279

Other increases and decreases were derived as follows:

Cost of Within-grade step increases		
Estimated number of within-grade step increases scheduled	298	
Estimated average step above base of grade per separation	3	
Average cost per within-grade step increase	$ 642	
Step increases not earned due to turnover	25	
Gross cost of scheduled step increases		$191,316
298x$642		
Less: Savings due to separations		-48,150
(25x3x$642)		143,166
Subtotal, personnel, compensation		
Personnel benefits (retirement, group life insurance)		+10,737
(7.5% of $143,166)		$153,903
Total cost		

The cost of one less compensable day in FY 1981 was computed by taking the total 1980 estimate of personnel services (18,167,000) and dividing by the 262 compensable days in FY 1980.

The $37,000 increase in Federal Telecommunications System charges is based on a distribution of rate and usage charges as determined by the General Services Administration.

The GSA conducted a Fair Annual Rate appraisal for 1981 which resulted in an adjusted increase of $250,000 over the 1980 estimate.

Since October 1, 1977, Federal agencies have been required under P.L. 95-94 to reimburse the Government Printing Office for the cost of printing documents in the "Federal Register" and the "Code of Federal Regulations". Due to overall increases in rates charged for printing and the escalating activity generated primarily by the mandatory requirement to publish Freedom of Information and Privacy Act Rules and Notices, these costs can no longer be absorbed. The requested $60,000 would provide adequate funding based on current needs.

In accordance with Congressional desires to reduce, Government-wide the overall amount of travel, particularly trips that are administrative in nature, a base cut of $210,000 was initiated. This amount substantially exceeds the 8% reduction required by P.L. 96-86 (as implemented by OMB bulletin 80-3).

The $300,000 increase represents the annualization of the FY 1980 supplemental transfer from International Trade Administration.

The increase of $432,000 is the annualization cost for the reorganization of Bureau of Domestic Business Development transfer to the Office of the Secretary.

The Office of the Secretary, through the Office of the Inspector General, is mandated to perform and to fund directly all audit functions for the entire Department. A substantial part of this effort is conducted through other agencies, principally the Department of Health, Education and Welfare, who bill Commerce at rates set by the Office of management and Budget. This rate is presently $21.00 per hour and has in the past been raised quite frequently. HEW is broadly authorized under Executive Order 11717 to conduct audits of any university or college receiving any form of Federal assistance and to fund the cost through billings proportionately spread through participating Government agencies. Thus the cost of these outside audits is beyond the Department's control since the frequency of activity and the rates charged are determined by others. This activity has escalated to the point where it can no longer be absorbed within existing resources. The $250,000 requested is based on current billings which slightly exceed an average of $20,000 per month.

Justification of Program and Performance

Activity: Executive direction of the Department

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) Or. Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Immediate Office of the Secretary	18	$ 790	18	$ 1,001	18	$ 1,026	18	$ 1,026	...	$ ...
Deputy Secretary	8	307	8	296	8	312	8	312	...	...
Executive Secretariat	8	203	8	190	8	200	8	200	...	...
Under Secretary for Trade	8	231	8	240	5	172	5	172	...	...
Deputy Under Secretary for Trade	...	...	...	...	3	116	3	116	...	...
Chief Economist	9	291	9	290	9	304	9	304	...	...
Assistant Secretary for Administration	7	210	7	282	7	305	7	305	...	...
Assistant Secretary for Economic Development	3	133	3	132	3	137	3	137	...	...
Assistant Secretary for International Economic Policy	...	...	...	...	2	88	2	88	...	...
Assistant Secretary for Maritime Affairs	3	94	3	104	3	109	3	109	...	...
Assistant Secretary for Policy	6	227	6	202	6	217	6	217	...	...
Assistant Secretary for Science and Technology	9	399	9	275	9	291	9	291	...	...
Assistant Secretary for Telecommunication & Information	3	109	3	107	3	113	3	113	...	...
Assistant Secretary for Tourism	3	111	3	125	3	125	...	...	- 3	-125
Assistant Secretary for Trade Administration	...	...	...	...	2	88	2	88	...	...
Assistant Secretary for Trade Development	...	...	...	...	2	88	2	88	...	...
Total requirements	85	3,105	85	3,244	91	3,691	88	3,566	- 3	-125

Goals and Objectives

Goals: To foster, promote and develop foreign and domestic commerce, economic development and technological advancement. To provide policy management leadership for the Department's programs.

Objectives: To promote progressive business policies and growth; to assist communities toward economic programs; to strengthen the international economic position of the United States; to assure effective use and growth of the Nation's scientific and technical resources; and to analyze and disseminate information concerning the economy to help achieve increased social and economic benefit.

Base Program

This activity provides funding for the salaries and the immediate staff expenses for the Secretary and Under Secretaries of Commerce as well as for the chief operating officials of each bureau within the Department. These offices have, collectively, overall responsibility on all matters affecting policy, programs, and functions assigned to the Department.

PROGRAM DECREASES -- FY 1981

	1981 Base		1981 Estimate		Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Assistant Secretary for Tourism.....	3	$125	...	...	-3	$125

In FY 1981 all international tourism development programs will be transfer to the appropriation for the International Trade Administration. That organization will assume responsibility for executive direction, tourism data collection, policy analysis, and coordination functions.

Position Title	Grade	Number	Annual Salary
Assistant Secretary for Tourism.....	EL-IV	1	$-50,000
Deputy Assistant Secretary for Tourism...	GS-18	1	-47,500
Confidential Assistant.....	GS-12	1	-24,627
Total salaries.....			-122,127
Less lapse.....			6,127
Total compensation.....			-116,000
Personnel benefits.....			- 9,000
Total.....			-125,000

Activity: Departmental staff services

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) Or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of General Counsel	55	1,986	55	2,069	55	2,174	61	2,424	+6	+250
Office of Congressional Affairs	12	613	12	528	12	547	12	547	...	...
Office of Public Affairs	21	703	21	747	21	781	21	781	...	...
Office of Policy Development	75	2,531	81	2,974	81	3,248	80	3,215	-1	-33
Office of the Inspector General	138	3,223	163	5,539	163	5,828	253	10,021	+90	+4,193
Appeals Board	2	75	2	72	2	79	2	79	...	...
Office of Administrative Services	3	267	3	214	3	250	3	250	...	...
Office of ADP and Procurement	25	461	13	432	13	448	13	448	...	...
Office of Budget and Program Evaluation	34	1,239	34	1,323	34	1,373	39	1,823	+ 5	+450
Office of Civil Rights	12	384	12	465	12	481	12	481	...	...
Office of the Controller	5	166	5	173	5	179	9	354	+ 4	+175
Office of Investigations and Security	19	824	19	782	19	814	19	814	...	...
Office of Organization and Management Systems	18	932	18	867	18	910	18	910	...	...
Office of Personnel	23	1,097	23	1,211	23	1,253	33	1,853	+10	+600
Office of Publications	6	197	6	205	6	219	6	219	...	...
Office of Regional Affairs and Program Coordination	47	1,706	59	1,954	59	2,165	59	2,165	...	...
Office of Environmental Affairs	...	795	...	...	...	...	...	...	...	...
Office of Science and Technology	...	...	7	178	7	312	7	312	...	...
Central Charges	5	2,554	5	2,645	5	3,057	5	3,057	...	...
Total requirements	500	19,753	538	22,378	538	24,118	652	29,753	+114	+5,635

Goals and Objectives

Goals: To improve Departmentwide management through a greater concentration on program and operational results; to strengthen application of the chief operating officer concept throughout the Department; and to upgrade Department-level capabilities for operational reviews. This activity also provides general administrative services to all offices financed by the appropriation.

62-212 O - 80 - 2

Objectives: To improve coordination and delivery of Commerce programs to their users; to promote the effective reutilization of excess ADP equipment and sharing of computer software; to develop an improved analytical base of cost and performance data in order to facilitate the comparative review of existing and newly proposed programs; to implement uniform affirmative action and special emphasis programs; and to provide for a better utilization of employees through a concentrated program of position and structural review.

Base Program

This activity provides staff assistance in general management and administration on a Departmentwide basis. Principal duties by office are as follows:

General Counsel -	provides all legal clearances and expertise in areas of pending legislation, policy, and administration; drafts legislation; provides legal couseling to Commerce officials.
Congressional Affairs -	acts as liaison between the legislative branch and the Department; responds to inquiries from the House and Senate.
Public Affairs -	handles all public relations activities; answers requests from the press and general public.
Policy Development -	formulates and articulates policy for the Secretary and top-level management.
Inspector General -	conducts and coordinates audits and investigations activities for all programs in the Department.
Appeals Board -	serves as point of final adjudication for disputes which arise within the Department; also, the Chairman sits as Administrative Law Judge.
Administrative Services -	directs special support services for the Department such as mail, space alterations, and telecommunications.
ADP & Procurement -	oversees and reviews all Departmental computer operations and purchases.
Budget and Program Evaluation -	acts as liaison and clearinghouse between Commerce bureaus and the legislative and executive branch on budgeting and fiscal functions; performs overall efficiency and effectiveness evaluations of Department programs.
Civil Rights -	provides a unified point of staff responsibility with respect to equal employment opportunity for both Commerce employees and contractors retained by Commerce.

Office of the Controller -	responsible for developing and implementing financial management policy; administers accounting and payroll functions.
Investigations and Security -	conducts non-criminal investigations and provides building security for Commerce personnel and property.
Organization and Management Systems -	responsible for management consulting, organizational review, and information management (including Privacy Act and Freedom of Information); prepares directives and related services, including emergency planning.
Personnel -	represents all Commerce employees in personnel matters; enforces Federal Government policy; articulates the rights and obligations of employees.
Publications -	responsible for the physcial preparation and distribution of printing and photographic materials.
Regional Affairs and Program Coordination -	oversees the activities of the Secretarial Representatives in the field; responsible for Department-wide coordination and State and Local Government liaison; provides a consumer affairs and ombudsman voice in the Department.
Science & Technology -	responsible for the Industry Assistance programs, facilitating communication between the Department and private industry.
Central Charges -	provides general administrative services to all offices financed by the appropriation.

Program Decrease -- FY 1981

	1981 Base		1981 Estimate		Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of Policy Development	87	$3,248	86	$3,215	- 1	$ - 33

Through consolidation of policy related activity within the Department as part of the Trade Reogranization, certain economies were achieved. Accordingly, a decrease of one man-year and related funding is being requested.

Position Title	Grade	Number	Annual Salary
Economist	GS-14	-1	$ -34,713
Total salaries			-34,713
Lapse			+ 4,713
Total Compensation			- 30,000
Personnel benefits			- 3,000
Total			- 33,000

	1981 Base		1981 Estimate		Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of Regional Affairs and Program Coordination	53	$2,165	49	$2,015	- 4	$ -150

As a result of the President's Reorganization Plan No. 3, the Department implemented a number of organizational changes to consolidate the day-to-day operation of the Government's non-agricultural trade functions. One major aspect of the reorganization was to consolidate all Department outreach programs under the Associate Deputy Secretary for Public Liaison. This consolidation encompassed the Office of Ombudsman which was transferred from the International Trade Administration (ITA), the Regional Development Program (RDP), and state/city and business liaison functions of the office of Regional Affairs and Program Coordination.

In planning this consolidation, it was determined that the principal activities of the former Office of Ombudsman would be supported with eight of the twelve positions and transferred from ITA. The remaining four positions and $150,000 are, therefore, proposed as a reduction to the General Administration appropriation.

Position Title	Grade	Number	Annual Salary
Business Reports Specialist	15	-1	$ - 46,276
Supervisory Clerk-Dictating Machine	11	-1	- 24,733
Clerk-Dictating Machine	9	-2	- 38,614
Total salaries		-4	-109,623
Lapse			+ 4,623
Total compensation			105,000
Personnel Benefits			- 12,000
Other services			- 29,000
Equipment			- 4,000
Total			-150,000

Program Increases -- FY 1981

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm Pos.	Amount
Office of the General Counsel: Case - Load Management:	55	$2,174	61	$2,424	+ 6	$+ 250

New legislation, increased complexity of the government's role in its relationship with the public, expanded use of litigation to resolve problems, and other factors have contributed to serious restrictions being placed on the General Counsel's ability to function effectively. Present staffing and funding are inadequate to cope with the current level of activity. The myriad of issues resulting from the Privacy Act, the Freedom of Information Act, the Ethics Act, numerous proposed reorganizations, the Civil Service Reform Act, expanded economic development initiatives, revised procurement regulations, and other similar programs have greatly increased work loads in the office. The situation will be further aggravated by several developing situations which will also increase case loads. For example;

a) 1980 Census - It is expected that many legal issues will arise involving contracting, undercounts, special recruitment of 200,000 short-term enumerators, and challenges by local and State governments of 1980 Census results. It has already had an impact in that one case arising in connection with procurement for the 1980 Census required an entire staff-year to resolve. Several more Census related procurement cases are in the early stages of development, and it is anticipated that this activity will continue for at least several years.

b) Inspector General - Since creation of this Office by Congress, the General Counsel has experienced substantially increased activity. Extensive consulting has already occupied the staff, and there is every likelihood of litigation being generated by IG activity. Other legal developments involving wide ranging issues, including employee conduct, procurement matters and other laws and regulations affecting efficiency and integrity in government, are expected to proliferate as the awareness of the Inspector General function increases. Several cases have already arisen which have and will continue to require significant legal involvement.

c) Civil Rights - There is a substantial case load of discrimination complaints filed with the Office of Civil Rights. Because of the increasing flow of cases in response to the availability of class action complaints under recent legislation, the General Counsel has been called upon to play a larger role in handling them.

In addition to these anticipated case loads, there is another factor which warrants consideration. Effectiveness of lawyers in representing clients involved in managing Government programs depends on a lawyer's understanding of the function, being involved at an early point, and being available to raise the legal perspectives in time to affect the way decisions are made and carried out. Litigation occurs most frequently when legal counsel is not adequately involved early enough. The ability to reduce workload through resolving cases or taking preventive measures to avoid lengthy litigation is, in many cases, now beyond the control of the legal staff. So much staff time is devoted to emergency or critical situations that very little time can be expended on program priorities. In the area of litigation, for example, if a lawyer is able to counsel his client early to avoid legal pitfalls, litigation can be avoided; when litigation is necessary, it can be carried out more efficiently.

Conversely, substantial workload can be generated by clients, no matter how effective, who try to move through complex procurements or other actions without legal counsel. Through additional staffing and the resulting increased client contact, efforts to prevent legal oversights and identify preventable litigation can be accomplished. Such an approach is cost effective in that the program manager clients would be spared such time consuming tasks as court appearance, consultations, assembling facts, and the like. In the recent Census case referred to above, for example, the Secretary of Commerce was subject to a contempt citation and the Department was sued for nearly a million dollars. We had agreed with the plaintiff to settle for $200,000 subject to Justice approval. At the last minute, good legal work enabled us to have the complaint fully dismissed. In our view the extensive work and serious jeopardy could have been avoided entirely had sufficient resources been available earlier.

Accordingly, it is requested that six positions and $250,000 in funding be provided to cover the salaries and related expenses of five attorneys and a clerk-typist. We would point out, however, that this request does not incorporate any expansion costs associated with the enormously increased trade responsibilities recently given to the Department.

Position Title	GS Grade	Number	Annual Salary
Attorney	GS 15	1	$ 40,832
Attorney	GS-14	2	69,426
Attorney	GS-13	1	29,375
Attorney	GS-11	1	20,611
Clerk-Typist	GS- 7	1	13,925
Total salaries			174,169
Less Lapse			- 18,169
Total compensation			156,000
Personnel benefits			13,000
Travel and transportation			2,000
Rent, communications, etc			15,000
Standard level user charges			9,000
Printing and reproduction			2,000
Other services			33,000
Supplies and materials			10,000
Equipment			10,000
Total			250,000

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of the Inspector General: Audits	163	$ 5,828	253	$ 10,021	+90	$+4,193

Ninety positions and $4,193,000 are requested to reduce the internal audit cycle to eleven years, to provide necessary external audits through contracting out, and to conduct criminal investigations when necessary into Departmental operations.

In recent years, the Department's centralized auditing efforts have been seriously impaired through a combination of increased responsibility and chronic understaffing. On a number of occasions the General Accounting Office (G.A.O.) has criticized the Department for failing to perform management audits of all programs and activities in a timely manner. The maximum cycle recommended by GAO is five years; based on FY 1979 staffing and the number of Commerce activities to be reviewed, the audit cycle is estimated to be 17 years.

Many factors have contributed to this situation: 1) new and ever-increasing Departmental activities that require audit coverage; 2) public and Congressional demand for increased attention to reviews of financial and administrative activities of existing programs; 3) responding to GAO mandates, such as performing detailed examination work and placing more emphasis on computer auditing; 4) the Inspector General Act (P.L. 95-452), which among other items requires the Department to perform audits geared to investigating active or potential cases of fraud and abuse and also to prepare extensive reports both to the Secretary and to Congress; and 5) the need to instigate a thorough review of all pertinent regulations as well as policy linkage.

The Office of Audits has made a current analysis to determine those Commerce programs highly susceptible to inefficiencies, ineffective management practices, fraud, abuse and waste. This analysis indicates an immediate need for performing about 94 management-type audit assignments, whereas the Office has available a little more than one-third of the auditors it needs to carry out these audits.

The highly susceptible audit areas include the following: 1) Seven major payroll systems which disbursed $890 million this year. 2) Overtime which cost the Department nearly $18 million during fiscal year 1978. Past audits have disclosed conditions where in one unit almost 50% of overtime claims could not be adequately verified. 3) The 379,000 items of Commerce property with an acquisition cost in excess of $1.8 billion, located at hundreds of sites throughout the nation, including non-Federal entities which have been loaned items. 4) The 500 Automatic Data Processing (ADP) systems and 21 major computer installations valued in excess of $85 million wherein related annual costs of ADP personnel and services are nearing the $100 million level. 5) The new audit standards for auditing ADP systems, and the Office of Management and Budget's (OMB) requirements for reviewing the security of ADP systems, which also have added new responsibilities to the audit function. 6) The Department's economic assistance

programs which, according to a 1978 GAO report, included funding of about $6.5 billion during the last several years, and are vulnerable targets of fraud and related white-collar crimes. While audits detect illegal acts on specific contracts, grants and loans, management audits are necessary also to identify the extent, nature and frequency of illegal acts, and to establish strong internal controls which are essential first steps to combat and prevent fraud and abuse.

In a recent memorandum to the heads of agencies, OMB recognized the imbalance between Inspector General (IG) agencies. The report showed that at Commerce the IG's Office comprised .3 percent of all Commerce employees, compared to an average of .7 percent, or more than double the Commerce ratio, for all 14 IG agencies.

Although some external audits are performed with in-house staff, to the maximum extent possible the services of other Federal, State and local government audit organizations and independent public auditors (IPA) are used. For all audits performed by other than Federal organizations, it is the responsibility of the Inspector General to provide the necessary guidance to assure that the findings meet Departmental management needs. The Office is also responsible for reviewing the work performed by these organizations to assure that each audit meets certain professional standards and was conducted within an established level of competence. GAO recently reported on problems found in the quality of work performed by some IPAs and on the need to improve the procedures used by Federal agencies to test the quality of IPA work in order to improve the Government ability to detect and recoup Federal funds spent for unauthorized purposes. GAO stated that a shortage of Federal staff contributes significantly to the problems in the testing procedures. There are about 30 different Departmental programs to be covered by audit services. However, some of these programs are receiving a limited number of cost audits due to lack of resources. We are requesting $1,000,000 for consultant and IPA services.

The Inspector General Act has also greatly increased the duties of the present audit policy staff. In addition to its ongoing duties of handling audit policies, plans, programs, coordination of replies to GAO, OMB, GSA, and a multitude of other matters, the staff will now be required to coordinate the policies and practices of both audits and investigations, and carry out 1) the review of proposed legislation and regulations for the Department and the review and preparation of consolidated replies on pertinent legislative matters of common interest to all of the Inspector General -- the Department of Commerce alone had 869 items of proposed legislation and more than 30 sets of new rules and regulations for review during calendar year 1978; 2) the preparation of extensive reports to the Secretary and the Congress; 3) the analyses of data to ascertain program and activity weaknesses and to coordinate with staffs performing vulnerability assessments and seeking out fraud and program abuses; 4) the coordination, monitoring and the preparation of training for IG and departmental staff; and 5) working with the staff to devise new audit techniques for detecting fraud and abuse.

There is also a critical need to interact with EDA on the design of administrative systems and controls which are required to minimize the risk of fraud, waste, and mismanagement in the new multi-billion dollar Development Financing Program. Because a major expansion in EDA programs from $550 million in FY 1979 to more than $3.0 billion in FY 1981 is anticipated, adequate audit and investigative resources are needed to assure the financial and administrative integrity of these expanded and new programs. EDA has requested increases in its permanent staffing from 930 in FY 1979 to 1,346 in FY 1980 with a further increase to 1,404 in FY 1981, an increase of 474 positions. As the new Development Financing Program becomes fully operational, there will be a continuing and increasing need for additional audit and investigative resources in FY 1981 and future years to carry out the Inspector General's responsibilities for promoting economy and efficiency in its administration and to assist program management in preventing fraud, waste, and mismanagement. An additional twenty-five positions are requested in this area.

Additional positions and funding in 1981 are also requested to support the Inspector General in conducting criminal investigations in the Department of Commerce. The recently instituted GAO hotline, along with a similar facility in Commerce itself, has resulted in 300 cases on hand as of September 30, 1979, which must, by law, be processed. This compares to a normal backlog of 10-20 cases before the hotline was established. Based on the average per case processing time experienced in other Departments (specifically, Agriculture and Transportation), the increased investigators will be needed just to handle existing work loads. The situation is exacerbated by the fact that both GSA and the FBI have notified the Department that they will no longer be able to investigate cases referred to them. Continual vulnerability assessment of the Department permits active investigation of 5 elected programs and installations as opposed to the traditional and less effective "reactive" method. Forty investigators are requested.

Position Title	GS Grade	Number	Annual Salary
Supervisory Criminal Investigator	GS-15	8	$ 326,656
Supervisory Investigator	GS-14	1	35,870
Supervisory Criminal Investigator	GS-14	1	34,710
Criminal Investigator	GS-14	13	451,269
Investigator	GS-14	1	34,713
Auditor	GS-14	3	104,142
Senior Criminal Investigator	GS-13	1	30,354
Senior Inspector	GS-13	1	30,354
Criminal Investigator	GS-13	13	381,875
Auditor	GS-13	5	127,290
Inspector	GS-12	1	25,526
Criminal Investigator	GS-12	8	197,624
Auditor	GS-12	14	345,842
Criminal Investigator	GS-11	1	21,985
Auditor	GS-11	9	189,621
Criminal Investigator	GS- 9	1	18,739
Auditor	GS- 9	2	35,206
Auditor	GS- 7	3	42,703
Secretary	GS- 7	1	13,925
Auditor	GS- 5	3	37,104
Total salaries		90	2,485,508
Less Lapse			-309,508
Total compensation			2,176,000
Personnel benefits			187,000
Travel and transportation			275,000
Rent, communications, etc			173,000
Standard level users charges			109,000
Printing and reproduction			77,000
Other services			1,085,000
Supplies			60,000
Equipment			51,000
Total			4,193,000

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of the Controller: Grants Administration	5	$ 179	9	$ 354	+4	$ +175

Four positions and $175 thousand are requested to establish a Central Grants Unit to provide more effective handling of grant matters throughout the Department. The Director of OMB has recently identified grant financing practices and accountability as being among the top priority areas of financial management needing improvement and has urged the Department to develop a more efficient system for managing financial assistance programs. Several public interest groups, such as the League of Cities and higher education groups, have also endorsed the concept of Departmental focal points for administering financial assistance and responding to the public. Therefore, the Office of the Controller is requesting four positions and $175,000 in order to establish a centralized office for the implementation of Departmental and Federal policies on grants administration.

Until now, no Departmental-level policy or guidance has existed for the Administration of giant programs. As a result, Commerce grant programs have been administered in a disjointed, ad hoc manner. Functions associated with grants administration have been performed by employees of various Departmental offices, and attention has not been devoted to grants management. The increase in Federal grants activity has been chiefly responsible for a growing "information gap" and the inability to keep track of Federal assistance programs. The Grants Administration Task Force found inconsistency, wasteful duplication of effort, and conflicting program objectives when it studied the manner in which grants administration has been handled in Commerce.

Certain external factors such as the enactment of the Federal Grants and Cooperative Agreement Act of 1977 have precipitated an increased workload in grants administration and it is mandatory that Departmental guidelines and policy be formulated in order to consistently and effectively implement and respond to recent legislation and Federal regulations. It is, thus, necessary to establish a Central Grants Unit which will serve as a focal point for these activities and as an effective liaison with OMB, other Federal agencies, and the public on grant and cooperative agreement matters.

Following are some of the functions to be performed by the Central Grants Unit: 1) Develop for the Assistant Secretary for Administration and publish in the Federal Register, as appropriate, uniform Departmental policies and procedures for grants management and administration in response to internal problems and external initiatives (such as OMB Circulars and bulletins, executive orders, legislation, and other Federal agency regulations); 2) Participate in and lend grants expertise to inter- and intra-Departmental meetings and groups developing or considering policies or procedures which will impact on DOC grants or grants administration (examples include civil rights, environmental initiatives, and procurement under grants); 3) Ensure compliance by operating units with Departmental policies and procedures on grants management; 4) Review proposed grant-related forms and obtain from other agencies the required clearances; 5) Obtain public input for the Secretary and the Assistant Secretary on the Department's goals and priorities regarding grants administration; and 6) Answer outside and intra-Departmental questions, inquiries, and requests on grant-related matters.

Position Title	GS Grade	Number	Annual Salary
Director	GS-15	1	$ 44,915
Grants Specialist	GS-13	1	32,312
Grants Specialist	GS- 9	1	18,739
Grants Technician	GS- 7	1	15,317
Total salaries			111,283
Less Lapse			- 11,283
Total Compensation			100,000
Personnel benefits			9,000
Travel and transportation			1,000
Standard level user charges			9,000
Printing and reproduction			5,000
Other Services			39,000
Supplies			12,000
Total			175,000

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Budget & Program Evaluation: Integrated Planning & Management:	34	$1,373	39	$1,823	+5	$ +450

In order to be more responsive to OMB and the Congress, the Department of Commerce is initiating a Departmentwide effort to improve its planning and management process. During FY 1980, the Office of Budget and Program Evaluation (OBPE) will be performing an inventory/evaluation of existing management systems to identify where systems' improvements and modifications are needed and where linkages among systems may be developed.

It will also spearhead an effort to develop responsive operational plans in selected programs as well as oversee strategy development for several Departmentwide issues. Finally, it will provide technical assistance to the Office of Personnel on resource issues associated with implementation of the Civil Service Reform Act (CSRA).

While most of the effort of OBPE in FY 1980 will center on identifying where improvements are required for integrated planning and management, the major effort in FY 1981 will be in making the improvements and implementing the integration concept. OBPE will focus on establishing policies and procedures that will result in a methodology that accommodates and integrates:

- Strategy development and long-range planning;
- Budget formulation;
- Operational planning and work planning;
- Individual, organizational and bureau monitoring; and
- Personnel planning.

This will entail a number of actions by OBPE, the most significant of which are to:

- Develop and maintain a Departmental system for monitoring bureau performance and tracking Departmental issues. The system will be designed to complement the existing financial management system and apportionment process so that program performance (output) may be linked to resource utilization (input).

- Institute strategy development and long-range planning throughout the Department and facilitate the linking of such efforts with operational planning. Primary efforts will be on identifying strategic issues, providing technical assistance to bureaus in developing and evaluating viable alternatives, and assuring that resulting strategic decisions are incorporated into long-range plans, budget formulation and, ultimately, operational plans.

- Promote the linkage of the Civil Service Reform Act (CSRA) with existing administrative systems and processes as well as to ascertain that adequate consideration is given to resource implications in the design and application of the merit pay system.

- Develop appropriate linkages between individual performance criteria inherent in CSRA with program performance measures that are supportive of the budget formulation process.

To meet these FY 1981 objectives, OBPE requests an additional five (5) positions and $450,000. Of the funding total, $200,000 will be for salaries, benefits and administrative support of the five positions. The remaining amount will be used for contractor technical assistance, start-up, and first year's operation of the performance monitoring and issue tracking system.

Position Title	GS Grade	Number	Annual Salary
Program Analyst	GS-14	2	$ 69,426
Program Analyst	GS-13	2	58,750
Budget Analyst	GS-13	1	29,375
Total salaries			157,551
Less Lapse			- 25,551
Total compensation			132,000
Personnel benefits			11,000
Travel and transportation			5,000
Standard level user charges			8,000
Printing and reproduction			3,000
Other services			281,000
Supplies and material			10,000
Total			450,000

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of Personnel: Civil Service Reform:	23	$1,253	33	$1,853	+10	$ +600

The enactment of the Civil Service Reform Act (CSRA) has resulted in broader delegation of responsibilities and authority to the Department of Commerce from the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB).

Along with this delegation has been a substantial increase in the Office of Personnel's workload. This increase has been accommodated by detailing program personnel, redirecting funds from program and other administrative functions, reorganizing the Office, and temporarily suspending all personnel management program evaluations. While we propose to continue this process in FY 1980, we request that relief be provided in FY 1981.

In order to be responsive to CSRA requirements and meet mandated implementation dates, the Office of Personnel is requesting an increase of 10 positions and $600,000 for FY 1981. These resources will be used to plan, develop, and oversee the implementation of the merit pay system; provide technical assistance and administrative support for the SES performance appraisal process; develop policies and programs for assuming recruiting and examining responsibilities being delegated by OPM under its Model Competitive Staffing System (MCSS); and support the integration of these systems with the Department's existing management systems.

The development and implementation of the merit pay performance appraisal system will entail:

- Development of a system's framework for the Department.
- Development of uniform policies for the operational components, including:
  - o selection criteria and procedures
  - o position management
  - o bonuses/awards
  - o reassignments
  - o removals
  - o appraisal procedures
  - o reporting
  - o evaluation
  - o EEO/affirmative action
- Development of a methodology and collection of baseline data prior to implementation of the system.
- Technical assistance to bureaus in development of implementation plans.
- Review and approval of bureaus' plans.

Support of the SES performance appraisal system will focus on:

- providing technical and administrative assistance to the Department's and to the Office of the Secretary's Executive Resources Board and Performance Review Board;
- Evaluating the implementation of bureaus' SES systems and recommending necessary additions/modifications; and
- coordinating the retrieval and analysis of SES information data for internal use as well as for transmittal to OPM.

The major objectives of this effort are to: 1) Promote humanization of the work environment. Focus will be on developing guidelines that encourage human resource development, job enrichment, employee participation in problem solving, interactive communications, and other concepts that contribute to individual job satisfaction and increased productivity. 2) Insure that compensation and performance appraisal systems are integrated with other management systems in the Department. 3) Gain optimum benefit from OPM decentralization of recruiting and examining to agencies. This includes:

- Developing procedures and guidelines that promote the linkage of individual performance plans with programmatic objectives.
- Providing technical assistance to bureaus in identifying and developing such linkages.
- Developing the interface between position management/grade control and position authorization/end-of-year ceilings.
- Delineating methodologies for integrating workforce planning with strategic planning.
- Participating in the review of budget proposals to ascertain that adequate consideration has been given to workforce planning and position management.
- Developing and implementing procedures for integrating personnel reporting with program monitoring.
- Developing Department strategies for organizing recruitment and examining efforts to meet program needs and CSRA requirements.
- Participating with the Office of Budget and Program Evaluation in periodic assessments of program performance.

62-212 O - 80 - 3

Included in the request is funding for contractor support in:

- The review and evaluation of bureau SES performance appraisal systems.
- The development of the Deparment's merit pay system.
- Training for the merit pay system and follow-up training for the SES system.
- Development of linkages between individual and organizational performances.

Position Title	GS Garde	Number	Annual Salary
Personnel Management Specialist	GS-14	1	$ 34,713
Labor Management Relation Specialist	GS-14	1	34,713
Classification and Wage Specialist	GS-14	1	34,713
Classification and Wage Specialist	GS-13	1	29,375
Employee Development Specialist	GS-13	1	29,375
Personnel Management Specialist	GS-13	3	88,125
Personnel Assistant	GS- 7	1	13,925
Clerk-typist	GS- 5	1	11,243
Total salaries			276,182
Less Lapse			- 28,182
Total compensation			248,000
Personnel benefits			21,000
Travel and transportation			16,000
Rent, communication, etc			15,000
Standard level users charges			24,000
Printing and reproduction			15,000
Other services			243,000
Supplies and materials			16,000
Equipment			2,000
Total			600,000

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Regional Affairs & Program Coordination: Small and Disadvantaged Business Utilization	49	$2,015	53	$2,165	+4	$ +150

Four positions and $150,000 are requested to establish an Office of Small and Disadvantaged Business Utilization (OSDBU). This is in response to the 1978 Small Business Act Amendment (P.L. 95-507). The primary functions of the OSDBU are to implement and administer the programs under Section 8 and 15 of the Small Business Act on behalf of small businesses, minority concerns, other businesses owned and controlled by disadvantaged persons, and firms located in labor surplus areas. The office will also coordinate other socioeconomic acquisition programs such as procurement from the blind, handicapped, and Federal Prison Industry workshops.

The new office will encourage the awarding of contracts to qualified minority firms and to small and disadvantaged businesses by providing information and assistance to operating units and by implementing an awards system for outstanding performance. It will review, evaluate, and report to the Deputy Secretary on the performance of Departmental activities in accomplishing these objectives.

The office will develop and recommend for Secretarial approval small and disadvantaged business procurement and labor surplus area goals. It will also plan, develop, implement and evaluate policies and programs which govern DOC acquisition actions in order to comply with laws established to ensure the maximum participation of minority businesses, and small businesses owned and operated by Socially and economically disadvantaged individuals, in procurement contracts and grant programs.

The office will 1) direct and review studies of performance of program goals and standards; 2) review operating unit level socioeconomic procurement policies to ensure uniform and consistent formulation; 3) study, analyze, and resolve difficult and complex policy problems associated with the conduct of procurement and financial assistance activities and; 4) conduct and participate in fairs, shows, conventions and meetings to identify new suppliers and foster improved agency performance.

The major responsibilities of this office will be the overall direction and planning of the small, disadvantaged, minority and labor surplus area procurement programs; functional supervision over all DOC personnel associated with planning, solicitation, negotiation and awards covered by Section 8 and 15 of the Small Business Act; developing standards for acceptable subcontracting plans; negotiation of goals with agency and major prime contactors; training; and monitoring of agency and contractor performance.

Position Title	GS Grade	Number	Annual Salary
Director	GS-15	1	$ 40,704
Contract Specialist	GS-14	1	34,604
Contract Specialist	GS-12	1	24,703
Secretary	GS- 7	1	13,014
Total salaries			113,025
Less Lapse			- 29,025
Total compensation			84,000
Personnel benefits			7,000
Travel and transportation			5,000
Rent, communication, etc			2,000
Standard level user charges			5,000
Printing			5,000
Other services			36,000
Equipment			6,000
Total			150,000

	1981 Base		1981 Estimate		Increase	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Regional Affairs & Program Coordination: Small and Disadvantaged Business Utilization	49	$2,015	53	$2,165	+4	$ +150

Four positions and $150,000 are requested to establish an Office of Small and Disadvantaged Business Utilization (OSDBU). This is in response to the 1978 Small Business Act Amendment (P.L. 95-507). The primary functions of the OSDBU are to implement and administer the programs under Section 8 and 15 of the Small Business Act on behalf of small businesses, minority concerns, other businesses owned and controlled by disadvantaged persons, and firms located in labor surplus areas. The office will also coordinate other socioeconomic acquisition programs such as procurement from the blind, handicapped, and Federal Prison Industry workshops.

The new office will encourage the awarding of contracts to qualified minority firms and to small and disadvantaged businesses by providing information and assistance to operating units and by implementing an awards system for outstanding performance. It will review, evaluate, and report to the Deputy Secretary on the performance of Departmental activities in accomplishing these objectives.

The office will develop and recommend for Secretarial approval small and disadvantaged business procurement and labor surplus area goals. It will also plan, develop, implement and evaluate policies and programs which govern DOC acquisition actions in order to comply with laws established to ensure the maximum participation of minority businesses, and small businesses owned and operated by Socially and economically disadvantaged individuals, in procurement contracts and grant programs.

The office will 1) direct and review studies of performance of program goals and standards; 2) review operating unit level socioeconomic procurement policies to ensure uniform and consistent formulation; 3) study, analyze, and resolve difficult and complex policy problems associated with the conduct of procurement and financial assistance activities and; 4) conduct and participate in fairs, shows, conventions and meetings to identify new suppliers and foster improved agency performance.

The major responsibilities of this office will be the overall direction and planning of the small, disadvantaged, minority and labor surplus area procurement programs; functional supervision over all DOC personnel associated with planning, solicitation, negotiation and awards covered by Section 8 and 15 of the Small Business Act; developing standards for acceptable subcontracting plans; negotiation of goals with agency and major prime contactors; training; and monitoring of agency and contractor performance.

Position Title	GS Grade	Number	Annual Salary
Director	GS-15	1	$ 40,704
Contract Specialist	GS-14	1	34,604
Contract Specialist	GS-12	1	24,703
Secretary	GS- 7	1	13,014
Total salaries			113,025
Less Lapse			- 29,025
Total compensation			84,000
Personnel benefits			7,000
Travel and transportation			5,000
Rent, communication, etc			2,000
Standard level user charges			5,000
Printing			5,000
Other services			36,000
Equipment			6,000
Total			150,000

Activity: Secretary's Special Initiatives Fund

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) Or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Secretary's special initiatives fund.....	...	$ 1,614	...	$ 2000	...	$ 2000	...	$ 2000	...	$ ...

Goals and Objectives

Goals: To provide flexibility for the Secretary of Commerce to undertake special initiatives, to react quickly to pressing national needs, and to improve Commerce operations without requesting supplemental funding from OMB and the Congress.

Objectives: To handle emergency situations requiring prompt Department action; to conduct special studies of a one-time nature and/or Departmentwide application; and to finance potential new programs on an experimental basis until proven.

Base Program

This activity serves as a programmatic reserve and can only be used for special initiatives personally approved by the Secretary. The projects to be funded are those unforeseen at the time of budget preparation and submission, and, as such, no description is possible. However, the use of the funds is strictly regulated and can be employed only in those areas which meet the following criteria: 1) they must be related to matters affecting more than one Commerce agency; 2) they must be personally initiated by the Secretary or other high ranking Administration policy officials; 3) the projects must be temporary or experimental in nature; and 4) they cannot be projects for which a bureau within the Department has received financing or for which a budget request has been denied by the President or the Congress.

Activity: SES performance awards and executive development

	1979 Actual Perm Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) Or Dec. Perm. Pos.	Inc.(+) Or Dec. Amount
SES performance awards and executive development.....	...	$ ...	...	$ ...	...	$ ...	...	$ 3,700	...	$ + 3,700

Goals and Objectives

Goals: To provide agencies with the flexibility needed to both recruit and retain the highly competent and qualified executives needed; to provide more effective management of agencies and their functions and the more expeditious administration of the public business.

Objectives: To provide equitable compensation linked to performance; make executives more accountable for their performance; offer increased advancement opportunities to career executives; and increase and enhance the managerial skills of the Senior Executive Service through continuing executive development.

Base Program

This activity serves as the singular mechanism for the deliverance of SES bonus payments and incentive awards as provided by law. It was established to increase the capability of the Department's managers in implementing and retaining the overall intent in the Civil Service Reform Act. More specifically, this results in a direct link between monetary compensation and managerial performance, an element that until now was absent in the Federal executive personnel system.

In addition to linking compensation and performance, the establishment of this activity also permits the development of potential executives, especially women and minorities, both of which are currently underrepresented in the Federal executive ranks. Through executive development, both will attain equitable representation at the top levels of government.

Public Law 95-454, the Civil Service Reform Act of 1978, established these procedures.

Summary of Requirement by Object Class
(Dollar amounts in thousands)

Appropriation: Salaries and expenses

Object Class		1981 Base Pos.	1981 Base Av.No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av.No.	1981 Estimate Amount	Inc.(+) or Dec(-) Pos.	Inc.(+) or Dec(-) Av.No.	Inc.(+) or Dec(-) Amount	Emp. 12/30
11	Personnel Compensation:										
11.1	Permanent positions	629	610	$18,295	740	718	$24,640	+111	+108	$ +6,345	540
11.3	Positions other than permanent	30	44	707	30	44	707	...	...	...	68
11.5	Other personnel compensation	...	...	62	...	...	62	...	...	...	...
	Total personnel compensation	659	654	19,064	770	762	25,409	+111	+108	+6,345	...
	Other objects:										
12	Personnel benefits: Civilian			1,575			1,799			+ 224	
21	Travel and transportation of persons			460			764			+ 304	
22	Transportation of things			21			21			...	
23.1	Communications, utilities and other rent			835			1,040			+ 205	
23.2	Standard level user charges			1,804			1,968			+ 164	
24	Printing and reproduction			346			453			+ 107	
25	Other services			4,974			6,662			+1,682	
26	Supplies and materials			131			239			+ 108	
31	Equipment			99			164			+ 65	
41	Grants, subsidies, and contributions			500			500			+ ...	
	Total requirements			29,809			39,019			+9,210	

Justification by Object Class
(Dollar amounts in thousands)

Object Class		1981 Base Pos.	1981 Base Av.No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av.No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av.No.	Inc.(+) or Dec.(-) Amount	Emp. 12/31
11.1	Permanent positions										
	General schedule	613	595	$ 17,549	725	704	$ 23,894	+112	+112	$+ 6,345	521
	Executive level	14	13	716	13	12	716	- 1	- 1	...	14
	Wage Board	2	2	30	2	2	30	...	...	...	5
	Total, permanent positions	629	610	18,295	740	718	24,640	+111	+111	+ 6,345	540
11.3	Positions other than permanent										
	General schedule	30	44	707	30	44	707	...	...	...	68
11.5	Other personnel compensation										
	Overtime			62			62			...	
12.1	Personnel benefits: Civilian										
	Civil Service Retirment			1,130			1,291			+ 161	
	Federal Insurance Contribution Act (FICA)			47			54			+ 7	
	Health insurance			267			305			+ 38	
	Life insurance			110			125			+ 15	
	Employees Compensation Fund			6			6			...	
	Employee awards			15			18			+ 3	
	Total, personnel benefits			1,575			1,799			+ 224	
21.0	Travel and transportation of persons										
	Per diem			189			309			+ 120	
	Airfare			248			422			+ 174	
	Other common carrier			14			23			+ 9	
	Privately owned automobiles			9			10			+ 1	
	Total, travel and transportation of persons			460			764			+ 304	

		1981 Base Pos.	1981 Base Ave.No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av.No.	1981 Estimate Amount	Inc.(+) or Dec. (-) Pos.	Inc.(+) or Dec. (-) Av.No.	Inc.(+) or Dec. (-) Amount
22.0	Transporation of things.....			$ 21			$ 21			$ ...
23.1	Standard level user charges.....			1,804			1,968			+ 164
23.2	Communications, utilities and other rent									
	Federal Telecommunications System.....			237			291			+ 54
	Other telephone, telegraph and teletype services.			110			135			+ 25
	Postal services by UPS.....			59			73			+ 14
	Rental of automatic data processing equipment....			25			32			+ 7
	Rental of office copying equipment.....			294			374			+ 80
	Other equipment rental.....			110			135			+ 25
	Total, other rent, communication, and utilities			835			1,040			+ 205
24	Printing and reproduction									
	Press releases.....			17			17			...
	Publications.....			10			10			...
	Public use forms.....			55			55			...
	Administrative printing.....			225			327			+ 102
	Design and graphics.....			24			29			+ 5
	Photography.....			15			15			...
	Total, printing and reproduction.....			346			453			+ 107

Appropriation Summary Statement

Appropriation: Special foreign currency program

Special foreign currency programs are utilized by three organizations in the Commerce Department: the International Trade Administration, the National Bureau of Standards, and the National Oceanic and Atmospheric Administration. Special foreign currency programs utilize foreign currencies (rather than U.S. dollars) which are in excess of the normal requirements of the United States. This situation arises, for example, when the United States sells surplus agricultural products to foreign governments in accordance with Public Law 480 and agrees to accept that country's currency as payment. This currency is retained in the country and may be used for the expenses incurred by the U.S. Embassies in that country. However, that amount of the foreign currency designated by the Treasury Department as excess to the needs of the U.S. Government in that country becomes the excess currency used for the special foreign currency programs. These programs utilize the expertise of government agencies, universities, and research organizations by funding from the country's excess currency projects which augment and supplement the missions and objectives of the U.S. agencies. After a Congressional appropriation has been obtained for special foreign currency programs, authority to utilize these funds in the form of reservation certificates must be obtained from the Treasury.

Changes in the international economic scene have reduced the number of countries in which the U.S. has excess currencies. As a result, funds in this program have been obligated at a slower rate than originally expected. It is anticipated that sufficient carryover balances will be available through FY 1980, and, accordingly, no additional funds are requested.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Special foreign currency program

Page No.	Summary of Adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available 1980.....	...	...	...	...
	1981 Base.....	...	...	...	...

Comparison by activity	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) or Dec.(-) Perm. Pos.	Inc.(+) or Dec.(-) Amount
International Trade Administration.....	...	(11)	...	(13)	...	...	...	...	...	...
National Oceanic and and Atmosperic Administration.....	...	(70)	...	(83)	...	...	...	...	...	...
National Bureau of Standards.....	...	(367)	...	(438)	...	...	...	...	...	...
Increase.....										
Total requirements.....	...	(448)	...	(534)	...	...	...	...	...	...

Note: Dollar amounts in parentheses represent obligations derived from carry over balances. No aditional funds are requested.

Justification of Program and Performance

Activity: special foreign currency program

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Special Foreign Currency Program...	...	(448)	...	(534)	...	...	...	...	...	...

Goals and Objectives

Goals: To strengthen technical ties with foreign nations in which the U.S. owns nonconvertible counterpart currency funds in excess of short-term needs, and to employ the technical capabilities of those countries.

Objectives: To obtain translations of certain specialized books and papers which otherwise would not be available to the American technical community, and to support carefully selected, non-sensitive research of mutual benefit to the countries involved.

Base Program

As reservation certificates are obtained from the Treasury Department, funds are used for a variety of programs. Among the various projects conducted in FY 1978 were studies of the upper atmosphere, space research into solar disturbances and their effect on earth, and translations of Russian and Japanese scientific and technical journals. In FY 1979, funds were used for; expansion of the computer facilities of the Egyptian National Oceanographic Data Center; translations of Russia and Japanese scientific and technical journals.

WORKING CAPITAL FUND

The fund was established on June 28, 1944, pursuant to 5 U.S.C. 607. It was established with an authorized working capital of $100,000, without fiscal year limitation, to cover expenses necessary for the maintenance and operation of (1) central duplicating, photographic and drafting services and (2) such other services as the Secretary, with the approval of the Director of the Office of Management and Budget, determines may be performed more advantageously as central services. The objective of the fund is to provide required central services efficiently and economically at cost, although provisions are made to retain earnings sufficient to offset potential operational losses, unanticipated extraordinary expenses, and normal inflationary increases.

Following is a breakdown of the offices within the Working Capital Fund showing authorized positions and operating costs needed:

(dollar amounts in thousands)

	1980 Estimate Pos.	Amount	1981 Estimate Pos.	Amount
Office of Administrative Services	197	$ 5,629	197	$ 5,868
Office of Personnel	79	3,363	82	3,602
Office of the Controller	66	1,986	66	2,322
Office of Emergency Readiness	6	169	6	176
Office of Publications	195	7,478	195	8,286
Data Processing	61	3,596	64	4,247
Procurement	4	2,876	7	2,992
Office of Public Affairs	8	484	9	618
Total	616	25,581	626	28,111

Increased costs are related to within-grade step increases, pay raise for wage printers, equipment rental (administrative terminal service) for data processing, and additional services base on agencies workload demands.

All operating costs are billed directly to Commerce bureaus and other federal agencies according to on actual usage.

[The following justification material in support of a budget amendment, contained in H. Doc. 96-294, was submitted to the committee for the Salaries and Expenses appropriation subsequent to the hearing:]

H. DOC. NO. 96-294

DEPARTMENT OF COMMERCE
GENERAL ADMINISTRATION

SALARIES AND EXPENSES
BUDGET AMENDMENT
FISCAL YEAR 1981

TABLE OF CONTENTS

Item	Page Number
Summary Sheet	GA-1
Appropriation Language Sheet	GA-2
Summary of Requirements	GA-3
Justification for Proposed Budget Amendment	GA-4
Summary of Requirement by Object Class	GA-8
Justification of Object Class	GA-9
Program and Financing	GA-12
Detail of Permanent Positions	GA-13

Congressional Submission
April, 1980

DEPARTMENT OF COMMERCE
GENERAL ADMINISTRATION

SALARIES AND EXPENSES

Revised Estimates
Fiscal Year 1981

Funding		Employment	Perm Pos.	Average Total Employment
Request pending	$ 39,019	Request pending	740	718
Proposed amendment	2,000	Proposed amendment	-10	-10
Revised request	37,019	Revised request	730	708

STATEMENT OF PURPOSE AND NEED

In compliance with the President's recent mandate to establish a balanced budget for Fiscal Year 1981, a thorough review of the original FY 81 Congressional Budget Submission has been undertaken. Accordingly, a reduction of ten positions and $2,000,000 in funding is being requested in this budget amendment. This reduction is to be derived from the Office of Policy Development (-$250,000), the Office of the Inspector General (-10 positions; - $500,000) the Secretary's Special Initiatives Fund (-$750,000), and SES executive development (-$500,000).

DEPARTMENT OF COMMERCE

GENERAL ADMINISTRATION

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendments	1981 Revised Request
211	Salaries and Expenses (In the appropriation language under the above heading, delete "2,000,000" and insert in lieu thereof $1,250,000.)	$39,019	$-2,000	$37,019

62-212 O - 80 - 4

Appropriation: Salaries & Expenses

Summary of Requirements
(dollar amounts in thousands)

Comparison by Activities:	1981 Request Pending Perm Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm Pos.	1981 Revised Request Amount
Executive direction of the Department.....	88	$ 3,566	...	...	88	$ 3,566
Departmental staff services.....	652	29,753	-10	$-750	642	29,003
Secretary's Special Initiatives Fund.....	...	2,000	...	-750	...	1,250
SES performance awards and executive development	...	3,700	...	-500	...	3,200
Total requirements.:.....	740	39,019	-10	2,000	730	37,019

JUSTIFICATION FOR PROPOSED BUDGET AMENDMENT

(dollar amounts in thousands)

Activity: Departmental staff services

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of Policy Development	80	$3,215	...	$-250	80	$2,965
Office of the Inspector General	253	10,021	-10	-500	243	9,521

Office of Policy Development

A decrease of $250,000 in funding is requested for the Office of Policy Development. This decrease represents a reduction in the other services object class for the Assistant Secretary for Policy, and will be accomplished through the curtailment of some procurement activities within the Office of Policy Development.

Accordingly, plans are being instituted to curtail and/or reduce planned projects, and a corresponding effort will be conducted to determine if the present staff could render services normally provided by outside contractors.

Inspector General:

A reduction of ten positions and $500,000 is requested for the Office of the Inspector General. This decrease represents previously requested personnel and resources to provide audit coverage for new programs under the National Public Works and Economic Development Act (NPWEDA).

Identification of these resources for reduction does not indicate a decreasing level of importance for the NPWEDA program, but rather reflects our uncertainty regarding future enactment of the proposed legislation.

Position Title	GS Grade	Number	Annual Salary
Auditor.....	GS-14	-1	$-34,713
Auditor.....	GS-13	-2	-58,750
Auditor.....	GS-12	-5	-123,515
Secretary.....	GS-6	-1	-12,531
Secretary.....	GS-5	-1	-11,243
Total salaries		-10	-240,752
Lapse.....			30,752
Total compensation			-210,000
Personnel benefits.....			-18,000
Travel and transportation			-20,000
Rent, communications, etc.			-20,000
Standard level users charge			-12,000
Other Services.....			-214,000
Equipment.....			-6,000
			-500,000

Activity: Secretary's special initiatives fund

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Secretary's special initiatives fund	...	$2,000	...	$-750	...	$1,250

In accordance with Congressional guidelines, the Special Initiatives Fund is principally discretionary in nature. It functions as a source of funds for the Secretary to use in emergency situations, or to conduct projects deemed significant enough to be acted upon prior to consideration in the budgetary process. Thus, a reduction in the amount available in this Fund would not affect on-going activities or the funding of functions specifically mandated by Congress. We are, therefore, requesting a reduction in the amount available from $2 million to $1.25 million.

This decrease would be instituted by:

- o tightening the criteria for proposals submitted for funding;
- o cancelling or delaying implementation of lower priority projects; and
- o instituting reduced funding for some projects, or attempting to find alternative methods of financing for these efforts.

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
SES performance awards and executive development	...	$3,700	...	$-500	...	$3,200

The original request of $3.7 million is composed of $2.2 million for Senior Executive Service (SES) bonuses and $1.5 million for Executive Development. It is requested that funding for Executive Development be reduced by one-third ($500,000). A concerted effort will be made to scale-down all planned activities through reduction in the number of participants receiving training, the amount of pilot efforts to be organized, and a lower level of funding contract authority for course development.

Summary of Requirements by Object Class
(dollar amounts in thousands)

Appropriation: Salaries and Expenses

Object Class		1981 Request Pending			1981 Proposed Amendment			1981 Revised Request		
		Perm Pos.	Avg. No.	Amount	Perm Pos.	Avg. No.	Amount	Perm Pos.	Avg. No.	Amount
11	Personnel Compensation									
11.1	Permanent Positions.....	740	718	$24,640	-10	-10	$ -3,910	730	708	$20,730
11.3	Positions other than permanent..	30	44	707			...	30	44	707
11.5	Other personnel compensation....	...	...	62			2,218	...	...	2,280
	Total personnel compensation..	770	762	25,409	-10	-10	1,692	760	752	23,717
Other objects:										
12	Personnel benefits			1,799			-36			1,763
21	Travel and Transportation of persons.....			764			-20			744
22	Transportation of things.....			21			...			21
23.1	Standard level user charges.....			1,968			-12			1,956
23.2	Communications, utilities, and other rent.....			1,040			-20			1,020
24.0	Printing and reproduction.....			453			...			453
25.0	Other services.....			6,662			-214			6,448
26.0	Supplies and material.....			239			...			239
31.0	Equipment.....			164			-6			158
41.0	Grants, Subsidies, and Contributions			500			...			500
	Total requirements.....			39,019			-2,000			37,019

Justification of Object Class
(dollar amounts in thousands)

Appropriation: Salaries and Expenses

Object Class	1981 Request Pending Perm Pos.	1981 Request Pending Avg. No.	1981 Request Pending Amount	1981 Proposed Amendment Perm Pos.	1981 Proposed Amendment Avg. No.	1981 Proposed Amendment Amount	1981 Revised Request Perm Pos.	1981 Revised Request Avg. No.	1981 Revised Request Amount
11.1 Permanent positions:									
General Schedule	725	704	$23,894	-10	-10	$-3,910	715	694	$19,984
Executive level	13	12	716	...	...	...	13	12	716
Wage board	2	2	30	...	...	...	2	2	30
Total permanent positions	740	718	24,640	-10	-10	-3,910	730	708	20,730
11.3 Positions other than permanent									
General Schedule	30	44	707			...	30	44	707
11.5 Other personnel compensation									
Overtime			62			...			62
Cash Awards			...			2,218			2,218
12.1 Personnel benefits: Civilian									
Civil Service Retirement			1,291			-15			1,276
Federal Insurance Contribution Act (FICA) (FICA)			54			...			54
Health insurance			305			-2			303
Life insurance			125			-1			124
Employees Compensation Fund			6			...			6
Employee Awards			18			-18			...
Total personnel benefits			1,799			-36			1,763
21 Travel and transportation of persons									
Per diem			309			-10			299
Air fare			422			-10			412
Other Common carrier			23			...			23
Privately owned vehicles			10			...			10
Total travel and transportation of persons			764			-20			744

	1981 Request Pending			1981 Proposed Amendment			1981 Revised Request		
	Perm Pos.	Avg. No.	Amount	Perm Pos.	Avg. No.	Amount	Perm Pos.	Avg. No.	Amount
22.0 Transportation of things			21			...			21
23.1 Standard level user charges			1,968			-12			1,956
23.2 Communications, utilities and other rent									
Federal Telecommunications System			291			-5			286
Other telephone, telegraph and teletype services			135			-3			132
Postal services by USPS			73			...			73
Rental of automatic data processing equipment			32			-2			30
Rental of office copying equipment			374			-5			369
Other equipment rental			135			-5			130
Total other rent, communications, and utilities			1,040			-20			1,020
24.0 Printing and reproduction									
Press releases			17			...			17
Publications			10			...			10
Public Use forms			55			...			55
Administrative printing			327			...			327
Design and graphics			29			...			29
Photography			15			...			15
Total printing and reproduction			453			...			453
25.0 Other Services									
Training									
University			17			...			17
Office of Personnel Management			121			...			121
Other			300			468			-168
Maintenance of equipment			52			...			52
GSA alternations and repairs			520			...			520
Centralized Departmental Services			2,662			-16			2,646

		1981 Request Pending			1981 Proposed Amendment			1981 Revised Request		
		Perm Pos.	Avg. No.	Amount	Perm Pos.	Avg. No.	Amount	Perm Pos.	Avg. No.	Amount
	Other Federal Agencies:									
	Interior			99			...			99
	HEW			99			...			99
	DCAA			62			...			62
	Non-Federal services			155			...			155
	Security investigations			56			...			56
	Contracts			2,519			-666			1,853
	Total other services			6,662			-214			6,448
26.0	Supplies and materials									
	Office supplies			186			...			186
	Subscriptions, periodicals, etc.			41			...			41
	ADP supplies and materials			12			...			12
	Total supplies and materials			239			...			239
31.0	Equipment									
	Office machines and equipment			164			-6			158
41.0	Grants, Subsidies, and Contribution			500			...			500

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

(FY 1981 Budget Amendment)
DEPARTMENT OF COMMERCE
GENERAL ADMINISTRATION

Program and Financing (In thousands dollars)

Identification code 13-0120-0-1-376	1981 ~~XXXX~~	1981 ~~XXXX~~	1981 ~~XXXX~~
Program by activities	Request Pending	Proposed Amendment	Revised Request
Direct program:			
1. Executive direction of the Dept.	3,566	...	3,566
2. Departmental staff services	29,753	-750	29,003
3. Secretary's special initiatives	2,000	-750	1,250
4. SES performance awards and Executive development	3,700	-500	3,200
Total direct program	39,019	-2,000	37,019
Reimbursable program	17,500	...	17,500
Total program costs, funded	56,519	-2,000	54,519
10.00 Total obligations	56,519	-2,000	54,519
Financing:			
11.00 Offsetting collections from Federal funds	-17,500	...	17,500
Budget authority	39,019	-2,000	37,019
Budget Authority:			
40.00 Appropriation	39,019	-2,000	37,019
43.00 Appropriation (adjusted)	39,019	-2,000	37,019
Relation of obligations to outlays:			
71.00 Obligations incurred, net	39,019	-2,000	37,019
72.40 Obligated balance, start of year	2,932	...	2,932
74.40 Obligated balance, end of year	-2,922	...	-2,922
90 Outlays, excluding pay raises supplemental	39,005	-2,000	37,005
91.10 Outlays from wage-board pay raise supplemental	1	...	1
91.20 Outlays from civilian pay raise supplemental	23	...	23
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

GA-12

GPO : 1971 O - 442-317

DEPARTMENT OF COMMERCE
GENERAL ADMINISTRATION

BUDGET AMENDMENT, FISCAL 1981

DETAIL OF PERMANENT POSITIONS

13-0120-0-376	19 81 actual	19 81 estimate	19 81 estimate
	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
Executive Level I	1	...	1
Executive Level III	1	...	1
Executive Level IV	11	...	11
Executive Level V	1	...	1
Subtotal	14	...	14
ES 6	17	...	17
ES 5	13	...	13
ES 4	20	...	20
ES 2	3	...	3
ES 1	13	...	13
Subtotal	66	...	66
GS/GM- 15	139	...	139
GS/GM- 14	141	-1	140
GS/GM- 13	152	-2	150
GS-12	144	-5	139
GS-11	126	...	126
GS-10	19	...	19
GS- 9	160	...	160
GS- 8	36	...	36
GS- 7	145	...	145
GS- 6	63	-1	62
GS- 5	80	-1	79
GS- 4	53	...	53
GS- 3	17	...	17
GS- 2	9	...	9
GS- 1	2	...	2
Subtotal	1,286	-10	1,276
Ungraded	100	...	100
Total permanent positions	1,466	-10	1,456
Unfilled positions, end of year	-76	...	-76
Total permanent employment, end of year	1,390	-10	1,380

General Statement

Mr. Hightower. Mrs. Porter, if you have a general statement, you may proceed in your own way.

We will insert the full statement at this point in the record and you may elaborate on it as you like.

[Statement of Elsa Porter follows:]

DEPARTMENT OF COMMERCE

STATEMENT BY ASSISTANT SECRETARY OF COMMERCE

ELSA A. PORTER

BEFORE THE SENATE APPROPRIATIONS SUBCOMMITTEE ON

STATE, JUSTICE, COMMERCE, THE JUDICIARY AND RELATED AGENCIES

Mr. Chairman and Members of the Committee

I am here today to explain the FY 1981 budget request for the General Administration of the Department of Commerce. The total request is $39,019,000, an increase of $11,644,000 over the $27,375,000 appropriated for 1980. We are requesting funds at this time only for the Salaries and Expenses Appropriation.

Of the increase requested, $2,434,000 represents built-in changes or adjustments due to inflation. The largest adjustment is $1,209,000, less absorption of $226,000, for last year's general schedule pay raise.

The remaining amount, $9,210,,000 and 111 positions, reflects the following changes:

o Funding for an Assistant Secretary for Tourism, three positions and $125,000, has been removed from the General Administration account. The Industry and Trade Administration will assume responsibility for all tourism promotion activities in the Department, including executive oversight.

o Six positions and $250,000 are requested for the Office of General counsel, to help contain an ever-increasing workload brought about principally by Congressional legislation enacted during the last few years. The Privacy Act, the Freedom of Information Act, and the Ethics Act are some examples. In addition, extensive legal involvement is being generated by activities related to the Inspector General, the 1980 Census, and EEO discrimination complaints.

o One position and $33,000 was reduced from the Office of Policy Development. As a result of the consolidation of policy related activity within the Department, certain economies were achieved; accordingly, a reduction has been requested.

o Ninety positions and $4,193,000 are requested for the Office of the Inspector General. Additional support is needed in three key areas:

a) To reduce the internal audit cycle and provide external audits, twenty-five positions and $1,947,000 are requested. The additional resources will enable the IG to reduce the internal audit cycle to eleven years. The maximum cycle recommended by GAO is five years.

b) Audit personnel are being requested to promote economy and efficiency and to prevent fraud, waste, and mismanagement in the multi-billion dollar Development Financing Program (NPWEDA) in the Economic Development Administration. Twenty-five positions and $948,000 are requested for coverage in this program.

c) Forty positions and $1,298,000 are needed to conduct criminal investigations in the Department. A huge backlog has resulted from both the GAO and Commerce "hotlines" as well as from increased media concern and public awareness.

o Five positions and $450,000 are requested for the Office of Budget and Program Evaluation to allow Commerce to initiate a Department-wide effort to improve its planning and management process. These additional resources permit a major effort to Commerce in FY 1981 toward instituting improvements and implementing the integration concept.

o Four positions and $175,000 are requested in the Office of the Controller for the establishment of a Central Grants Unit. This new office will consolidate grant policies for the entire Department in an effort to control the large growth in grants activity brought about by the Grants and Cooperative Agreements Act, will prevent wasteful duplication of effort, and bring about consistent program objectives.

o The Office of Personnel is requesting ten positions and $600,000 to respond to the Civil Service Reform Act and to other changes in Federal pay compensation. In addition to conforming to these legislative changes, the Department must also meet mandated implementation dates and other requirements from both the Office of Personnel Management and the Office of Management and Budget. The

additional resources will be used to plan, develop, and oversee the implementation of the merit pay system, provide technical assistance and administrative support for the SES performance appraisal process, and support the integration of these systems with the Department's existing management systems.

o Four positions and $150,000 are needed for the Office of Small and Disadvantaged Business Utilization, to develop and recommend for Secretarial approval certain goals for assisting small, minority or disadvantaged businesses, including firms located in labor surplus areas. The awarding of contracts will encouraged by providing information and assistance to operating units and through monitoring of procurement activity to assure that DOC acquisition actions are in compliance with laws established to insure maximum participation of qualified firms. This office will be administered by the Office of Regional Affairs and Program Coordination, but will be responsible to the Deputy Secretary of Commerce. It will be responsible for implementing Department-wide policy, and it will represent Commerce in dealings with Federal and non-Federal organizations as part of an overall effort to assist businesses qualifying under this program.

o Four positions and $150,000 have been reduced from the Office of Ombudsman, in recognition of a realignment of functions associated with trade reorganization.

o Finally, $3,700,000 is requested to implement provisions of the Civil Service Reform Act, including funds for awards

to be paid to Departmental executives. This request consolidates, under a separate line item, a singular mechanism for award payments. It also provides funding for executive development, where emphasis will be placed on allowing women and minorities to attain equitable representation at the top levels of the Department.

There is one additional item I would like to bring to your attention. In our adjustments to base I have included $250,000 for reimbursable audits. This reflects charges to the Department over which we have no control. The Department of Health, Education, and Welfare has been enpowered to audit all Federal contracts & grants to universities and colleges, and then to bill each agency according to their share of the funds audited. This activity has escalated to the point where it can no longer be absorbed within existing resources.

Mr. Chairman, that concludes my prepared statement. I will be glad to answer any questions that you might have.

62-212 O - 80 - 5

Ms. PORTER. Thank you, Mr. Chairman.

I am accompanied today by the General Counsel, Mr. Homer Moyer and by the Inspector General, Mrs. Mary Bass.

Before I begin my formal statement, Mr. Chairman, I would like, on behalf of the Department of Commerce, to pay tribute to the former Chairman of this Committee, John Slack, whose sudden and untimely death last week has saddened us all. For the past five years, he managed the process by which the resources necessary to our work had been provided. In so doing, he earned both the respect and the affection of countless people in the Department, both political and career civil servants.

We admired his firm but fair manner and we loved his warm humor and kindness. We deeply regret his passing. The country has lost an able leader, and the Department of Commerce a friend, and we share the sorrow of this Committee on his death.

I am here, Mr. Chairman and members of the Committee, to explain the fiscal year 1981 budget request for the General Administration of the Department of Commerce.

The total request is $39,019,000, an increase of $11,644,000 over the $27,375,000 appropriated for 1980.

Of the increase requested, $2,434,000 represents built-in changes or adjustments due to inflation. The largest adjustment is for last year's general scheduled pay raise, which was estimated to cost the appropriation $1,299,000. However, of that amount, we are planning to absorb $226,000, or 19 percent.

The remaining increase, $9,212,000 and 111 positions, reflects the following changes; Resources for the Assistant Secretary for Tourism, three positions and $125,000 have been eliminated. The Industry and Trade Administration will assume responsibility for all tourism and promotion activities in the Department, including executive oversight.

Six positions and $250,000 are requested for the Office of the General Counsel to help contain an ever-increasing workload generated by new legislation.

One position and $33,000 has been reduced from the Office of Policy Development as a result of consolidation of certain policy-related activities within the Department.

Ninety positions and $4,193,000 are requested for the Office of the Inspector General in three areas. First, reduction of the internal audit cycle and expanded audits of external programs, which will require 25 positions and $1,250,000.

Second, promotion of economy and efficiency related to new Economic Development Administration programs which will require 25 positions and $1,200,000.

And third, 40 positions and $1,743,000, which are needed to conduct criminal investigations in the Department.

The Office of Budget and Program Evaluation is requesting five positions and $450,000 to continue its planning and management processes.

Four positions and $175,000 are proposed in the Office of the Comptroller for the establishment of a Central Grants unit.

Ten positions and $600,000 are needed for the Office of Personnel for implementation of the merit pay system and SES—senior executive service—performance appraisal process.

The Office of Small and Disadvantaged Business Utilization is requesting four positions and $150,000 for assistance to small and minority and disadvantaged businesses.

A reduction of four positions and $150,000 is planned in the Office of the Ombudsman due to the realignment of functions that have occured as part of the trade reorganization.

Finally, $3,700,000 is requested for awards to be paid to Departmental executives as provided in the Civil Service Reform Act and for executive development programs.

We are also requesting a supplemental appropriation for fiscal year 1980, which is addressed separately.

Mr. Chairman, that concludes my prepared statement. I will be happy to answer any questions that you might have.

ORGANIZATIONAL CHANGES

Mr. HIGHTOWER. Thank you very much. One of the prerogatives of the Secretary of Commerce, or indeed the Secretary of any cabinet-level department of the Federal government, is to organize his office in the way that is most suitable and comfortable to his style of administration.

What changes has Secretary Klutznick made in the organization of the Office of the Secretary in the immediate departmental offices that work closely with him?

Ms. PORTER. Secretary Klutznick has not made any changes so far, Mr. Chairman. However, he is studying the organization of the Office of the Secretary, and I am sure there will be changes made before the end of this fiscal year.

SPECIAL INITIATIVES FUND

Mr. HIGHTOWER. I note in the appropriation language that you are again requesting $2 million for the Secretary's special intitiatives fund. How much was obligated from the resources available from that fund during fiscal year 1979 and for what projects?

Ms. PORTER. One million six hundred thousand dollars was obligated in fiscal 1979. We have a list of the projects, if you would like to see them.

Mr. HIGHTOWER. Would you like to submit that for the record, please?

[The information follows:]

SPECIAL INITIATIVES FUND

SUMMARY

Fiscal year 1979 projects

Project title:	
Alimony and child support data	$100,000
Women in business	70,000
Resource and recovery industrial parks	75,000
Export and trade data for states	128,000
Anti-Inflation campaign	219,692
Presidentially mandated trips	290,000
Symposium on productivity	80,000
Local government program and policy studies	114,845
Minority business capitalization effort	150,000
Product liability task force	205,887

Industry-Commerce policy discussions	69,090
New England Federal Regional Council	111,582
Total	1,614,096

Alimony and child support data—$100,000

The Secretary authorized a few additional questions on last springs's Current Population Survey in order to collect data related to alimony and child support. The total cost of the survey, $300,000, was shared by the Secretary, by the Bureau of the Census, and by the Department of Health, Education and Welfare. The project was in response to recommendations received at the Bureau's conference on Federal Statistics Related to Women and was strongly supported by the Congressional Women's Caucus.

Resource recovery industrial parks—$75,000

The Office of Environmental Affairs is planning a conference in April 1980 on resource recovery. Funds were requested here to contract with the Conference of Mayors for a data study to be used as the central discussion piece of the conference. The Office of Environmental Affairs fulfills the Department's duties under the Resource Conservation and Recovery Act. The study will concentrate on the feasibility of resource recovery industrial parks through the use of case studies, preparation of technical information, and cost/benefit analyses. The total cost of this project is $250,000; of this amount $100,000 was provided by the Office of Environmental Affairs, $75,000 was provided by EDA, and $75,000 was provided from the Special Initiatives Fund.

Women in business—$70,000

This project, previously referred to as a prototype to train women entrepreneurs, was approved to provide incremental funding in two areas. $60,000 was given as a grant to the American Women's Economic Development Corporation, created to comprehensively train and assist present and prospective female business persons. This is the only program of its kind in the country. The funds were to be used to provide basic business counselling as well as to conduct research into the feasibility of a nationwide program. Another $10,000 was provided to a consultant group to provide follow-up studies to the Women in Business Task Force, which was chaired by the Department in 1978.

Export and trade data for states—$128,000

Financing was requested for a contract with the National Governors' Association to develop a data base to assist states in expanding export and trade opportunities. The study will seek to identify those factors which influence a state's ability to expand exports and attract foreign investment, thereby providing Governors with strategies and techniques for encouraging export promotion and foreign investment, as well as for exploring the potential for integrating these efforts into total state economic development strategies.

Presidentially mandated trips—$290,000

This project was set up to provide funding for unplanned official trips taken by the Secretary to China and to Geneva. As official emissary of the U.S. Govenment, the Secretary participated in international trade promotion negotiations and activities.

Symposium and productivity—$80,000

Approval was given for a symposium conducted by the National Retail Merchants Association. One hundred chief executives of general merchandise companies were to study productivity in the retail field. There was been no comprehensive study of retail productivity for over 20 years due to the difficulty of the subject matter. The symposium focused on the problems involved in defining and measuring retail productivity, analyzing why retail productivity has declined in recent years, and seeking ways to increase it through organizational development and improved human resource management.

Local government program and policy studies—$114,845

Funds were used to contract with the U.S. Conference of Mayors to provide policy analyses and technical advice from the local government point of view. Areas that were studied included public/private partnership activities, the Commerce cities programs, the urban data system, and sub-national economic analysis. The project will result in option papers outlining improvements and alternatives to Commerce

activities as well as a series of information memos prepared for local elected officials to keep them informed of Commerce activities, sources and policy.

Product liability task force—$205,887

This project was set up to provide assistance in the final editing and revision of a model product liability law and section-by-section analyses of it. The Department was given lead responsibility in developing a code to relieve uncertainties that have arisen in the insurance tort system. While the purpose of the code was to add needed stability to product liability law, it will also retain existing incentives for product safety in the tort litigation system.

Minority business capitalization effort—$150,000

The consulting firm of SCETAM, Inc. was given a grant to perform several duties related to capital formation for minority businesses. These include: (1) identifying qualified minority entrepeneurs to exploit acquisitions and expansion opportunities; (2) Identifying private and public sources of debt and equity financing for minority ventures of scale; and (3) evaluating the capital formation proposals of the Minority Business Development Agency. SCETAM, Inc. specializes in regional economic planning and development. Its consulting and management services are offered primarily to various levels of government, as well as to quasi-government bodies. Upon completion of the 18 month grant, the Commerce Department's Inspector General will perform a grant audit of performance.

Anti-inflation campaign—$219,692

The Department of Commerce is participating in a multi-agency effort with the President's Advisory Council to conduct a public service campaign on the subject of inflation. This project was strongly endorsed by President Carter and by the Council on Wage and Price Stability. The funding is being shared by the Departments of Commerce, Agriculture, Labor, and Treasury. The Government funding is providing only out-of-pocket costs. The purpose of the advertising is to increase public understanding of the causes of inflation and how it can be reduced by individual action.

Industry-Commerce policy discussion—$69,090

This project was established by the Secretary to improve interaction between business and the Department and to create awareness of specific problems facing different industries. Working dinners were sponsored for these top industry officials who discussed their reaction to Administration policy and other concerns with the Secretary, the Under Secretary, and appropriate assistant secretaries. The cost was co-sponsored by the the trade organization representing each industry. Industries included in FY 1979 were pulp and paper, motor vehicle, machine tool, chemical, semiconductor, nonresidential construction, and rubber manufacturers.

New England Federal Regional Council—$111,582

The Department of Commerce was requested by the White House to finance the Federal Regional Coluncil in New England. Federal Regional Councils are regional interagency and intergovernmental coordinating mechanisms established by Presidential Executive Order. They are expected to serve as a significant focus for advancing the Administration's overall goals and policies to achieve a more efficient and effective Federal Government in the field, particularly in concert with state and local governments. Cost responsibility for the Councils is rotated among Federal Departments.

Mr. HIGHTOWER. How many of the projects from the resources available in this fund for fiscal year 1980 have been funded to date?

Ms. PORTER. Five hundred thousand dollars have been spent to date, Mr. Chairman.

Mr. HIGHTOWER. Could you tell us how that money was used?

Mr. BLUBAUGH. We will submit that information for the record, Mr. Chairman.

[The information follows:]

SECRETARY'S SPECIAL INITIATIVES FUND

Fiscal year 1980 activity as of Jan. 31, 1980

Approved projects:	
Data on aging for industries	$100,000

Center for New Business Executives	100,000
Domestic information display system	200,000
Consumer affairs action guidelines	100,000
Total	500,000
Total amount available fiscal year 1980	2,000,000
Commitments to date	500,000
Available balance	1,500,000

Data on aging for industries—$100,000

The National Council on the Aging plans to establish a Population Data Resource Center for Industry. The Center will study corporate attitudes towards gearing marketing strategies to benefit aging Americans. It will also encourage industries to focus their production and marketing more towards aging markets. Funds were requested for the first year start-up costs of a three-year program; FY 81 and 82 costs are to be funded entirely by other agencies.

Center for New Business Executives—$100,000

Funding has been provided to complete the establishment of a multi-purpose Center for New Business Executives and to carry out an initial implementation phase of the center. The organization represents an attempt to identify and train entrepreneurs for under developed areas, to encourage innovations in technology, to increase worker productivity, to develop new industries responsive to the special needs of the structurally unemployed, and to identify alternative state structures for targeting public and private venture capital.

Domestic information display system—$200,000

Resources were requested for the implementation of the Domestic Information Display System (DIDS), a computer software application which will translate socio-economic data into color patterns on maps of the United States. The combinations of information requested are displayed in shades of color, and maps can be developed at the national, state, county, or city level. The system is able to access data from numerous Federal agencies, such that a wide variety of information is available to users. Fifteen agencies are participating in the trial system.

Consumer affairs action guidelines—$100,000

This project updates and reissues a series of guidelines for corporations in handling consumer concerns. These publications were developed by a business advisory committee to Commerce and have been well received in the past. Ad-hoc teams from organizations representing business and consumers will review and rewrite the Guidelines. The Department's Office of Consumer Affairs will coordinate dissemination and follow-up activities. The project is a unique way in which the Department can encourage voluntary business attention to consumer needs, and represents a useful role for Commerce in bringing business and consumer leaders together for their mutual benefit.

TRANSFER FROM INTERNATIONAL TRADE ADMINISTRATION

Mr. HIGHTOWER. I note on page 7 of the justifications that 25 positions and $573,000 have been transferred to the General Administration appropriation during fiscal year 1980 from the former Industry and Trade Administration. From the material that appears on page 7, it would seem that these funds formerly devoted to assisting domestic businesses with ITA will be dispersed and allocated to several offices within the Office of the Secretary. Could you tell the committee the reason for this transfer and why we no longer have one organization within the Department of Commerce whose function it is to assist domestic businessmen?

Ms. PORTER. Yes, Mr. Chairman. As part of the reorganization plan number 3 setting up the International Trade Administration, we also have created a new bureau under the Chief Economist's Office entitled the Bureau of Industrial Economics.

Most of the specialists—the industry specialists—who work in ITA have been reassigned to that bureau—132 positions were transferred. That organization still has responsibility for the analysis of domestic business in the United States.

It is more focused under the Chief Economist's Office.

The 25 positions coming to the Office of the Secretary, Mr. Chairman, have been reassigned as follows: 6 positions are proposed to be transferred to the Assistant Secretary for Policy for use in the industrial policy area of that office. Seven positions would be transferred to the new Assistant Secretary for Productivity which used to be Science and Technology but is currently Productivity, Technology and Innovation, to work on the industry productivity effort there. And twelve positions would be transferred for the ombudsman's office. The office, as a whole, would be transferred to the Associate Deputy Secretary, who has responsibility under the reorganization for outreach to the domestic business community. So the responsibilities for domestic business are located primarily, then, in three areas: in the Office of the Secretary, in the Bureau of Industrial Economics and under the new Assistant Secretary for Productivity, Technology and Innovation.

Mr. HIGHTOWER. On page 9, you indicate a request for $300,000, which represents annualization of the fiscal year 1980 supplemental transfer from ITA. How much was this transfer and for what purpose?

Mr. BLUBAUGH. Mr. Chairman, the original transfer was $573,000 and that represented funds from January 1 to the end of the fiscal year. The $300,000 represents the annualization for the first four months of the fiscal year, which are not covered in the transfer.

Mr. HIGHTOWER. If the transfer was on January 1, then you would just have three months—October, November, December.

Mr. BLUBAUGH. The disparity in the cost is caused by the fact that there are certain overhead items, such as space and postage, which were already paid by the Industry and Trade Administration in 1980; so those costs were not transferred to us in 1980.

But the full-year cost for the complete operation by the Office of the Secretary is reflected in this annualization.

OUTSIDE AUDITING SERVICES

Mr. HIGHTOWER. On page 10, a requested increase of $250,000 is listed for auditing services performed by HEW. What programs are being audited by other agencies, and what is the total cost?

Ms. PORTER. The programs that are audited by other agencies are primarily in NOAA for the sea grants program. Any program of the Department that is managed by a university is usually audited by HEW.

There are, in addition to NOAA, some EDA and Maritime Administration programs that would be audited.

The major non-DOC auditing agencies would be HEW—that is the primary one—and also the Defense Contracting Audit Agency—DCAA.

Mr. HIGHTOWER. How does the Inspector General decide which programs should be audited within the Department and which programs are to be audited by other agencies?

Ms. PORTER. It is according to the agreements between agencies; the Inspector General doesn't really decide. The agencies which normally cover those organizations will audit all Government programs that are located in an organization. This is to keep several teams of auditors from descending upon the same institution.

So, by agreement among the audit agencies within the Government, the workload is divided.

Mr. HIGHTOWER. And there is no duplication of the audit function?

Ms. PORTER. That is what that audit process is meant to avoid.

Mr. BLUBAUGH. HEW will conduct an audit at a university and will charge each agency in Government for a share of that audit according to the amount of funds at the university. But they audit all Federal money at the university.

Mr. HIGHTOWER. When HEW has performed an audit, do they send a copy to your Inspector General?

Ms. PORTER. That is correct, and they also bill us. The problem with the bill is that we have no idea from year to year what the amount will be.

In the past we have covered that charge within our own resources. We can no longer do that, and we are showing it in this budget as an adjustment to base. We are, however, raising the issue, in case you wish to treat it in a different fashion.

The $250,000 requested is based on our current billing history, and it is something that we could no longer absorb; we wanted to bring it to the committee's attention.

INCREASED LEGAL WORKLOAD

Mr. HIGHTOWER. On page 18, you show a request of six additional positions for the Office of the General Counsel. You say that the reason for this increase is the workload resulting from expanded economic development initiatives, numerous proposed reorganizations, as well as several other activities. Since the authorization for expanded economic development initiatives has not yet been enacted, how can this be a factor in creating an increased workload for the General Counsel's Office?

Ms. PORTER. I would like to ask the General Counsel, Mr. Moyer, to respond to that question.

Mr. HIGHTOWER. Mr. Moyer, you are asking for six additional positions and citing as one of the reasons for it the increased workload, part of that increased workload is a result of things that have not yet been enacted.

Mr. MOYER. The paper to which I refer, Mr. Chairman, I think is by and large independent of the EDA reorganization, which is your question. I think the justification for those additional positions is other than that.

Mr. HIGHTOWER. The justification indicates that that is one of the reasons. That is just anticipatory?

Ms. PORTER. Well, we say a myriad of reasons—the sentence says a myriad of reasons including that item, which was anticipatory. But in addition to that, we have had, of course, the litigation going out of the 1980 Census, of which you are very much aware.

The civil rights activity and Freedom of Information Act litigations—Ethics Act, et cetera, so that I think the General Counsel can speak to the increased workload.

Mr. MOYER. Mr. Chairman, based on my three months experience in the job I would simply delete that reference. I think there are a number of other things which have arisen since then that are not there, but I would exclude that.

Mr. HIGHTOWER. Can you provide for the record a breakdown of the congressional legislation enacted during the last few years which has significantly increased your workload?

Mr. MOYER. I would be happy to.

[The following information was submitted:]

OFFICE OF THE GENERAL COUNSEL

Additional responsibilities imposed in 1975-79

PUBLIC LAWS

Atlantic Tuna Convention Act of 1975	94-70
Patent Cooperation Treaty	94-131
National Productivity and Quality of Working Life Act of 1975	94-136
Energy Policy and Conservation Act	94-163
Metric Conversion Act	94-168
Coastal Energy Impact Program	94-370
Building energy conservation standards	94-385
Fishery Conservation and Management Act of 1976	94-265
Sea Grant Implementation Act of 1976	94-461
National Weather Modification Act of 1976	94-490
Olympic Winter Games Authorization Act of 1976	94-427
Mid-decade census	94-521
Subtitle E of Resource Recovery and Conservation Act of 1976	94-580
PWEDA amendments of 1976	94-369 and 94-487
Whale Conservation and Protection Study Act	94-532
International Investment Survey Act	94-472
Export Administration Act Amendments of 1977 (Arab Boycott etc.)	95-52
Foreign Corrupt Practices Act	95-213
Civil Service Reform Act of 1978	95-454
Contract Disputes Act of 1978	95-563
Endangered Species Act Amendments of 1978	95-632

2.

Ethics in Government Act	95-521
Federal Grant and Cooperative Agreement Act of 1977	95-224
Fish and Wildlife Improvement Act of 1978	95-616
Inspector General Act of 1978	95-452
National Ocean Pollution Research, Development and Monitoring Planning Act of 1978	95-273
North Pacific Fisheries Act Amendments	95-326
Export Administration Act of 1979	96-72
U.S. Participation in Energy-Expo 1982	96-169
Trade Agreements Act of 1979	96-39

OTHER

Reorganization Plan 3 of 1979	International Trade Activities
Reorganization Plan 1 of 1977	National Telecommunication and Information Administration
E.O. 12013 (1977)	Transfer to Commerce of Office of Federal Statistical Policy and Standards

Finally, although enacted just prior to the 5 year period covered by this report, the Freedom of Information Act amendments of 1974 have placed a substantial and steadily increasing burden on the Department.

GENERAL COUNSEL STAFFING

Ms. PORTER. I believe that the level of staffing in the Office of the General Counsel has not increased for the last seven years, Mr. Chairman, and so the amount of activity that has been generated over that period of time in the Department of Commerce is quite significant.

Mr. HIGHTOWER. I might ask the General Counsel, are you fully staffed at the present time and are all your authorized positions filled?

Mr. MOYER. We have approximately three vacancies, Mr. Chairman, at this point.

Mr. HIGHTOWER. You are asking for six more positions?

Mr. MOYER. That is correct.

Mr. HIGHTOWER. How many of your authorized positions are filled at the present time?

Mr. MOYER. 53 of 56 are on board.

Mr. HIGHTOWER. Ideally, or hopefully, you could work better with 61 positions.

Mr. MOYER. Absolutely, I might add that in the three months since I have been on the job, one of my first items of attention has been the recruitment, filling positions and addressing the personnel needs. In my judgment, 62 attorneys would be kept very busy.

Mr. HIGHTOWER. If, due to the austerity that we understand we are going to be facing in our budget process, we cannot add six people—how would that affect the work of your Office?

Mr. MOYER. With respect to my office, Mr. Chairman, I think it will simply mean that some important needs would not be met.

Mr. HIGHTOWER. I assume that you have three functions: advisory, being the principal one. Do you have some in-house litigation?

Mr. MOYER. We do not independently handle all litigation—we work with the Justice Department—we do not have statutorily independent litigating authority. The extent to which the Justice Department relies upon us, frankly, varies from case to case and issue to issue.

Mr. HIGHTOWER. Then, there will be work that is left undone if you do not get these additional people. What type of work would this be?

Mr. MOYER. I think, typically, the first things that would be lost, Mr. Chairman, with the shortage of resources—and I think this is evident to some extent over the last few years—is timely counseling and involvement in processes and issues before they become litigation issues—for example, before they become serious problems.

I think the cost that is saved is a short-term cost in that my office has staff and resources able to get into issues only when they become serious problems. That is often, as you know, counterproductive, but I think realistically when resources are stretched short, that is the price that is paid.

LITIGATION INVOLVING THE DEPARTMENT

Mr. HIGHTOWER. When the Department goes to the courthouse for litigation, the Justice Department handles the case. Are you

principally involved in injunctive-types of situations? What kind of legislation do you get involved with?

Mr. MOYER. A full range of litigation—certainly, injunctive actions are included. Those are the ones, of course, that involve the shortest start-up time. There are also suits challenging full programs or aspects of programs which are typical.

Mr. HIGHTOWER. Where the Department is the complainant?

Mr. MOYER. Or defendant, typically.

Mr. HIGHTOWER. That would be a situation where you would be acting as a defendant?

Mr. MOYER. Yes, let me give you an example. There are right now two major challenges to the anti-boycott law, which was enacted two years ago. One is a constitutional challenge—that is the type of litigation to which we are turned in substantial measure—of course, this is by the Justice Department. I could give you many other examples.

Mr. HIGHTOWER. Really, we have no choice but to defend when we are sued. Would the only discretionary legal involvement be the rather narrow area where the Department acts as the plaintiff?

Mr. MOYER. That's right and I might add, Mr. Chairman, that that very rarely occurs where the Department is involved as a plaintiff.

Mr. HIGHTOWER. So your principal function is as advisor within the Department. In the event of litigation, is your role to represent the interests of the Department and the Government when they are sued?

Mr. MOYER. That is certainly the role of litigation. The better provision of legal services, of course, is the advice rendered two months in advance that avoids that lawsuit. And that is, I think, what I am referring to as the likeliest casualty of insufficient resources.

Mr. HIGHTOWER. I am sure you can appreciate the fact that we are all going to be required to look very closely at these budget requests in order to balance the budget. This is not only a Presidential commitment but a Congressional and a national commitment. I think that many of us on the committee want to provide for the necessary functions and responsibilities of Government and not cut the necessary parts short in order to balance the budget.

Where we can, we want to economize, but yet we always want to be conscious of the things that must be done.

LEGAL ISSUES SURROUNDING THE 1980 CENSUS

You also cite several developing situations as reasons for the increase. One of these is the 1980 Census. Since the activity surrounding the Census will taper off after this year, I hope, couldn't the additional requirements for the General Counsel be handled through temporary employment during the peak workload period?

Mr. MOYER. I think the answer to that Mr. Chairman is, to some extent, yes. Unfortunately, it is not entirely. In part, this is because the issues that have been generated by this census will be with us for some time. But I think to some measure, your point is a correct one and this takes account of that.

Mr. HIGHTOWER. What type of litigation do you anticipate in connection with the Census?

Mr. MOYER. Well, for example, Mr. Chairman, we are now in litigation with respect to the inclusion of illegal aliens the census. Another important issue which was a time-consuming one for this department was a procurement issue related to the census—that was litigation that went on for some months. I expect in the future—after the conclusion of the census—the kinds of litigation issues that are likeliest to arise are those involving undercount adjustment or non-adjustment for census depending on undercount issues. And those are the types of cases which are likely to persist for some time after the conclusion of the census.

Mr. HIGHTOWER. Do you have certain counsel assigned to the Census Bureau?

Mr. MOYER. There are indeed attorneys in my office whose primary work is in the census area.

Mr. HIGHTOWER. How many are assigned to the Census?

Mr. MOYER. I believe three on a full-time basis.

Mr. HIGHTOWER. Are you planning to assign any of these six new positions to the Census?

Mr. MOYER. What I expect we would do, Mr. Chairman, is take the six positions, apportion them in such a way that no single individual is committed, for example, to the census just because the issues will wax and wane there. Portions of these additional attorneys' time would be available for census issues as well as others.

LEGAL ADVISORY FUNCTIONS

Mr. HIGHTOWER. How much litigation has been generated to date by the Inspector General's Office?

Mr. MOYER. I think very little, if any, to date, Mr. Chairman. Most of the work to this date has been advisory.

Mr. HIGHTOWER. Would the work generated by the Inspector General be done in the Justice Department?

Mr. MOYER. No, I think not, Mr. Chairman. The Justice Department would, of course, become involved if a case were referred to Justice as a possible criminal matter. The Justice Department would also, of course, become involved in cases that do proceed to litigation and are in court.

Mr. HIGHTOWER. On page 18 of your justifications the statement is made that since creation of the Office of Inspector General, the General Counsel has experienced substantially increased activity. What is meant by that statement?

Mr. MOYER. I think that a number of activities and issues are covered by that. They include issues associated with a given investigation or a given audit function. There are also institutional issues relating to the statutory rights and prerogatives of the Inspector General—of the relationship to program offices and the like.

Mr. HIGHTOWER. During the last two years, the Congress has approved additional positions for the Office of Civil Rights. Those positions were intended to handle the additional workload. Now I understand that the General Counsel's Office needs additional positions also because of civil rights. Do you think that the positions

that we have added in the Office of Civil Rights has been insufficient?

Ms. PORTER. I would like to respond to that. We created the Office of Civil Rights two years ago from no positions at all. It was established by reprogramming some positions internally and with the additional positions that were provided by the Congress. Those were provided to help us primarily in the processing of discrimination complaints and the reduction of a very large backlog of discrimination complaints.

We relied on the Office of General Counsel to handle the litigation arising in the civil rights area. None of those positions was provided to the Office of the General Counsel.

Mr. HIGHTOWER. Well, what is the lapse rate for these six positions?

Ms. PORTER. Ten percent, sir.

OFFICE OF THE INSPECTOR GENERAL

Mr. HIGHTOWER. On page 21, you are requesting 90 additional positions and $4,193,000 for the Office of Inspector General. How much are these positions lapsed?

Mr. BLUBAUGH. These positions are lapsed at just under 15 percent—12 or 13 percent.

Mr. HIGHTOWER. Why would you say that there is a difference in these two lapse rates?

Mr. BLUBAUGH. Mr. Chairman, we calculate the lapse rate individually for each increase, depending upon the experience that a particular office has had in filling vacancies and the like.

Mr. HIGHTOWER. Do the people who are hired in the Inspector General's Office enter in at a lower GS level than in other areas?

Mr. BLUBAUGH. Yes, sir, they do.

Mr. HIGHTOWER. How many of these additional positions would be assigned to internal audit functions and how many to criminal investigations?

Ms. PORTER. Forty positions would be assigned to the criminal investigations and the remaining 50 to the audit side—25 to the EDA audits and the other 25 to general internal and external audits.

Mr. HIGHTOWER. Does this mean that there is an increase in concern over the workload as far as criminal investigations are concerned?

Ms. PORTER. The Department has been chronically understaffed with both auditors and investigators. Over the past several years, I have requested increased resources for the audit function. Now with the passage of the Inspector General Act, the creation of the Office of the Inspector General and much, much greater emphasis on auditing, the Department is really trying to do a creditable job in reducing the audit cycle—for example, from 17 to 11 years. Even with the increase, the recommendation of the General Accounting Office is an audit cycle of five years.

Perhaps the Inspector General would like to elaborate on the need for these positions.

COMPARISON TO OTHER DEPARTMENTS

Ms. BASS. I would concur wholeheartedly with the analysis of the auditing and investigating functions. They have historically been very underfunded in the Department of Commerce. The audit cycle has already been referred to. The OMB study of resources during 1979 indicated that whereas the average of positions in the Federal Government in the IG area was 0.7 percent of the personnel of the various Departments, we were at 0.3. We are trying to bring that up a little bit. This addition that we are asking for at this time does not do that, but nevertheless at least it is going somewhere.

You should know, sir, that up until now our investigative capability has not been regionalized. All of the investigators—which are authorized only at the level of 30—have been in Washington. We must regionalize.

The complement of investigators is required, therefore, to help us complete our regionalization of that function.

In addition to the auditors that are needed to bring down the audit cycle to 11 years, we have identified 94 vulnerable programs within the Department. We have many new activities that have been called for under the Inspector General Act. And we believe that the number of people we have asked for is the very minimum to carry out those functions.

Mr. HIGHTOWER. What do you mean by the reference to many new activities called for in the Inspector General Act?

Ms. BASS. Specifically, we are now required to analyze new legislation—both that comes through the Department and is generally applicable to matters having to do with fraud, waste and abuse. We are taking that responsibility seriously.

These pieces of legislation—regulations—within the Department are farmed out to our audit division—each of which is specializing in different areas—for analysis on how they could be improved to prevent fraud, waste and abuse.

And we comment on the legislation as well. We have been active in that area.

The IG Act calls for a proactive approach. That means instead of waiting until mistakes are made, we are to go into the programs and try to help them out at the beginning to make sure that the money is safe rather than having to be recouped later.

We have been very active in this beginning stage of the developmental financing program. We sent our auditors around to the other agencies that have significant loan programs. We have done interviews in banking communities. We have gone over GAO reports and other reports and have come up with what we consider to be concerns relating to fraud, waste and abuse and what has been identified as a vulnerable program. That is something we probably have never done before—it took a tremendous amount of time.

We were proactive and very active in the Olympic Games—which you may have heard of. We were responsible for a very close monitoring of construction aspects of the games. We have come out with many reports which I think have been helpful to the public with respect to that activity.

We have audited the census payroll system. We came up with significant difficulties there which were cured because of the findings of our audit people.

These are proactive approaches. We are not waiting until the whole thing is over, although we still have our very significant load of usual audits and investigations that must go on.

Mr. HIGHTOWER. Do you have anything you would like to add to that, Ms. Porter?

Ms. PORTER. No, Mr. Hightower.

Mr. O'BRIEN. Will the gentleman yield?

Mr. HIGHTOWER. Yes.

LIKELY AREAS OF FRAUD AND ABUSE

Mr. O'BRIEN. Do you have an idea of where the fraud, waste and abuse exists, or is it deemed to be broadly spread? How do you deal with that?

Ms. BASS. We are now in the process just of developing vulnerability assessments for each one of the programs. The way we are doing that is asking, with respect to the audit cycle for 1981, each of the program managers to do a self-study on vulnerability.

Hopefully, with that in hand, we would be able to improve our audit plan for 1981.

With respect to fraud, waste and abuse—where is it? The programs that spend the most money on grants and loans would be the programs that would be the most vulnerable, in general. That is where the money is going out, so they would be the most vulnerable.

Mr. O'BRIEN. Do you expect we will recover it?

Ms. BASS. That we will recover those monies?

Mr. O'BRIEN. Yes.

Ms. BASS. Well, we hope so. Again, prevention is the best cure. There is a large effort on the part of Elsa and her group the Management Improvement Council—which is looking very deeply, and I think importantly so, into debt collection.

I think that we all recognize that the debt collection effort on the part of the United States Government has not been as effective as it has to be. And that is an area that both GAO and OMB and Mrs. Porter and I are very interested in.

Mr. O'BRIEN. So you believe that the $1.2 million is a good investment?

Ms. BASS. Yes, sir.

Mr. O'BRIEN. Thank you, Mr. Chairman.

INDEPENDENT PUBLIC AUDITORS

Mr. HIGHTOWER. On page 22, you indicate that $1 million of the request is for consultant and IPA services. How much of that amount is for consultants?

Mr. BLUBAUGH. Mr. Chairman, primarily those funds are for the independent public auditors themselves—just a few of the dollars are for consultants. But we would be glad to provide the exact breakdown for the record for you.

Mr. HIGHTOWER. If you would, please.

Mr. BLUBAUGH. Fine.

62-212 O - 80 - 6

[The following information was submitted:]

CONTRACTING SERVICES REQUESTED BY INSPECTOR GENERAL

The Committee requested a breakdown of the $1 million requested for consultant and independent public accountant (IPA) services. The $1 million is planned for distribution as follows: $600,000 for IPAs, $350,000 for ADP auditors, and $50,000 for consultants. There are about 30 different Departmental programs to be covered by contract, grant, and loan audit services. As indicated by the backlog of unaudited contracts, grants and loans, some of these Departmental programs are receiving only a limited number of cost audits. Approximately $600,000 will be used to contract with Independent Public Accountants to provide more extensive coverage of these programs and to help in reviewing some of the contractor and grantee financial systems in a timely manner in order to alleviate the recurring problems and millions in questioned costs resulting from inadequate accounting systems. These systems problems are serious in terms of the adverse effect and publicity on the applicable programs, the costly use of program and IG officials time in resolving the problems and the loss of funds that cannot be recovered. IPAs will be used also to review the Department's Working Capital Funds, nonappropriated funds and business loan programs involving borrowers and banking institutions.

The work of the auditor has expanded significantly with the evolution of the computer. To maintain professionalism in the performance of audit work, the following GAO standards for auditing computer-based systems now apply:

(1) The auditor shall actively participate in reviewing the design and development of new data processing systems or applications, and significant modification thereto, as a normal part of the audit function.

(2) The auditor shall review general controls in data processing systems to determine that (a) controls have been designed accordingly to management direction and legal requirements, and (b) such controls are operating effectively to provide reliability of, and security over, the data being processed.

(3) The auditor shall review application controls of installed data processing applications to assess their reliability in processing data in a timely, accurate, and complete manner.

As a result, a significant increase in the audit coverage will be required for the 100 existing sensitive ADP systems and the 15 new major systems under development. Approximately $350,000 will be utilized to contract with management firms with ADP expertise to aid in evaluating these Departmental ADP systems. In addition, it is anticipated that consultants will be utilized in certain instances to aid in reviewing the business, economic and scientific areas of the Department. For example, engineering consultant assistance will be needed in carrying out some of our internal audits.

Mr. HIGHTOWER. If you need additional auditing personnel, why are you proposing to use some of these funds for consultants?

Ms. PORTER. There really are very few consultants—mainly, it is independent public auditors who will be doing the bulk of the work.

Mr. BLUBAUGH. In a nationwide program also, Mr. Chairman, it is not advantageous to have auditors in every single city of the U.S. And so it is to our benefit, particularly when you are trying to monitor EDA-type grants that go out to many rural locations, to contract out local accountants instead of actually providing an office there. It is actually more beneficial cost-wise for the Government.

Ms. BASS. May I add something to that?

Mr. HIGHTOWER. Yes, please.

Ms. BASS. Although I certainly agree with the recent GAO report that consultants should not be overused, under the IG Act we do have a mandate to do something that auditors and investors have not done very much of and that is look into cases of mismanagement. Some of our areas are technical areas, and when an allegation comes in or a question from a special counsel, for example, where we have to do an analysis of management in a technical

area, we would like to feel free to be able to get a consultant in that area. That is the reason that we are asking it wouldn't be somebody who would have to come on board as an employee.

PRIORITY RANKING OF INSPECTOR GENERAL INCREASE

Mr. HIGHTOWER. How would you rank the various aspects of your request in order of priority and for what reasons?

Ms. BASS. You mean the IG request?

Mr. HIGHTOWER. Yes, please.

Ms. BASS. Most of the investigators are the first order of priority, and a large component of the auditors would then be next. Is that specific enough for your——

Mr. HIGHTOWER. Do you understand what I was saying a while ago? If we have to trim back, we don't have to cut out a necessary function. So, if we had some understanding of priority, it would be helpful to us.

Ms. BASS. Some of the increase that we have asked for relate to the new programs for the Economic Development Administration. To the extent that that legislation may not be as certain as some of the other duties, that would be a lower priority.

Mr. HIGHTOWER. If you could identify that in more detail for the record, we would certainly appreciate it.

[The following information was submitted:]

1. The top priority relates to outside services of independent public accountants and consultants which are necessary in addition to the 90 positions prioritized in Items 2 through 6. Approximately $600,000 of this funding will be used to contract with independent public accountants to help alleviate the backlog of unaudited contracts, grants and loans and alleviate costly recurring problems. An additional $400,000 will be used to contract with consultants to provide expertise for the increased audit coverage required for the Departments ADP Systems. It is also anticipated that the consultants will be used in certain instances to aid in reviewing the business, economic, and scientific areas of the Department.

2. 25 positions for the investigative staff and $806,000 are necessary to conduct criminal investigations in order to keep from falling further behind in our backlog of over 300 cases on hand, to carry out new responsibilities relative to the name check program, and to implement the regionalization of our investigations staff in order to reduce travel costs and time required to complete cases.

3. 25 positions for the audit staff and $947,000 will be used to reduce our audit cycle and to carry out some of the management-type audit assignments highly susceptible to inefficiency, ineffectiveness, fraud, waste and abuse.

4. 15 positions for the investigative staff and $492,000 to enable us to reduce the current backlog of cases on hand, seek out fraud instead of remaining in a reactive posture, and perform investigations in a more timely manner.

5. 15 positions for the audit staff and $448,000. Even with the uncertainty with the EDA legislation, a minimum staff is needed to interact with EDA on design of administrative systems and controls which are required to minimize the risk of fraud, waste and mismanagement in the new multi-billion dollar Development Financing Program.

6. 10 positions for the audit staff and $500,000. The status of new authorizing legislation for EDA (NPWEDA) is uncertain, and, as such, this program may not be needed to the full extent requested. However, depending on the program level authorized by Congress, additional audit resources may be needed to carry out the Inspector General's responsibilities for promoting economy and efficiency and assisting program management in preventing fraud, waste and mismanagement as the Economic Development Administration program becomes fully operational.

CENTRAL GRANTS ADMINISTRATION

Mr. HIGHTOWER. On page 24, you show a requested increase of four additional positions and $175,000 for a grants administration

unit in the Office of the Controller. What would be the purpose of this unit?

Ms. PORTER. This unit would develop the policy and manage the grants process within the Department of Commerce. There has been, up until now, no central grants management authority in the Department of Commerce. The grantmaking organizations were relatively few—EDA, NOAA, the Maritime Administration.

With the passage of the Federal Grants and Cooperative Agreement Act and the transfer of a large amount of former contracting activity into the grants and cooperative agreements area, it became evident to us that the Department needed to manage that activity centrally.

We put together a task force last year, Mr. Chairman, which investigated very thoroughly all of the policies in the Department and recommended the establishment of a very small grants management activity. This, by the way, is one of the highest recommendations of the Inspector General in terms of better management of grants in the Department.

Mr. HIGHTOWER. Ms. Porter, you have an Office of Policy Development of 81 people. Could they not handle this responsibility?

Ms. PORTER. No, sir, that department does not deal with financial management or administrative policy.

Mr. HIGHTOWER. Well, what about the Office of Administrative Services?

Ms. PORTER. The Office of Administrative Services is the housekeeper of the Department of Commerce—it manages the space, the motorpool and so forth.

Mr. HIGHTOWER. Well, let me try again. What about the Office of Budget and Program Evaluation?

Ms. PORTER. That office, sir, is already understaffed and, as you will see, we are asking for additional positions in that office for 1981.

We have already reprogrammed some positions into that activity; what we are doing here is asking for an additional four positions. The Congress has not given us any positions for this function. We have gone ahead and reprogrammed within our internal resources to get the activity going so that we now have some people working in this activity. We are absent four positions to make it a really viable organization.

Mr. HIGHTOWER. Could you for the record give us a list of the grants that would be included in this type of administration unit and the amount in the budget for these grants?

Ms. PORTER. Yes we will.

[The information follows:]

Department of Commerce fiscal year 1979 grant awards

Operating unit:	
National Telecommunications and Information Administration	$18,000,000
Minority Business Development Agency	36,683,000
National Bureau of Standards	1,954,198
National Oceanic and Atmospheric Administration	102,434,926
Economic Development Administration	412,125,000
Maritime Administration	600,000
Office of the Secretary	460,000
Total	572,257,124

Mr. HIGHTOWER. In the event that the grants themselves are not fully funded, would it be proper to assume that we could decrease four positions in a pro rata proportion?

Ms. PORTER. No, sir, I think that that is not a quid pro quo there. It is not intended that this office actually issue a lot of grants. It would handle the grants that are issued by the Office of the Secretary. But it would really oversee the grant-making activity of, say, EDA, NOAA, the Maritime Administration and now the Minority Business Development Administration, which has grant-making authority under the new Federal Grants and Cooperative Agreements Act.

Mr. HIGHTOWER. If you would like to expand that justification for the record, we would appreciate it very much.

[The following information was submitted:]

GRANTS ADMINISTRATION DIVISION

The Grants Administration Division, Office of the Controller, will be responsible for implementing Departmental grant/cooperative agreement policy; establishing procedures and policies to implement Federal grant requirements; providing guidance to operating unit program managers; and monitoring operating unit financial assistance programs to ensure Departmental compliance with Federal grant rules and regulations. To this end, the Grants Administration Division shall perform reviews of operating unit grants administrative systems, develop a Departmental grants manual, and review all forms and financial assistance documents used by operating unit programs for compliance with applicable requirements. Additionally, the Division shall assure that a grants training program is designed and implemented in the Department and shall be the Departmental focal point for liaison and coordination on financial assistance matters with OMB, the Congress, GAO, the public, and other agencies outside the Department. The coordinative functions of the Grants Administration Division shall serve to implement many of the recommendations of OMB's "A Report to the Congress of the United States Pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (P.L. 95-224)" in which OMB has requested clear statutory authority to: ". . . Direct the executive departments and agencies to establish clear points of responsibility for coordinated implementation of assistance policy. While some departments have taken such steps, many have not, and government-wide progress toward improving assistance management is not possible without a network of officials who can speak for their departments or agencies and coordinate internal policy activities and implementing actions."[1]

Although the Division is responsible for the administration of grants and cooperative agreements awarded by the Office of the Secretary, this Departmental unit will not be involved in, or responsible for the individual grants awarded by operating units with regard to dollar amounts of awards, selection of recipients, or review of specific applications.

Above are a listing of dollar amounts of grant awards made by Departmental operating units in fiscal year 1979. Although the Grants Administration Division will be developing broad policy for monitoring the administration of these operating unit programs to ensure compliance by their programs with Federal policies and regulations, the functions of the Division are in no way related to the specific awards made, the dollar amounts, or the recipients of these operating unit grants.

Grant policies and procedures developed and proposed by the Grants Administration Division include: (1) a minority business enterprise utilization policy for grants and procurements under grants, (2) a policy for joint funding activities within the Department, (3) a policy for grants awarded to Insular Areas, (4) procedures for implementation of Public Law 95-224, (5) procedures for disputes and appeals on grant matters, (6) procedures for fulfilling the Department's obligation to the public with respect to advertising the availability of grant funds and competition in the award of grants.

---

[1] In OBM's report on Public Law 95-224, the need was cited to establish a regularized process by which the President can propose program consolidations and proceed with them unless Congress objects. OMB cites, "In addition there must be processes for projecting the impacts of proposed policy changes, obtaining the necessary coordination of policy implementations, and detecting when improvements in policy or implementing practices need to be made . . ."

Mr. HIGHTOWER. Why shouldn't the program managers in each of the offices of the Department have the responsibility for proper administration of their respective grants programs?

Ms. PORTER. They do have responsibility within each of the offices. Where we feel that we need Departmental leadership is in the setting of standard policy so that you do not have EDA and NOAA and MBDA dealing with the same kinds of grants to states, local communities, so forth, with separate rules and regulations—so that we have standard policies and procedures—so that we are assured that each of the units is operating according to OMB guidelines, and so forth.

This has been particularly, sir, in reaction to the changes that have been created by the Grants and Cooperative Agreements Act. The Act moved a great deal of former activity, which was under contract and which we handled centrally in the Department, out to the operating agency. We feel that—and the Inspector General concurs—there must be Departmental oversight over this large financial money process.

INTEGRATED PLANNING AND MANAGEMENT

Mr. HIGHTOWER. On page 26, you are requesting five additional positions and $450,000 for planning and management improvements in the Office of Budget and Program Evaluation. How many positions are presently allocated to this function?

Ms. PORTER. There are 34 positions in the base, sir.

Mr. HIGHTOWER. Your justifications indicate that during fiscal year 1980, the Office will try to identify where improvements are required for integrated planning and management. Once that effort is complete, why can't you allocate the resources involved in this function to implement any necessary changes instead of asking for additional resources for such work?

Ms. PORTER. The work that we envision here, that is now being undertaken on a limited scale with our limited resources, is an ongoing activity, Mr. Chairman, that we hope will not end. It involves the Budget and Program Evaluation Office working with the individual program managers in laying out their operational plans, identifying their outputs, increasing the effectiveness of their operational planning and work planning so that the kinds of budgets that are presented to you can be much more easily evaluated and are better designed and implemented.

Mr. HIGHTOWER. What is the lapse rate for these positions?

Mr. BLUBAUGH. About 16 percent, Mr. Chairman.

CIVIL SERVICE REFORM

Mr. HIGHTOWER. On page 28, you show a request for 10 additional positions and $600,000 for reform of the Office of Personnel. How many of the 23 positions currently in the Personnel Office are being allocated to implement the Civil Service Reform Act?

Ms. PORTER. I don't have that figure, Mr. Chairman. I will be happy to provide it for the record. You are asking how many of the 23 people in the Office of Personnel now work on Civil Service Reform-related activities.

[The following information was submitted:]

NUMBER OF EMPLOYEES WORKING ON CIVIL SERVICE REFORM
All Funds -- General Administration

General Administration & Reimbursable	Full-Time Basis		Part-Time Basis	
	Prof.	Clerical	Prof.	Clerical
Director of Personnel			.10	
Policy Staff			1.90	.50
Deputy Dir. for Pers. Admin.			.15	
Deputy Dir. for Pers. Develop.	1	1		
Performance Appraisal	5	2		
Class. & Pos. Management			.50	
Staffing & Employee Rel. (Huber, Forrest Humphries, Parkington)			.45	.20
Executive Resources	6	1		
Employee Development (Stearns, deLauder)			.50	
Working Capital Fund				
ADP for Personnel Management			.30	.25
Operations			5.50	2.50
Staffing and Employee Relations (Shields, Eddy, House, Prescop)			.90	.20
Employee Development (Schindler, Gaidis, Michael)	___	___	___	.20
Total	12	4	10.3	3.85

Total Staff years developed to Civil Service Reform.

Full Time - 12 staff years (Professional)
4 staff years (Clerical)

Part-time - 10.3 staff years (Professional)
3.9 staff years (Clerical)

Mr. HIGHTOWER. It is my understanding that the Office of Personnel is already performing much of the work necessary for implementation of the Civil Service Reform Act? What has been accomplished to date in this respect?

Ms. PORTER. Well, the first order of business was to design the Senior Executive Service and its evaluation system. It was a mammoth undertaking. That has been done, although we are still in the process of developing implementing policy for our Senior Executive Service.

We have also designed a Departmental system for implementing the next large piece of the Reform Act, which is the merit pay group, that will provide a new pay system and an evaluation system for all supervisors who are GS-13, GS-14, and GS-15. That has been designed. Our Department was the first Department to have its design approved by the Office of Personnel Management—and we are now in the field training people for that implementation. That is a mammoth undertaking.

What we have not yet done is to develop uniform policies for the other decentralization activities that we have yet to receive—that is, we are supposed to receive—under the Civil Service Reform Act. This includes doing our own selection, our own recruitment; much of the work that was formerly done by the old Civil Service Commission and the Office of Personnel Management in terms of recruitment and selection will have to be done by the Department.

We have not really begun at all in that mammoth undertaking.

Mr. HIGHTOWER. Won't the people who did this work be available in fiscal year 1981 to meet further requirements of the Civil Service Reform Act?

Ms. PORTER. No, sir, not only will they be engaged in the maintenance activity for these new personnel systems but they would not have the skills that are necessary for the other functions, which the Department must now—under Civil Service Reform—undertake.

Mr. HIGHTOWER. What is the lapse rate for these positions?

Mr. BLUBAUGH. Ten percent.

Mr. O'BRIEN. What do you mean by the lapse rate?

Ms. PORTER. That is, on an annual basis, the attrition or length of time that would lapse before people might be brought on board. In general—Department-wide—you might be interested to know that our experience with all positions reflects about a 5 percent lapse rate. This is very small. But depending upon certain programs and the labor market, the rate might be 5 percent, 10 percent or 25 percent, depending upon the availability of people and the speed of our personnel processing.

SMALL AND DISADVANTAGE BUSINESS UTILIZATION

Mr. HIGHTOWER. On page 41, you list a request for four additional positions and $150,000 for a new Office of Small and Disadvantaged Business Utilization. You indicate that this Office was established in response to Public Law 95-507. What were the applicable provisions of that legislation?

Ms. PORTER. Well, Public Law 95-507 mandated the establishment, in each agency, of an office for small and disadvantaged

business utilization to be, in effect, an advocate within the agency for procurement allocations—contracts, and so forth—to small businesses. Its job is to encourage contract awards to qualified minority firms and small and disadvantaged business as well as to improve our allocation of contracts to labor surplus areas and to be the advocate within the Department for assistance to small and disadvantaged businesses.

Mr. HIGHTOWER. Why wouldn't this function be handled by the Minority Business Development Agency within the Department?

Ms. PORTER. Because, by law, the organization must report directly to the Secretary or the Deputy Secretary. It is mandated within the statute.

SENIOR EXECUTIVE SERVICE FUNDING

Mr. HIGHTOWER. On page 34 of the justifications, you indicate a request for an additional $3,700,000 for SES performance awards and executive development. How much is for SES bonuses and how much is for executive development?

Ms. PORTER. The executive development component would be $1,500,000 and the bonuses would be $2,200,000.

Mr. HIGHTOWER. What is the basis for this request?

Ms. PORTER. As you know, Mr. Chairman, this is our first experience with the provision of bonuses under the Civil Service Reform Act. OMB's guidance to us was to assume bonuses—a bonus pool—equal to 6 to 10 percent of the salaries eligible SES members. In computing this figure, we took the middle range—8 percent. We calculated that the average pay for the SES members would be $50,370. We have 537 SES members, and we simply multiplied a total of $27,049,000. We then took 8 percent of that, which comes to $2,164,000, rounded off to 2.2 million.

Mr. HIGHTOWER. Well, this does cover all SES employees within the Department?

Ms. PORTER. Yes, it does.

EXECUTIVE DEVELOPMENT

Mr. HIGHTOWER. How do you plan to use the funds for executive development?

Ms. PORTER. Well, the executive development program in the Department of Commerce has been, sir, nonexistent. We have responsibilities under both the Civil Service Reform Act for training the SES members and more than that for developing a pool of highly trained, lower-graded people—13s, 14s and 15s—supervisors of high potential—to move into the SES ranks.

We have never done that in the Department of Commerce. There are other agencies, with highly sophisticated executive development programs—one model is the Internal Revenue Service. We would use this $1,500,000 to begin a program which would, number one, provide for the assessment of people who apply for inclusion in the executive development pool. We would have some executive development seminars, and we would develop some courses that would relate specifically to the Department of Commerce for these executives both at the entry level and among the SESers.

Mr. HIGHTOWER. Mr. O'Brien?

Mr. O'BRIEN. Ms. Porter, why do you have to have a special executive development training program unless you are looking toward women and minorities—isn't that a matter of effort, experience, and native skill? The executive is going to come to the fore anyway. He is going to make his points. You don't have to search him out.

Ms. PORTER. Well, Mr. O'Brien, that has been the ad hoc—you know, cream rising to the top theory—that has governed executive development—small e, small d—in the Federal Government. The Civil Service Reform Act said that this was not enough—that Government ought to be training its executives. One of the problems that the Civil Service Reform Act is trying to address is the weakness of management within the Civil Service. People go up the ladder as technicians in various programs and get promoted into supervisory jobs who do not know how to lay out a budget, develop work planning, identify outputs, run an organization—none of these skills. They are usually promoted because they have established themselves as very good scientists, technicians and so forth. And we are trying to repair that damage.

Every large corporation, sir, has a program of development of its people. One of our difficulties in the Federal service is that we have paid far too little attention to teaching the managers and giving them the management skills they need to run their programs.

REORGANIZATION OF U.S. TRAVEL SERVICE

Mr. O'BRIEN. Last week when the International Trade Administration was here, I was not present, and perhaps my question should really go to someone else. In connection with last year's effort to eliminate the U.S. Travel Service, can you tell me what the policy is within the Department with regard to tourism? I guess I am referring to page one of your statement.

Ms. PORTER. We are submitting legislation to the Congress to move the United States Travel Service into the International Trade Administration. We think tourism is very important as a foreign currency earner, and that the Federal Government should play an important role as a broker abroad for tour operators, to get foreign tourists to the United States, to maintain and to collect data about tourism and to do market research on tourism and to coordinate policies within the Federal Government that affect the industry. This is, as you know, a very disaggregated industry.

So our proposal would simply move the United States Travel Service from its isolated position as a separate agency into the framework of the International Trade Administration, where it would be an integrated part of our export and our foreign currency earning activity. The services of the commercial officers in the new foreign commercial service would also be brought to bear on the promotion of tourism in the United States along with the present USTS regional offices abroad.

Mr. O'BRIEN. Are you separate from the private enterprise aspect of tourism? Is attracting people from abroad to come into the United States the main purpose of this agency?

Ms. PORTER.Well, it is really serving as a broker for airlines, hotels, tour companies, as well as regions and states so that they can organize tours abroad and bring tourists into the country. The USTS has demonstrated that it can be very effective in stimulating the flow of tourists into the United States, but they do this in cooperation with state tourists agencies as well as with the major organizations—hotels, airlines, buses, and so forth.

Mr. O'BRIEN. Is it difficult to measure the degree of success you have?

Ms. PORTER. I am persuaded that it is not difficult. I think that the USTS has done an outstanding job. Some people say that it tends to be difficult to measure the impact of a broker; for example, familiarization tours—which the USTS organizes—of tour operators in foreign countries to visit various tourist sites—the USTS has measured the direct impact that one familiarization tour has had on the next year's flow of tourism to these particular sites. We would be happy to give you more information on that, if you would like, Mr. O'Brien.

Mr. O'BRIEN. Well, if you have something, you might supply it for the record.

[The following information was submitted:]

IMPACT OF USTS FAMILIARIZATION TOURS

Several years ago, a group of Mexican agents and operators took a look at the potential of Rocky Mountain ski areas on a USTS product inspection tour. The favorable media coverage which resulted, stimulated active consumer interest in the area. USTS then assisted a number of Mexican tour operators to develop ski packages. As a result, 500 Mexicans came to ski the Rockies the first year. From this, publicity and trade promotion generated additional consumer and trade interest, and the number of tour operators and tour offerings increased dramatically over the next three years. In the 1977-78 season, 20,000 Mexicans skied the Rockies. They spent an average of $600-plus, per person—and they contributed more than $12 million to U.S. export earnings, and to the Rocky Mountains economy.

In addition, USTS actively works to persuade international associations to choose a meeting venue in the United States for their world congresses, and to promote international attendance at these meetings. Sales calls are made on international association executives, and sales information generated is disseminated to 70 U.S. cities to assist them in encouraging U.S. affiliate organizations to bid for, and organize, international congresses. During 1979, we booked 33 international congresses which will be held between 1981 and 1986.

These congresses will bring an estimated 36,000 international participants to this country and should result in earnings estimated at $18.5 million.

Also during 1979, another 33 international congresses, which we had promoted, were actually held in American cities. International attendance at these meetings was 23,000 and foreign exchange earnings are estimated at more than $10 million.

CURRENT LEGAL ISSUES

Mr. O'BRIEN. With respect to the top of your statement on page two—the six positions and the $250,000 for the Office of General Counsel to help contain the increasing workload brought about by the Privacy Act, the Freedom of Information Act and the Ethics Act. What kind of information is being sought and by whom—what is the process to respond—is that a severe workload?

Mr. MOYER. Mr. O'Brien, we covered a bit of that before you arrived, but the answer to your question is that much of it is advisory—a considerable amount of it is litigation in one form or another. We are trying to involve my office in the process in order to avoid some of the litigation problems.

I might add that this justification, which was prepared before I moved to this job, accurately reflects the anticipated needs correctly. I would, based on my three month's experience, really supplement it, however, because I think the first three months have seen a set of additional demands apart from these, particularly in the export control area—mainly some of the new trade responsibilities, for which no additional legal resources have been acquired—that have left my office very substantially overtaxed.

Mr. O'BRIEN. With respect to the item of litigation—are you talking about litigation outside the Department or information within the Department—is this requested by parties to——

Mr. MOYER. No, litigation typically in which the Department is a party—usually a defendant.

Mr. O'BRIEN. Does that seem, in your judgment, to be rising every year?

Mr. MOYER. Yes, it has been rising. I think this year, if I would project for this calendar year, I would say the incremental increase is likely to be more heavily advisory and programmatic than litigation. But we have had a trend over the last several years; there is no question that the litigation level has been going up and the number of key statutes have directly led to a high level of litigation.

Mr. O'BRIEN. Is the Freedom of Information Act the most serious contributor to your workload?

Mr. MOYER. It is a steady and substantial demand on our resources.

CRIMINAL INVESTIGATIONS

Mr. O'BRIEN. Perhaps I should address myself to Inspector General Bass, who was talking about that. I noticed in Mrs. Porter's statement the 90 positions and the $4,193,000 request for the IG, which breaks down into 25 positions, and $1,947,000 for internal audits; 25 positions for investigations into fraud, waste and mismanagement at a cost of $948,000; and 40 positions and $1,298,000 to conduct investigations in the Department. Why are those functions separated? What I don't understand is why do you need positions for criminal investigations? Can't you call in other branches of the government?

Ms. BASS. Well, the Inspector General Act of 1978 places the control and authority and gives the mandate to the Inspector General in each of 14 departments to conduct all the audits and investigations relevant to the Department. So we have a legislative mandate to conduct criminal investigations with respect to fraud, waste and abuse by Departmental employees or by loan-guarantee beneficiaries, grant recipients, et cetera.

We have asked for 50 auditors, broken down to 25 in each area, who would report to the Assistant Inspector General for Audits. We have asked for 40 investigators who would report along with the present small staff to the Assistant Inspector General for Investigations. We have that responsibility.

Mr. O'BRIEN. I guess that is all, Mr. Chairman.

Ms. PORTER. I would like to mention to Mr. O'Brien that before the Inspector General we had only have three investigators for the

Department as a whole plus 16 in EDA, which of course has the large grant program, a total of 19 inspectors for the entire Department of Commerce.

We had relied on other agencies to do some investigation, but the F.B.I. no longer takes certain kinds of cases. It is kind of pitiful when you think about three people being responsible for all investigations outside the EDA area.

WOMEN'S EMPLOYMENT

Mr. HIGHTOWER. Congresswoman Lindy Boggs, a member of the Appropriations Committee, has prepared a list of 12 questions in writing, which I would like to submit to you and have you answer for the record.

Thank you, Mrs. Porter for your testimony today.

Ms. PORTER. Thank you, Mr. Hightower.

[The questions and answers referred to follow:]

QUESTIONS REGARDING EMPLOYMENT OF WOMEN
WITHIN THE FEDERAL GOVERNMENT

1. *How many women have moved into higher grade target positions as a result of your agency's Upward Mobility Program?*

As a result of the Department of Commerce's Upward Mobility Program, 130 women moved into higher grade target positions in 1979.

2. *How many women have been selected to participate in your agency's Executive Development Program?*

The Deparment has not yet announced its Executive Development Program in support of the new Senior Executive Service (SES). As a consequence, no selections have been made. Departmental policy will require numerical affirmative action goals for women and minorities for each of its components.

3. *Do you have a Management Development Program? If so, how many women have been selected for it?*

Approximately 17% of the participants in the formal Management Development Programs of the Department during the last two years were women. (These programs are currently being modified to more effectively support the new Senior Executive Service.)

4. *Why do you show such a significant drop in representation of women above the GS 9 level?*

There has been a new gain of approximately 1% in the representation of women at GS 9 and above each year since 1976. In November 1979, women accounted for 16.1% of all employees at these levels compared to 13.2% in November 1976. The increasing trend of representation at GS 9 and above is illustrated by these annual percentages as of November 9: 1976 - 13.2%; 1977 - 14.2%; 1978 - 15.1%; 1979 - 16.1%.

5. *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?*

The main mission related occupations of the Department are: Meteorologist, Meterological Technician, Statistician, Mathematician, Mathematical Statistician, Computer Specialist, Computer Scientist, Patent Examiner (engineer), Physical Scientist, Engineer, Physicist, Economist, International Economist, International Trade Specialist.

The Department's Federal Equal Opportunity Recruiting Program lists the specific recruiting strategies to be used for attempting to reach women candidates, both minority and majority, for each occupation targeted. Since the percentage of the qualified female applicant population of these highly technical occupations is below the national workforce proportion of women, efforts are aimed at developing women's interest in entering studies leading to careers in these occupations. In addition, significant efforts are being made to recruit qualified and qualifiable female condidates from student bodies, colleges and universities, and professional organizations, as well as to develop them internally through special training and development efforts.

Promotion potential is excellent within all of these occupations for qualified individuals.

6. *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?*

Operating unit personnel offices throughout the Department utilize continuously open competitive career ladder programs which accept applications from professionally qualified but underutilized clerical employees, for consideration for entry level professional positions, as available. Entry level professional vacancies are also broadly announced to all employees, as they occur.

7. *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?*

The Office of Personnel Management's model competitive staffing system offers flexibility principally in the area of examining for mid-level administrative and non-scientific positions. The Department's professional recruiting needs lie mostly in the areas of science, engineering, and technology, where this OPM system will have little impact. It is not anticipated that the system will have a significant impact on our overall recruiting profile for women.

8. *Did you achieve your affirmative action goals for women last year?*

The Department did not establish specific affirmative action goals for women last year.

9. *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 & advancement in your agency?*

Under the leadership of former Secretary Kreps, new emphasis was placed on recruiting and placing female executives and managers. As a direct result, the Department of Commerce's representation of women in managerial and executive jobs increased 2.5% since 1978. (In 1978 there was 10 women GS-16-18, while in 1979 there were 26.)

10. *What are you doing to assure that your supervisors and managers recognize and are held accountable for their responsibilities to the FWP?*

Accountability among managers and supervisors for their responsibilities regarding the FWP has been addressed by:

- Making achievement of EEO goals a critical element in Department SES and merit pay personnel's performance appraisals. Since the FWP is an integral part of the EEO program, it is expected that this requirement will produce measurable progress.

- Briefing managers and supervisors on the status of women and of the FWP in their organizations. Since June of last year, managers and supervisors in nearly all Department of Commerce organizations have been briefed on the current profile of their female workforce. FWPMs in these organizations have analyzed the representation of women in principal mission professional and support occupations, and recommended actions to improve areas where progress has been slow or underrepresentation is severe. As a result of these briefings, affirmative action plans for this fiscal year contain many projected actions aimed at correcting deficiencies discovered.

- Developing a set of priority Department-wide actions to improve the status of women on which operating units can collaborate, and which will assist in achieving measurable progress within a specific time frame. This process was initiated in November 1978, and has achieved Department-wide concensus from a cross-section of managers and supervisors and FWPs staff.

- Assuring that operating unit managers and supervisors have well-informed FWP staff to assist them in fulfilling their FWP responsibilities. All FWP Managers have participated in an extensive Department-designed training program in EEO law and personnel management programs within the past year.

11. *What is the median grade level for women in your agency? For men? How does this compare with the government as a whole?*

The median grade level for women in the Department of Commerce as of November 30, 1979 is 5.8; for men, 12.3. The median grade level for women in the government as a whole as of November 30, 1978 (the latest data that is available from the Office of Personnel Management) is 4.7; for men, 10.5.

12. *How are you implementing the Office of Personnel Management's policy statement on sexual harassment?*

The Department issued its own clear, forceful policy statement on September 17, 1979. We are reflecting this policy in Departmental directives on merit principles, standards of conduct, and EEO. The policy has also been given wide publication to all employees, supervisors and managers.

MONDAY, MARCH 24, 1980.

MINORITY BUSINESS DEVELOPMENT AGENCY

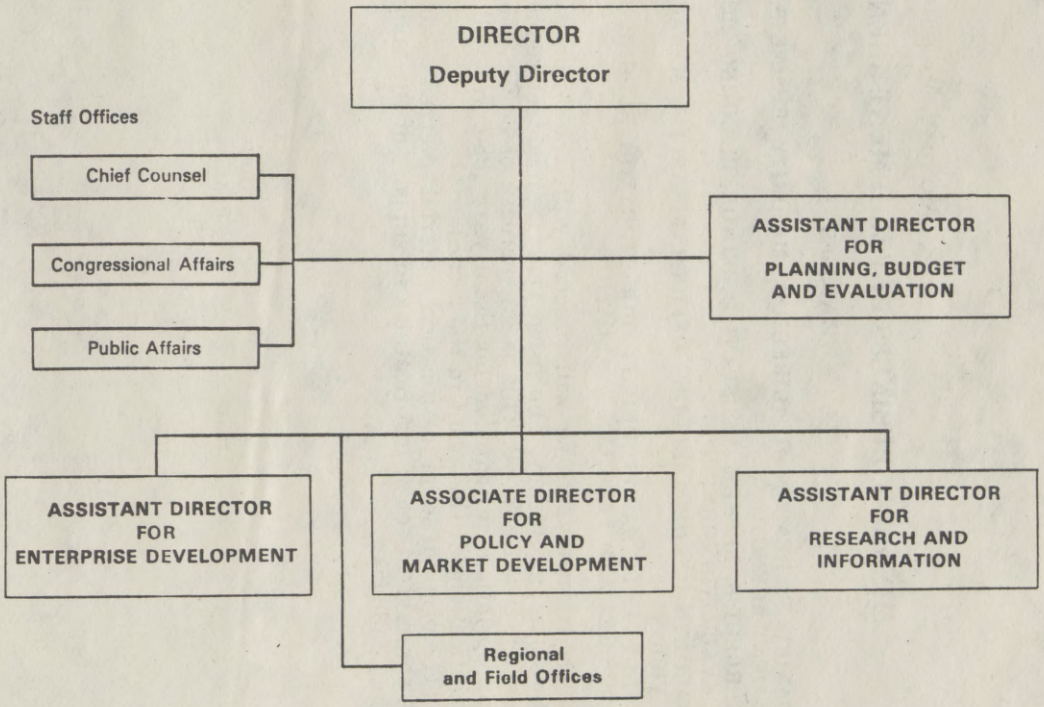
WITNESSES

DANIEL P. HENSON III, DIRECTOR, MINORITY BUSINESS DEVELOPMENT AGENCY
HERBERT S. BECKER, ASSISTANT DIRECTOR, PLANNING, BUDGET, AND EVALUATION DIVISION
HAROLYN B. CHISM, BUDGET OFFICER, FINANCIAL MANAGEMENT DIVISION
NANCY A. RICHARDS, DEPUTY DIRECTOR FOR BUDGET, OFFICE OF BUDGET AND PROGRAM EVALUATION

Mr. HIGHTOWER. We will proceed with the Minority Business Development Agency. The fiscal year 1981 budget request for this Agency is $62,857,000. This is an increase of $3,768,000 above the appropriations anticipated for fiscal year 1980. We will insert the justifications at this point in the record.

[The original set of justification material referred to above as well as the revised set of justifications in support of the budget amendment follow:]

Organizational Structure
Minority Business Development Agency



General Statement

In accordance with the provisions of Title 15, Section 1512, of the United States Code, and under Executive Orders 11458 and 11625, the Minority Business Development Agency (MBDA) is the focal point of the Federal minority business development effort. Current Executive Orders provide a mandate for MBDA to (1) coordinate Federal activities designed to assist minority business, (2) stimulate private sector efforts in support of minority enterprise, and (3) provide financial assistance to private and public organizations which provide management and technical assistance to minority businessmen. Approximately 38 million Americans (17% of the population) are of Black, Hispanic, Asian or Indian ancestry. Yet, based on the 1972 Minority-Owned Business Census, minority Americans owned only about 4% of America's firms; these businesses, in turn, accounted for less than 1% of the nation's gross business receipts.

When MBDA's predecessor, the Office of Minority Business Enterprise (OMBE) was established in 1969, the idea of helping minority business owners to become successful entrepreneurs was not new, but the efforts which preceded OMBE lacked magnitude. MBDA is charged, by Executive Order, to provide minority entrepreneurs with access to resources and opportunities. Although the agency cannot realistically assure the success of any business firm in a free-enterprise system, it can provide the elements which, if properly used by entrepreneurs, will enable them to compete effectively in the American business system. Thereafter, success or failure of a business is up to the individual entrepreneur.

The following is a comparison of the 1980 appropriation and the 1981 estimate and related data on employment:

(Dollar amounts in thousands)

	1980 Appropriation		1981 Estimate		Inc. + or Dec. -		Perm. Emp.
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	12/31
Minority Business Development	329	$58,689	341	$62,857	+12	+$4,168	242

There are obviously many purposes to be served by the government's effort in the field of minority business enterprise development. The overriding mission of MBDA is to develop a core of minority businesses and business leaders that can have a significant impact on society. This group would provide direction and guidance not only to the minority business community, but to the larger economic community as well. Specifically, this group would be expected to:

1. Manage and develop larger businesses;

2. Employ large numbers of minority workers in both urban and rural areas;

3. Assume policy-making roles in Government and on the boards of Fortune 500 firms; and

4. Provide role models for subsequent generations of minority youth.

MBDA's mission is to increase the number of successful minority medium/large businesses capable of the same success as the majority business community in competing for talent, capital, and sales on an equal basis; and the Chief Executive Officers of these firms are accepted as peers by Fortune 500 company leaders and by government leaders around the world.

For FY 1981, MBDA is submitting a legislative proposal for congressional consideration along with the appropriation request. The scope of this proposed legislation will be consistent with Executive Order 11625, without impinging on existing statutes. The purpose of this legislation will be to strengthen the basis of MBDA's program. The legislation will create explicit statutory authority upon which the Secretary of Commerce can rely to support minority business development. A legislative initiative reflects this Administration's determination to improve the overall condition of minorities engaged in business enterprises. This enterprise development assistance, as envisioned in our proposed legislation, has two major dimensions. The first is to implement a new management development program for medium-sized minority business enterprises. It would enhance minority managers' ability to do sound strategic planning (financial, marketing, and operational) and assist them in making critical corporate decisions. The assistance will be provided intensively by qualified management consultants over a one-to-two year period.

The second dimension will change the principal focus of existing Commerce minority business enterprise technical assistance from startup situations to existing businesses with paid employees (85,000 firms in FY 1977). In FY 1978, such firms represented less than one third of OMBE's clientele.

In FY 1980, this organization will complete a major transition: from the Office of Minority Business Enterprise (OMBE) with its emphasis on providing limited technical assistance to large numbers of small or new minority firms to the Minority Business Development Agency (MBDA) with an emphasis on providing intensive management development assistance to a select number of medium and larger minority businesses. There are several factors which call for substantial program shifts in 1980 to set the stage for a more effective functional and organizational delivery system in 1981. These program shifts include targeting more appropriated funds to sectoral development, specialized consultant services and private sector programs. This will result in more emphasis being placed on medium and larger sized minority business and competing their goods and services in private sector markets

Until 1979, OMBE's basic attitude was that all minority business--existing or potential--which sought M&TA should receive it. This generally led to a "lowest common denominator" approach with our service organizations providing short-term, limited assistance to large numbers of businesses regardless of their size, viability or likelihood of profiting from such assistance. Thus, while the agency could point to impressive statistics on the number of businesses assisted and the number of staff hours of M&TA provided, it could not point to significant corresponding measures of growth in the minority share of the nation's total gross business receipts.

Intensive evaluation of problems encountered by minority enterprises and of the traditional OMBE approach to providing assistance has resulted in a redirection of program activities and a total restructuring of the agency. Changes were based on the following judgements:

- Management capacity is the singlemost important variable in business success. According to Dun and Bradstreet's analysis of business failures, poor management is directly responsible for more than 50% of all bankruptcies.

- A program of sustained management development will be aimed at key individuals in medium-sized firms.

- Program concentration will be on MBE's with a successful track record—characterized by: experienced management with a minimum of three years in business; an annual level of sales in excess of $500,000; a substantial private versus government market position; and location in a stable or growing industrial sector.

- Medium-sized firms receiving MBDA development assistance will share part of the cost. This will be fiscally prudent and a solid measure of the program's utility to its clientele.

- MBDA will upgrade its traditional management and technical assistance (M&TA) program by focusing its efforts on MBE firms with paid employees. Such firms constitute only 20% of the estimated 400,000 minority businesses in the country but account for 75% of MBE gross business receipts.

- Government-private sector initiatives with MBDA leadership should have the following impact on minority economic development:

  1. MBE sales to public/private sectors of at least $3.3 billion in FY 1982 -- with a 10% increase annually thereafter

  2. 3% share not in just any industry sectors but growth markets

     - Energy
     - Telecommunications
     - Construction
     - Manufacturing
     - Trucking

To implement the programs described above, the newly reorganized MBDA program is divided into four major activities: Enterprise Development, Policy and Market Development, Research and Information and Program Management.

The Enterprise Development activity provides existing client firms with direct long-term management and technical assistance services including business information, counseling and financial packaging assistance. A management consulting program to provide advice to medium-sized businesses on management, technical and organizational needs will be implemented and specific rograms will be developed to increase minority participation in selected growth industries and markets. Also, programs will be developed to involve qualified minority firms in technology-based business opportunities. The delivery system in Enterprise Development includes business development corporations, management consultant firms and technology commercialization centers.

The Policy and Market Development activity provides for efforts to increase public and private sector purchases from minorities and to assist minority firms in taking advantage of expanded market opportunities. Programs include analysis of

other Federal government policies affecting minority business development and advocacy/ombudsman efforts in behalf of minority business interests; expanding business information and services through trade associations; and promoting the mobilization of state and local government resources. A function of this activity will be to propose legislative, administrative and regulatory reforms on a continuing basis. This activity will help promote expansion of the availability of funding from traditional sources for minority businesses. Management assistance will be provided to strengthen minority financial institutions and experimental programs will test new methods to finance minority firms. The Policy and Market Development delivery system comprises the National and Regional Minority Purchasing Councils, Business and Trade Associations, State and local offices of Minority Business Development and a series of cooperative agreements, with private, federal, state and local organizations.

In its Research and Information activity, MBDA collects and maintains general purpose data bases on the characteristics of MBDA clients and the general minority business universe and develops special purpose data bases to support priority programs. Information is analyzed and presented in useful form for MBDA personnel and others outside of the agency. A research program is conducted to increase awareness of trends, characteristics and problems of minority business. An information clearinghouse activity will be enhanced in 1981 to disseminate general information on minority business and vendor lists for public and private procurement opportunities.

The Program Management activity provides for planning, directing and monitoring the use of resources to accomplish overall MBDA program goals and objectives. It provides administrative support for all daily operating requirements, the administration of the cooperative agreements and grants programs and coordination with other Federal agencies involved in minority business development programs or activities.

Activity/Subactivity Change Crosswalk
(Dollar amounts in thousands)

Format of Fiscal 1980 Congressional Budget Submission Appropriation/Activity/Subactivity	Amount (1981 Request)	Format of Fiscal 1981 Congressional Budget Submission Appropriation/Activity/Subactivity	Amount (1981 Request)
Client services:	$35,591	Enterprise development:	$36,691
(1) General business services	27,157	(1) General business services	26,800
(2) Specialized business services	3,934	(2) Specialized consultant services	8,000
(3) Consultant services	4,500	(3) Sectoral development	1,891
Business development:	9,404	Policy and market development:	9,814
(1) Market development	2,100	(1) Private sector programs	5,305
(2) Capital development	1,200	(2) Federal programs	800
(3) Business and trade associations	1,775	(3) State and local government programs	2,429
(4) Public sector support activities	2,429	(4) Capital development	1,200
(5) Technology commercialization	1,100	(5) Management development	80
(6) Federal agency program support	800		
Research and development:	2,485	Research and information:	975
(1) Program research	755	(1) Research	775
(2) Demonstration projects	1,730	(2) Information clearinghouse	200
Program development and management:		Program management:	
(1) Program development and technical support:	10,279	(1) Program development and management:	12,425
(a) Planning and evaluation	1,441	(a) Enterprise development	903
(b) Program resources	1,599	(b) Policy and market development	1,434
(c) Regional program coordination	7,239	(c) Research and information	883
		(d) Field coordination	9,205
(2) Executive direction and support services:	5,098	(2) Executive direction and support:	2,952
(a) Office of the director	671	(a) Office of the director	441
(b) Congressional affairs	154	(b) Congressional affairs	152
(c) Administration	992	(c) Public Affairs	152
(d) Chief counsel	308	(d) Planning, budgeting and evaluation	1,941
(e) Information Center	423	(e) Chief counsel	266
(f) Federal agency program support	2,550		
Total	$62,857	Total	$62,857

MBDA-5

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Minority business development

Page No.	Summary of adjustments to base and built-in changes	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			329	$58,689
	Transfers			12	326
MBDA-8	Adjustments to base and built-in changes:				
	Adjustment for 1980 pay raise and related cost	...	667		
	Other increases	...	127		
	Other decreases	...	- 32		
	Subtotal, Adjustments to base and built-in changes	...	762	...	762
	1981 Base			341	59,777

		1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. + Dec. - Over 1981 Base	
		Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
MBDA-10	Enterprise development	...	$33,091	...	$33,691	...	$33,691	...	$36,691	...	+3,000
			(41,546)		(37,848)		(37,191)		(40,191)		
MBDA-17	Policy and market development	...	11,009	...	9,814	...	9,814	...	9,814	...	...
			(8,848)		(9,814)		(9,814)		(9,814)		
MBDA-24	Research and information	...	850	...	895	...	895	...	975	...	+80
			(324)		(895)		(895)		(975)		
MBDA-28	Program management	324	13,015	341	14,615	341	15,377	341	15,377	...	...
			(12,090)		(14,615)		(15,377)		(15,377)		
	Total requirements	324	57,965	341	59,015	341	59,777	341	62,857	...	+3,080
			(62,808)		(63,172)		(63,277)		(66,357)		

Transfers - Fiscal Year 1980

	Perm. Pos.	Amount
Transfer from "Salaries and Expenses," General Administration to establish in-house capability for processing contracts, grants and cooperative agreements	+12	+$326

Justification of Adjustment to Base and Built-in Changes
(Dollar amounts in thousands)

	Perm. Pos.	Amount
Adjustments for FY 1980 pay increase and related costs		
Total cost in FY 1980 of pay increase	...	+ 681
Less amount absorbed	...	- 281
Anticipated FY 1980 pay increase supplemental	...	+ 400
Additional amount in FY 1981 to provide full-year cost of pay increase	...	+ 267
Subtotal, adjustment for FY 1980 pay increase	...	+ 667

An additional $267,000 is required in FY 1981 to cover the full-year cost of the October increase.

	Perm. Pos.	Amount
Other increases		
Cost of within-grade step increases	...	+ 51
Increased cost of domestic air fares	...	+ 38
Increased FTS costs	...	+ 25
Increased Printing Costs	...	+ 13
Subtotal, other increases	...	+ 127

An increase of $51,480 is requested to cover the cost of within-grade step increases. The computation is as follows:

Estimated number of within-grade step increases scheduled	118	
Step increases not earned due to turnover	12	
Average step above step 1 per separation	3	
Average cost per within-grade step increase	$584	
Gross cost of schedule step increases (118 x 584)		$ 68,912
Less savings due to separations (12 x 3 x 584)		-21,024
Subtotal, personnel compensation		47,888
Personnel benefits at 7.5%		+ 3,592
Total cost		$ 51,480

The Civil Aeronautics Board (CAB) has approved several air fare increases since July 1, 1978. On November 15, 1978. domestic air ares were increased by 3.2% for an adjustment of $12,000 (on a base of $386,000). On May 15, 1979, air fare increased another 4.0% for an adjustment of $16,000 (on a base of $398,000). Finally, another increase of 2.3% was effected by the CAB in July 1, 1979, requiring an adjustment of $10,000 (on a base of $414,000). Total adjustment requested is $38,000.

The increase of $25,000 in Federal Telecommunications System charges is based on a distribution of rate and usage changes as determined by the General Services Administration. The current base is $141,000.

The cost of printing (both paper and labor) continues to increase. The increase is intended to offset a portion of the increases which have occurred in the past year and represents 8% of the amount in the 1980 base column of the 1980 Congressional Budget. The current base is $158,000 resulting in an increase of $13,000.

Other decreases

One less compensable day in FY 1981..... ... -$ 32

The cost of the one less compensable day in 1981 compared to 1980 was calculated by dividing the 1980 estimate for personnel compensation and benefits, $8,496,000, by 262 compensable days resulting in a decrease of $32,427.

Justification of Program and Performance
(Dollar amounts in thousands)

Activity: Enterprise Development

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
General Business Services	...	$27,157	...	$27,157	...	$26,800	...	$26,800	...	$ ...
		(32,852)		(31,314)		(30,300)		(30,300)		(...)
Specialized Business Services	...	5,434	...	5,434	...	5,000	...	8,000	...	+ 3,000
		(7,654)		(5,434)		(5,000)		(8,000)		(3,000)
Sectoral Development	...	500	...	1,100	...	1,891	...	1,891	...	...
		(1,040)		(1,100)		(1,891)		(1,891)		(...)
Total Requirements	...	33,091	...	33,691	...	33,691	...	36,691	...	+ 3,000
		(41,546)		(37,848)		(37,191)		(40,191)		(3,000)

Note: Dollar amounts in parentheses represent obligations.

Goals and Objectives

Goals: To increase the number, capitalization and management strength of medium-sized and larger minority firms, and expand their market penetration; to increase the sales and reduce the failure rate of all MBDA-assisted firms; and to expand minority business participation in growth sectors of the economy and in technology-based ventures.

Objectives: To provide effective, long-term technical assistance to all MBDA-assisted firms; to provide intensive developmental assistance to a selected number of medium-sized and larger-sized minority owned firms; to provide special developmental support to selected minority firms on a sectoral basis, focusing on growth areas of the economy; and to enable qualified minority owned firms to exploit the potential of technology-based business opportunities.

Base Program

In the past, minority firms generally were lumped together for assistance purposes, regardless of their size, industry, track record, nature of operations and growth potential. Too often, this resulted in: (1) a "lowest common denominator" approach to minority business assistance, i.e., MBDA-funded organizations were compelled to devote most of their resources to client firms

with the greatest immediate need for help rather than to those with the greatest potential for growth or to those which could generate the greatest impact upon overall minority economic development; (2) a tendency of MBDA-funded organizations to develop staff capabilities, and to focus on programmatic activity, which reflected the pressing needs of small firms in trouble, e.g., counseling, loan packaging, accounting and record-keeping, basic marketing; (3) an inability to provide longterm effective follow-up and monitoring of portfolio firms, because of workloads created by attempts to meet the above needs, hence, a preponderance of "one-shot" assistance efforts; (4) a tacit recognition by medium-sized and larger minority firms that the MBDA network was not designed to accommodate their more sophisticated requirements; (5) no organized and coherent program to provide data on the demand for goods and services or special assistance to minority suppliers.

These program difficulties were reflected in the nature of MBDA's portfolio in 1979: more than 84% were firms with annual sales below $300,000; only about 6% of MBDA's client firms had sales in excess of $1 million. As a result, MBDA tightened its client screening and selection criteria to focus assistance on those firms capable of achieving an appreciable impact upon minority economic development. A new performance measurement system became operational, using Dun and Bradstreet sales and failure data on all MBDA-assisted firms and on a control group of 20,000 non-minority firms. (The aggregate annual failure rate of MBDA-assisted firms fell from 2.31% in 1976 to 1.22% in 1978. The annual failure rate of MBDA assisted firms for the first seven months of 1979 is 1.3%).

Further consolidations in MBDA's network of funded organizations reduced the number of these general business service organizations to about 150 in 1979, from a 1976 high of nearly 300. The average number of paid employees per MBDA-assisted firm increased from 9 in 1976 to 11, as of March 1979. Average sales of MBDA-assisted firms increased from $281,500 in 1976 to $357,000 as of March 1979.

Business development organizations funded through this activity have provided the following assistance from October 1, 1978 through September 30, 1979:

Ethnic Category	Total Clients	Business Clients	# Financial Packages Approved	$ Financial Packages Approved	# Procurements Obtained	$ Procurements Obtained
Black.....	15,771 (49%)	8,793 (51%)	1,820 (38%)	$141,999 (38%)	5,283 (59%)	$394,712 (57%)
Spanish Speaking.....	8,658 (27%)	4,516 (26%)	1,676 (35%)	135,689 (36%)	2,385 (26%)	207,804 (30%)
American Indian.....	1,366 (4%)	724 (4%)	206 (4%)	11,548 (3%)	423 (5%)	41.956 (6%)
Asian American.....	1,318 (4%)	691 (4%)	218 (5%)	17,504 (5%)	531 (6%)	21,688 (3%)
Other Minority.....	1,933 (6%)	991 (6%)	357 (7%)	26,719 (7%)	138 (2%)	10,132 (2%)
Non-Minority.....	3,446 (10%)	1,508 (9%)	491 (11%)	39,550 (11%)	166 (2%)	14,982 (2%)

The new organization, MBDA, will focus on a series of solutions to the problems described above, as follows: shift in client portfolios from smaller, marginally successful firms to larger firms with higher sales and more paid employees that was initiated in FY 79 will begin to impact significantly in FY 80, as will guidance mandating that firms receiving assistance be monitored for at least three years. The overall number of clients and firms assisted will decrease, while the level of assistance to individual clients and firms will increase. Consolidations of local business service organizations will continue, in FY 80. The Technology Commercialization activity of Sectoral Development will double both in size and in outputs.

The number of local business assistance organizations in 1980 will be reduced from 150 to 100; each will be a true "one-stop center", providing a full range of quality general business services. Their main emphasis will be on existing firms with paid employees and evident potential. A small number of business development corporations will be established to provide concentrated assistance tailored to the specific needs of selected medium and larger-sized minority companies. They will also be designed to enhance the ability of their managers to do sound strategic planning (financing, marketing, operations). Through its network of technology commercialization centers, and draining of other private and public sectors resources, MBDA will help minority firms to exploit technology-based opportunities and to achieve greater penetration of growth industries/growth sectors of the economy.

In FY 81, MBDA will address the problems noted above through an Enterprise Development Program with these components:

General Business Services. A national network of 100 local business assistance centers will provide basic services to small and medium-sized minority firms. These centers will be the primary point of contact between MBDA and the minority businessperson. The services they furnish include (a) general business information and referrals; (b) general business counseling; (c) help in obtaining direct financial assistance (e.g., loans and loan guarantees, trade credit, bank lines of credit, bonds); (d) management and technical assistance in such areas as accounting, marketing, inventory control, sales promotion, personnel management, etc.; (e) help in obtaining contracts (i.e., identifying procurement needs of Federal agencies, state and local governments and major corporations, and helping qualified minority firms to meet these needs); (f) facilitating new business starts and business expansions by evaluating proposed new ventures and expansions, conducting feasibility studies and locational/market analyses, help in developing business plans and in assuring their effective implementation; (g) specialized assistance in construction contracting (cost estimating, scheduling of labor, equipment and materials, bid preparation, bonding); and (h) help in identifying and securing a franchised business. Also, the local assistance centers will screen, and refer to Specialized Consultant Services, as appropriate, requests for special assistance which involve areas of expertise beyond their in-house capability (e.g., providing quality control, engineering, certain legal services, export trade, business acquisitions) and for which other MBDA funded activities have been established to provide help in exploiting the potential of technology-based business opportunities.

All minority persons and minority firms, regardless of size, will be eligible for general business information, referral and counseling services. Other general business services will be available only to minority firms, and new minority business starts, which meet one or more of the following criteria:

— Existing firms must have an annual sales volume of $150,000 and/or have five paid employees, or show a reasonable likelihood of achieving either level within 12 months after MBD assistance is rendered.

— Prospective entrepreneurs must show a reasonable likelihood that they will reach an annual sales volume of $150,000 and/or have five paid employees within two years after MBDA assistance is first rendered.

Each center will be selected competitively. Expanding on a trend initiated by MBDA in 1978, it is expected that many of the centers will be operated by "for-profit" companies in 1981. However, it is also expected that those non-profit, community-based organizations which have performed ably over the years will continue to play a significant role in MBDA's local delivery of general business services. Indeed, some of the larger and most successful of these organizations may well move on to become business development corporations.

Specialized Consultant Services. This will be a new component of the national effort to promote minority business. The agency will be using a competitive process to identify new intermediaries which will provide specialized consulting services. Grants will be awarded to existing (preferably) "for- profit" organizations. These organizations will not be set up as entities whose sole source of funds is MBDA. They will typically be private consulting firms that meet certain criteria of competence developed by MBDA. The criteria will include:

1. Demonstrated successful experience in providing management and technical assistance to businesses in the MBDA range of "medium/larger" firms.

2. Knowledge of the socio-economic environment which impacts on minority business development in the geographic area being served.

3. Significant staff capability in "leveraging" resources within the geographical area to be served.

Approximately 10-20 organizations (depending on the funding level of each) will provide concentrated assistance to selected medium-sized and larger minority firms, to accomplish the following:

— (a) Help portfolio firms to penetrate, or more deeply penetrate, designated growth industries (e.g., energy, transportation, telecommunications, non-residential construction) and special growth markets: (b) increase the ability of portfolio firms to exploit public and private sector purchasing opportunities; (c) increase the capitalization of portfolio firms (and avoid, in so doing, excessive reliance on debt capital); (d) in conjunction with the technology commercialization centers, link appropriate firms to specific, technology-based business opportunities and sources of financing; (e) in conjunction with selected investment organizations, conduct an aggressive business acquisition program.

Firms assisted by the intermediaries will be handled on an "account executive" basis. A staff person will be charged with specific responsibility of maintaining thorough awareness of a firm's status and problems, and there will be periodic screening of each firm's needs by a portfolio committee (representing all areas of expertise within the corporation) to determine what additional resources must be obtained for the firm and how these can be used most effectively.

The average funding level for each organization or management consulting firm is expected to be in the range of $500,000. Combined with the relatively small number of firms in the corporation portfolio, the care with which these firms will be selected,

62-212 O - 80 - 8

the quality of the staff to be hired, and the capabilities of other supporting organizations in the MBDA network, such as technology centers and investment organizations, it is expected that the in-house resources of the corporations will be sufficient to provide the bulk of the assistance required. However, additional business talents inevitably will be necessary to meet unusually complex or unique needs, and the corporations will be permitted to call in appropriate consultant help; the funding level of each corporation will reflect this capability.

Although there have been several attempts during the past several years to give particularly close attention to selected minority firms, MBDA's new Consultant Services Program will significantly improve the nature of the aid provided to minority businesses. It is expected to produce a significant increase in earnings, capacity, and managerial talents of the firms involved.

As noted above, careful screening and selection of firms are essential. Generally, firms must possess the following characteristics to be eligible for participation in the Specialized Consultant Services program: solid growth potential, increasing sales, a varied clientele, an evolving market, some degree of product/service specialization and probably an increasing number of employees. Although an arbitrary bottom limit on current sales is not practical, firms doing less than $1 million per year normally will not possess the required characteristics. Assistance will be provided over the entire range of the business spectrum, as related to the needs of each particular firm. In the case of a manufacturer, help will deal not just with production, but with downstream distribution through wholesale/retail sales channels, as appropriate.

Because of the unusual scope of the services which MBDA will deliver to these medium-sized and larger minority firms, and because these services would enhance the profitability of the recipient firms by a significant extent, it is proposed that they should share part of the Specialized Consultant Services costs. MBDA will implement on a test basis some cost sharing in FY 81.

Sectoral Development. This crosscutting element of enterprise development will provide a means of entry for small and medium firms with the requisite potential or capability into technology-based industries and sectors of the economy with long-term growth trends. Working through a network of Technology Commercialization Centers (TCC), in conjunction with other components of the MBDA centers, the program will facilitate entry by minorities at the early stages of such growth opportunities before the potential market is "locked up" by mainstream firms. This is a long-term development process, accomplished by the coordination and leveraging of existing but fragmented resources of government and industry. The technology centers are part of an operating consortium which provides coordinated access to sources of adaptive engineering, marketing, financing, and new or existing technologies, all tailored to the needs of the individual minority firm. Technology commercialization and industrial innovation have become a major national priority.

In FY 1979, the Sectoral Development program continued to retain its leadership role as the only coordinated technology program that provided access to the combined resources of both government and industry. Increased cooperation has developed with other DOC agencies, Interior, Agriculture and HUD. With the establishment of centers in Hartford, Conn. and Long Beach, Calif., we are continuing to increase the program's geographic coverage. One center was funded in conjunction with the Dept. of Interior for the commercialization of arid lands crops, in support of the Native Latex Commercialization Act of 1978, and as part of a joint arid lands crops agreement with Mexico.

In FY 79, over 200 opportunities were evaluated by the technology centers and in-house staff. As a result of those evaluations fifty projects are in various stages of development. The development process is based on the ability to bring an idea or invention that has progressed to the stage of a working model into general use for the commercial market place by a minority firm. For example: Through the cooperative activities of three technology centers, an oilwell pump developed by Aimwell, a minority firm in Ada, Oklahoma, was evaluated at the Georgia Institute of Technology. Additionally, a positive evaluation was made in cooperation with a major oil company which is represented on one of the TCC advisory committees. Potential customers - both domestic and international - were identified and a financing package for a federal loan guarantee was prepared. As a result, this new company has received an order for 100 of its oilwell pumps at $8,000 each which are to be produced over the next 18 months.

Oneida Materials, a Minority California Company, has just received two contracts totaling $550,000 for its newly developed process which recycles steel scale back into the steel manufacturing process. Oneida recognized the need for disposing of this waste product in a way which would solve the problem of disposal, by returning it to the production program, joined with the National Science Foundation in providing assistance to Oneida. NSF provided the research and development dollars for perfection of the process which was identified by the Minority Business Development Agency. Upon completion of the development work, the technology program worked with Oneida in presenting this new solid waste disposal technique to two major steel companies. The techniques was accepted, and MBDA assisted in preparing the business package Oneida required to obtain financing. Oneida's pilot plant is now in operation.

One major source of technologies with potential for use in both the public and private marketplace is the Federal Laboratories. American Pouch Foods, another minority company, adopted the food packaging technology developed by the Army's Natick Laboratory, perfected it and won a $22 million competitive contract from the Department of Defense to supply a new type of packed food which will replace K and C rations. The Minority Business Development Agency assisted in obtaining the plant, equipment and working capital as well as the necessary on-going technical assistance from the Natick Labs. The commercial market is also being explored by the agency's Chicago Regional Office and offers an equally large potential. This is an example of the technique whereby a federally developed technology has been adopted by a small private company to fill an immediate military need and a potential commercial need.

Our experience through 1979 has shown the need for business forecasting and economic analyses, for both industrial or economic sector, in addition to pursuing individual projects. An example of this technique is a study to determine the feasibility of using Low Head hydro electric dams as an alternative source of power generation. Opportunities for minorities in this field of energy include architectural and engineering construction as well as ownership/operation of the power generating facility.

Because technology based firms in all sectors of the economy grow more rapidly than other firms and because small technology based firms have proved to be proficient and effective producers of new goods and service, the agency plans to move into those sectors which analyses have shown to offer greatest opportunity for rapid growth.

Further there will be activities to retain and expand the economic base of depressed urban areas by joining minority enterprise with appropriate technology and the creation and development of new technology.based opportunities; including international technology development opportunities. The activities comform to the overall DOC responsibility for Technology & Industrial

Innovation. In FY 1980, additional TCCs will be phased in, bringing the total to 12. Approximately 425 projects/opportunities will be screened and at least 60 projects/opportunities will be actively developed.

In FY 1980, we will also initiate short, intermediate and long range analyses of specific economic sectors. These analyses will be continually updated with a formal report, issued annually. Based on these analyses, projects and opportunities will be developed in those areas. As an example, the Corps of Engineers has identified 49,500 potential low head hydro electric dam sites. The feasibility of converting that type of dam to an alternate energy source has been established through a study funded by the agency. Beginning in FY 1980 MBDA will be actively seeking minority firms for early inclusion in the design, construction and ownership/operation of those power generating sources. In addition, we will be actively pursuing opportunities in the area of energy conservation generated by recently-passed and pending legislation. A minority firm in Seattle has developed an energy use awareness device which shows the KWH hours consumed in dollars and cents. Through the TCC System, we will assist in bringing this product to the marketplace. We estimate that this start-up operation will be able to generate $3-5 million in sales by the end of the second year of production.

In 1981, the program's existing functions will be refined and expanded. Some Sectoral Development funds will be used to leverage major funding from other federal agencies and the private sector through interagency agreements.

By the end of FY 1981, the 12 TCCs will be operating at planned capacity. Additional economic sectors will be explored. The Information System will continue to maintain its pivotal function as a coordinated central source for resource information. We will continue to identify and expand the pool of program resources, includingsources of financing, markets, technologies, and adaptions to match with minority businesses. This will increase the program's capacity to broker the development of new projects or services.

Increase for FY 1981
(Dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Specialized Consultant Services	...	$5,000	...	$8,000	...	+$3,000

The number of intermediary organizations will be increased to approximately 20 with an additional cost of $3,000,000. This increase will provide special assistance to approximately 120 firms.

(Dollar amounts in thousands)

Activity: Policy and Market Development

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Private sector programs	...	$5,822	...	$5,305	...	$5,305	...	$5,305	...	$...
		(5,022)		(5,305)		(5,305)		(5,305)		(...)
Federal programs	...	1,558	...	800	...	800	...	800	...	...
		(926)		(800)		(800)		(800)		(...)
State and local programs	...	2,429	...	2,429	...	2,429	...	2,429	...	...
		(2,635)		(2,429)		(2,429)		(2,429)		(...)
Capital development	...	1,200	...	1,200	...	1,200	...	1,200	...	...
		(265)		(1,200)		(1,200)		(1,200)		(...)
Management development	...	...	...	80	...	80	...	80	...	...
		(...)		(80)		(80)		(80)		(...)
Total requirements	...	11,009	...	9,814	...	9,814	...	9,814	...	...
		(8,848)		(9,814)		(9,814)		(9,814)		(...)

Note: Dollar amounts in parentheses represent obligations.

Goals and Objectives

Goals: To be a focus of policy analysis for minority business; to assure that interests of minority business are reflected in the formulation and implementation of both private and public policy; and to significantly affect the increased penetration of public and private sector markets by minority business. To increase the availability of financial assistance, debt and equity funding for minority businesses.

Objectives: To increase the number and size of public and private sector purchases from minority vendors, and to improve the ability of minority firms to exploit this expanded market; to conduct an aggressive program of policy analysis, advocacy and consciousness raising throughout the Federal government, and to serve as a national ombudsman for minority business enterprise (MBE) interests; to foster effective MBE penetration of the $200 billion market in state and local government procurement; to establish longterm relationships between selected MBEs and Fortune 1000 companies, and their suppliers; to support the information

dissemination, counseling and advocacy functions of selected minority business and trade associations; and to continually initiate legislative, administrative and regulatory reforms. To increase the availability of funding from traditional sources, and to expand opportunities for minority businesses through funding in growth fields. To expand the capabilities of minority firms by enabling their key individuals to participate in executive management development training.

Base Program

Policy and Market Development (PMD) generates and continually examines new alternatives for using public and private resources for the benefit of minority business. Much of PMD's effort will seek to raise the consciousness of thousands of individual procurement and financing decision makers throughout business and government. This advocacy and educational role will draw on key senior officials in PMD for speaking and conference participation around the country.

PMD will also be a catalyst for special projects, expecially those requiring interagency grant support and those needing corporate and foundation participation as well. PMD works through the membership of the IAC and its committees to refine government-wide policy and to examine complex and controversial policy issues pertinent to the growth and development of MBE.

In the past, Federal minority business development has tended to be reactive in nature. On the demand side, MBDA and IAC worked to increase Federal and corporate purchases from minority vendors. On the supply side, MBDA's local business development organizations worked to meet the expressed needs of clients. However, most marketing assistance provided by MBDA's organizations went to firms in retail trade and services, which were incapable of exploiting sales opportunities created by Federal and corporate purchasing programs.

Beginning in FY 1981, MBDA will attempt to correct this imbalance in market development through systematic nationwide marketing in growth industries such as: energy, telecommunications, transportation, non-residential construction, manufacturing and distribution. This program will be pursued concurrently on two interrelated tracks.

The first will build higher levels of demand by increasing the number and scope of public and private sector purchasing requirements in targeted industries. MBDA will encourage the reduction of size requirements of contracts so they can be accommodated by minority firms unable to handle larger contracts. In addition to penetrating public and private markets represented by the industries noted above, MBDA will identify products and services that MBEs can supply that have the following characteristics:

- High dollar/high volume items.
- Increasing product usage, resulting in sustained high growth.
- Minority firms are absent or minimally represented in the market.
- Requirements exist in both public and private sectors.

Once these products and services are identified, purchases from minority firms will be fostered by a variety of strategies that include:

- Matching potential buyers (Federal, state and local governments, major corporations) with qualified minority firms that can fulfill requirements.
- Establishing quarterly minority sales goals, for selected products and services, and monitoring performance against these goals.
- Targeting communication compaigns to procurement decision makers in government and business.

The second track will increase the operating and financial ability of minority firms to exploit higher levels of demand. MBDA will:

- Facilitate comprehensive business assistance. Assistance will be provided through MBDA's Enterprise Development and Research and Information programs.

- Facilitate financing, especially financing for inventory, tooling, equipment, etc., needed to get and/or execute a government or corporate contract.

Policy and Market Development will be a catalyst in implementing various aspects of this dual track effort.

The basic premises underlying the Capital Development program are as follows: 1. The need to enhance Federal capacity to identify and respond quickly to local opportunities and therefore the need to work through intermediary financial institutions to screen, structure and close transactions; and 2. the need to promote the financing of acquisitions, buy-outs and spin-offs by minority entrepreneurs to help cultivate large successful minority firms in new market areas.

Without exception, every study of small and medium-sized business has concluded that one of the primary determinants of success/failure is the quality of management exercised by the entrepreneur/owner. Through the "one-on-one" assistance furnished by its Enterprise Development program, MBDA will seek to upgrade the managerial capacity of existing entrepreneurs, and to encourage prospective entrepreneurs to take a stronger interest in management self-development. These are inherently long-term efforts, and the overall MBDA program is designed to trigger a rapid growth of medium-sized firms.

Through 1979 the Interagency Council (IAC) staff coordinated Federal procurement and financing goals, helped develop procurement and financing policies and procedures to facilitate achieving these goals, monitored performance by agencies, and reinvigorated the national network of Minority Business Opportunity Committees. The National Minority Purchasing Council (NMPC) and its regional councils coordinated purchasing at 2,700 corporate locations. A new initiative fostered state and local government purchases from minority construction contractors, with funds received from Federal grants. MBDA also continued to support 12 business and trade associations. These activities will now be incorporated into the Policy and Market Development (PMD) division.

Two regional financial advisory councils were initiated in FY 1979 to promote reconsideration of MBE financings that would have otherwise been denied. Assistance was initiated for minority-owned banks and savings and loan associations. The minority-owned insurance companies completed their reinsurance program by the addition of $2 billion in FY 1979 and the goal was raised by an additional $4 billion by the end of 1981. Acquisition assistance initiated in FY 1978 was continued through FY 1979. Four acquisitions of businesses with sales over $5 million were completed or in final stages during FY 1979. Closer MBDA-SBA

coordination was developed in the surety bond field. MESBIC promotion generated added capital to MESBICs; year end private capital for MESBICs and pending applicants exceeded $100 million.

The Minority Business Development Agency (MBDA) in 1980 will implement aspects of the proposed FY 1981 program that can be accommodated within existing FY 1980 appropriations e.g., increased interagency advocacy, government-wide policy development, expanded direct relations between larger minority firms and Fortune 1000 companies, and targeted efforts with state and local governments. With these program additions, activity in FY 1980 will continue as in FY 1979. Program decreases in FY 1980 will affect the level of support offered to business and trade associations.

Funding for FY 1980 Capital Development activities remains constant. Six regional financial advisory councils will be in place, reviewing problem business packages. Regional acquisition/merger activity will be promoted. A regional program to assist 15 problem minority financial institutions will be instituted. MBDA will participate in a bonding project in cooperation with SBA, DOT and HUD to increase the potential for contractors. MBDA will coordinate DOC-Eximbank financial assistance to exporting firms. MBDA and SBA will assist the organization of a minority fire and casualty insurance company. Larger acquisitions will be generated by MBDA grantees and MESBICs.

In FY 1981 PMD proposes to expand minority purchasing by: (a) linking larger minority vendors with the Fortune 1000 companies and their suppliers; (b) emphasizing marketing of selected MBE growth industry projects and services; (c) strengthening the NMPC and its Regional Councils; (d) strengthening coordination of Federal goal setting and monitoring of agency performance; and (e) promoting state and local government purchases from MBEs. The agency will conduct aggressive interagency MBE advocacy, support state and local government efforts to promote minority business, expand use of state and city MBE offices, direct advocacy, and MBE access to grant-in-aid construction contracts, and continue support of minority business and trade associations. Target accomplishments include: raising the value of corporate purchases from minority enterprises from $2.6 billion in FY 1979 to $3.0 billion in FY 1980 and to $3.1 billion in FY 1981; and raising the value of Federal purchases from minorities from 1979 level of about $2.5 billion to estimates of more than $3.5 billion in 1980. These increases in performance, without commensurate increased funding for private sector and Federal sector programs from 1979 to 1980, reflect momentum created during the last two years. The nearly level output projected for 1981 actually reflects a diminution in the minority share of the total from earlier levels, given the expanding universe of which this measure is a part. Targets for state and local government purchases from minorities in FY 1980 and 1981 are $45.0 million and $58.6 million, respectively. In FY 1979, minorities received $0.2 billion from Federally funded grant-in-aid construction contracts. In FY 1980, that share should be at least $1.1 billion and in FY 1981 $1.1 billion. The number of MBDA funded trade association transactions (workshops, newsletters, education and training programs, advocacy efforts, M&TA, information programs, etc.) was approximately 6,600 in FY 1979. In FY 1980 and 1981 such transactions will number approximately 6,050 due to a decrease in MBDA support of trade association funding.

The Policy and Market Development activity is structured into five subactivities to accomplish the objectives described above: Private Sector Programs, Federal Programs, State and Local Government Programs, Capital Development and Management Development.

Private Sector Programs. Working with Fortune 1000 companies, MBDA will expand private sector purchasing from minority firms. MBDA will work through corporate purchasing departments to engage the interest and participation of second, third and fourth tier suppliers. The program of the National Minority Purchasing Council will be continued, together with the Regional

Purchasing Councils funded in 1980. The program to foster penetration of export markets will be continued, including support of ITA's MBE export promotion. Resources will go to sales promotion and marketing training of vendors and to support the same number of business and trade associations as in FY 1980.

MBDA will continue to support minority business and trade associations as advocates for their members and the minority business community. These associations disseminate information through newsletters, workshops, seminars, conferences, and training sessions, to thousands of minority entrepreneurs.

Federal Programs. Through the Interagency Council, through agreements with other agencies, and the national network of Minority Business Opportunity Committees, MBDA will promote and assist minority business development. IAC will be working to increase public sector purchases for minority business firms. It will use its contacts inside and outside of Government to increase public sector opportunities for minority businesses; to increase the participation of minority business as grantees or subgrantees on Federally assisted projects. IAC also will promote the involvement of minority businesses in economic development programs.

The IAC is the only government-wide forum whose membership includes all of the major governmental departments and agencies, which are represented by Deputy Secretaries or comparable level officials. IAC has the mandate to see that Federal resources are maximally deployed to foster minority business development.

To assure that maximum goals for minority business participation in Federal procurement are established and in view of SBA's responsibilities under P.L. 95-507, IAC initiated an agreement with SBA in 1979 for a goal-setting process to use with Federal agencies.

The process requires the Interagency Council for Minority Business Enterprise (IAC) to recommend a preliminary overall Federal goal for MBE participation in the Federal procurement process in October. This target figure includes the 8(a) program goal, as provided by the Small Business Administration (SBA), and direct and indirect (subcontracting) overall goals for each Federal department and major procuring agency. These targets are developed as a result of the analysis of data through the third quarter of the past fiscal year. Upon receipt and analysis of fourth quarter reports, adjustments in preliminary goals are made, as necessary, and communicated to SBA and affected agencies. Preliminary goals are expressed as a percent of minority participation of total procurement dollars as well as absolute dollars, both predicated upon estimated procurement obligations for the current fiscal year. (Example: Overall preliminary Federal MBE goal: 3.5% MBE participation rate for $3.6 billion based upon an estimated FY '80 procurement obligation of $105 billion). The participation percentage is the most significant figure as it is constant with respect to the procurement dollar base. The increase in percent participation is far more important than an increase in absolute dollars and is the best measure of progress. The recommended preliminary goals are developed by the Minority Business Development Agency (MBDA) in consultation with SBA, for IAC, considering 1) recent rate of improvement (growth in participation rate). The major consideration is to maintain sustained increases as long as the capacity to absorb the increases is present; 2) agency's mix of procurement needs; 3) supplier base; 4) agency internal MBE procurement programs; and 5) prior performance. Currently, data on items (2) and (3) are incomplete and major MBDA emphasis will be placed upon items (1) and (5).

PMD will provide policy analysis and advocacy for minority enterprise. PMD will represent MBE interests in Federal agency proceedings, and prepare position statements. PMD will examine policies and directives in regulated industries, and propose new legislation, where necessary.

State and Local Government Programs. MBDA will work to use state and local government resources for minority business development. This will include: (a) promoting increased procurement; (b) seeking administrative and legislative changes favorable to MBE development; (c) expanding use of these resources in combination with Federal development assistance; and (d) creating or strengthening of state and local minority enterprise offices.

State and local government resources are vast. Dollar volume of state and local government purchasing exceeds that of the Federal Government by over $200 billion each year. However, there are no standard procedures comparable to those in the Federal Procurement Regulations. State and local public contracting laws, rules, and policies, as far as minority business is concerned, present a jumble of confusing and contradictory requirements - which helps explain why state and local minority purchases are estimated at $45 million in 1980, when Federal purchases are expected to exceed $3 billion.

It is not realistic to expect near-term standardization of state and local procurement regulations. However, expanded opportunities can result by involving appropriate procurement officials in the design and implementation of marketing strategies. MBDA will support liaison groups with wide contacts and credibility with state and local purchasing officials (e.g., National Institute of Governmental Purchasing Officers, Association of State Purchasing officials, etc.). MBDA support will be contingent upon these organizations' establishing priority efforts to increase minority purchasing.

Also, MBDA will support MBE participation in urban projects expected to impact minority enterprise development, such as neighborhood commercial revitalization, downtown renewals, and mass transit projects. MBDA will provide planning and administrative money in an effort to trigger large downstream investment by Federal, state and/or private resources for MBE participation. in all cases, MBDA's urban funds will be tied to concurrent support by city governments. This follows the concept initiated by MBDA and EDA in 1978. Support thus leveraged from the cities will include such activities as planning, zoning, licensing, traffic control, improved sanitation, fire and police protection.

Initial impetus for minority exploitation of grant-in-aid construction contracts will come from the Federal side, but this program requires implementation at the state and local levels, where funds are spent. MBDA will work at these levels to assure such implementation by supporting 22 state offices of minority enterprise development and three (3) city offices which are strategically located and offer sufficient potential to maintain the program at optimum efficiency.

PMD will be able to continue private sector procurements but will not be able to identify unique opportunities which could significantly contribute to the development of our targeted program for medium-sized and larger firms, or to match procurement opportunities with firms in every growth industry previously identified. Resources concentrated on a few state and local jurisdictions will offer the greatest potential for success but will result in disparity in the quality and effectiveness of state and local government programs.

Capital Development. MBDA will continue to focus on regional bonding and insurance initiatives; funding for technology/growth industry projects; acquisitions; assistance to minority financial institutions; export assistance; and regional financial advisory.

Regional Minority Financial Advisory Councils will operate in each region in FY 1981. Funding will be available to each council. These funds will allow regional offices to obtain services required by the councils in analyzing business ventures, obtaining data unavailable through other channels, conducting surveys or providing training. The councils will provide assistance to larger ventures. The Advisory Councils will review problem loan packages and enable some businesses which otherwise could not obtain funding to do so, and they will assist in identifying and seeking funds for minority firms and acquisitions.

To assist with Minority Financial Institution Development, the MBDA program, in conjunction with the Comptroller of the Currency, Federal Deposit Insurance Corporation and the Federal Reserve Board, includes deposit and loan assistance, through encouraging Federal deposits in minority banks; management and staff training; and capital assistance.

Management Development. The program provides short term management development with broad participation by MBE's. Many small and medium sized firms have key managers who lack certain skills or pieces of knowledge which would enable them to carry out their jobs or prevent the expansion of the business, such as knowledge in energy related business, agribusiness, etc. However, these MBE executives can benefit materially from seminars and other training assistance made available by such organizations as the American Management Association, the Conference Board, many of the larger trade associations, and in some cases local universities. Existing minority organizations that can provide similar training will also be utilized.

(Dollar amounts in thousands)

Activity: Research and Information

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Research	...	$850	...	$895	...	$895	...	$775	...	-$ 120
		(324)		(895)		(895)		(775)		(-120)
Information Clearinghouse	...	...	...	...	...	...	...	200	...	+ 200
		(...)		(...)		(...)		(200)		(200)
Total Requirements	...	$850	...	$895	...	$895	...	$975	...	+$ 80
		(324)		(895)		(895)		(975)		(80)

Note: Dollar amounts in parentheses represent obligations.

Goals and Objectives

Goals: To provide the data, information, and research capability needed for the rational planning, implementation and evaluation of minority enterprise development programs; and to increase awareness of the characteristics and special problems of minority businesses through an active dissemination and marketing program.

Objectives: To collect and maintain general purpose data bases on the characteristics of MBDA business clients; to develop and maintain special data bases in support of priority MBDA initiative including lists of minority vendors for procurement opportunities and technology commercialization; to provide a capability to analyze information and present it in a form useful to decision-makers, program managers, minority entrepreneurs and the private sector; to conduct a research program designed to significantly increase awareness of the trends, characteristics, and special problems of minority businesses; and to maintain an information clearinghouse which will disseminate general information on minority business and specific lists of firms for public and private procurement opportunities.

Base Program

In FY 1979, the research program continued its emphasis on collecting and analyzing data on MBDA's client firms. A major research tudy was completed which provides data on the operating costs and profitability of minority firms. A new program was started to encourage institutions outside of the Federal government to conduct research on a wide variety of issues relating to minority businesses. Other projects included studies of the minority media and manufacturing industries and research symposia on Black and Hispanic business. Although the clearinghouse function does exist under the current MBDA structure, it is a small entity and disseminates printed information only when requested. MBDA's information collection functions include the continued operation and improvement of the Business Assistance Reporting System (BAR), and the implementation of an F.W. Dodge system which provides information on construction contract opportunities. To date, the BAR already shows a return of $128 of contracts for each $1 cost of the Dodge system. Also developed were information systems to support the Technology Commercialization/Growth Industries rogram and the Federal and private procurement systems.

Research and Information activities during FY 1980 will be essentially the same as those in FY 1979 with the following significant exceptions: (a) An on-going monitoring system will be developed and implemented to provide financial and operating statistics for MBDA clients. This system will have the capability to trace changes in the profitability, efficiency, and liquidity of MBDA clients over time. (b) The 1977 Survey of Minority-Owned Business will be released during FY 1980. This is the first set of data ince 1972 on the minority business universe and will permit a major analysis of the changes and growth in MBE over the past nine years. (c) Feasibility studies will be conducted on alternate data sources and more frequent surveys in light of the new resources and requirements for MBDA in FY 1981.

In FY 1981 MBDA activities and resources will be allocated to the collection, analysis and dissemination of data and the conducting of a wide range of topical research studies. The following are the major activities:

1. The national minority data bank will be continued and improved. Data on existing and new firms will be regularly updated and made available to users with minimum turnaround time.
2. The research program will be upgraded to support most of the major MBDA initiatives. This support is necessary for effective planning and evaluation of those programs.
3. The Sponsored Research Program will build the capacity and interest outside of the Federal government to study the pecial characteristics and problems of minority business.
4. An information clearinghouse will be formed with the mission of actively finding general and selective audiences to disseminate information on minority businesses. This activity will extend far beyond the traditional public information office concept and will conduct symposia, conferences and other events.

The impact of the overall MBDA program can be measured in terms of its effect on the sales, success rate, and growth of client firms. The Research and Information activities primarily support the overall effort. Although many products of the Research and Information activity cannot be quantitatively measured, the following are some significant outputs:

1. The agency funded two (2) topical studies in FY 1979 and is funding two (2) in FY 1980; four (4) such studies are planned for FY 1981.

2. Sponsored research programs funded seven (7) grants in FY 1979 and plans seven (7) in FY 1980; in FY 1981, twelve (12) are proposed.
3. We will collect general data on 100% of MBDA clients in FY 1979, 1980 and 1981 and more specific data on 8% of clients in FY 1979 and 1980 and on 12% of clients in FY 1981.

The research and information program includes the following activity designed to provide data and necessary information on MBDA clients, the general minority business universe and other MBDA programs.

The Research program will provide resources necessary for the methodological analysis of available minority business data and the conduct of a few comprehensive studies on the special issues and problems confronting minority businesses and entrepreneurs.

Functions of the Research program are threefold. First, basic data analysis activities provide an in-house capability to apply statistical and other analytical techniques to raw data on minority businesses. In-house analysis will be used primarily to judge the progress and performance of MBDA clients over time. Second, a program of special studies to use the research staff, contracts and grants to conduct various studies on major topics of interest to MBDA management, including other MBDA programs. Finally, sponsored research grants provide seed money to encourage independent research on minority businesses by institutions and individuals outside of the Federal government. This program insures that a broad range of issues are examined from many viewpoints.

The Information Clearinghouse, as presently structured, maintains a library of documents and other materials pertaining to minority businesses and entrepreneurship. The dissemination of that information to interested parties is the clearinghouse's main responsibility. One of the most useful services to the individual entrepreneur is the provision of data on construction and government and private procurement opportunities.

Changes for FY 1981

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Research	...	$895	...	775	...	- 120
Information Clearinghouse	...	...	...	200	...	+ 200

The Sponsored Research program will be continued because it is the only known source of regular funds which encourages research in this area. This request would fund approximately twelve (12) grants and would continue to service only a small portion of total demand. This level is slightly lower in 1981 partly because an element of the Research program (research symposia) is being funded in the next line item. The proposed funding for the Information Clearinghouse will be structured with a strong outreach program to targeted audiences and the general public. The Clearinghouse will be funded through a transfer of $120,000 from Research plus a budget request of $80,000. It would be the resource for supplying the latest and best knowledge in the field. In addition to the dissemination of printed documents, the Clearinghouse would perform the following:

1. Answer all the requests for procurement opportunity information from the National Procurement Data Bank;
2. Prepare special handbooks and guides which contain useful information not available in regularly published documents;
3. Maintain a speakers bureau to recommend individuals for presentations at public meetings, and assist speakers in the preparation of statistical and other information for their presentations;
4. Provide advice on how to properly use statistical and analytical information;
5. Actively monitor the research activities of organizations other than MBDA and collect any documents resulting from those tudies;
6. Upon request, evaluate the adequacy of existing research and provide guidance on new research to fill gaps in knowledge; and
7. Sponsor conferences and meetings on particular topics including research symposia which are currently funded from the Research line item.

(Dollar amount in thousands)

Activity: Program Management

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Program development and management:										
Enterprise development	25	$ 933	25	$ 848	25	$ 903	25	$ 903	...	$...
Policy and market development	35	1,306	35	1,373	35	1,434	35	1,434	...	...
Research and information	21	784	21	848	21	883	21	883	...	...
Field coordination	175	6,530	187	8,753	187	9,205	187	9,205	...	...
Total, Program development & management	256	9,553	268	11,822	268	12,425	268	12,425	...	...
Executive direction and support:										
Office of the director	14	522	14	424	14	441	14	441	...	...
Congressional affairs	3	112	3	146	3	152	3	152	...	...
Public affairs	5	197	5	146	5	152	5	152	...	...
Planning, budgeting and evaluation	40	1,492	45	1,828	45	1,941	45	1,941	...	...
Chief counsel	5	224	6	249	6	266	6	266	...	...
Total, Executive direction & support	68	2,537	73	2,793	73	2,952	73	2,952	...	...
Total requirements	324	12,090	341	14,615	341	15,377	341	15,377	...	...

Goals and Objectives

Goals: To develop, coordinate and administer a cohesive Federal program for strengthening minority business enterprise.

Objectives: To plan, direct and monitor the use of resources to accomplish program goals and objectives described in the three preceding decision units.

Base Program

In FY 1979, guidelines, procedures and controls were established for review and award of contracts, grants and cooperative agreements to comply with the Federal Grant and Cooperative Agreements Act of 1977. MBE-related provisions of bills in Congress were researched and Program Management staff assisted managers to prepare for appearances before Congressional committees. Organization and budget structures and other material were developed for the reorganization of OMBE into the Minority Business Development Agency (MBDA). Contractor/grantee monitoring procedures were revamped to allow more intensive and objective evaluations of management and technical assistance.

In October 1979, the agency was incorporated into the Minority Business Development Agency, MBDA. In FY 1980, MBDA and IAC has been restructured to focus on increasing and strengthening firms of scale in growth markets and industries without abandoning assistance to traditional client firms. The agency will implement policies for the use of grants and cooperative agreements instead of contracts to fund projects. As MBDA policies emerge they will be explained by Program Management in public announcements. Programs and procedures will be evaluated continuously by Program Management and, where necessary, revamped. Consolidating small business development intermediaries into more comprehensive business development organizations will continue. Program Management will formulate new Mnagement Development programs for implementation in FY 1981. In FY 1981, programs established in FY 1980 will be evaluated and improved. Advocacy/ombudsman activities will continue to assure that the interests of MBE are reflected in the formulation and implementation of public policy. The operational elements of Program Management are divided into two subactivities, (1) Program Development and Management and (2) Executive Direction and Support.

Program Development and Management consists of six (6) organizational line items.

1. The Enterprise Development division will be encouraging purchases from minority firms by advising potential buyers of the names and qualifications of minority firms and seeing that these firms are provided with the technical assistance required to meet purchase requirements; and to establish and track minority sales goals for specific products and services. They will also monitor a national network of 100 local business assistance centers which will provide basic services to small and medium-sized minority firms. These centers will be the primary point of contact between MBDA and the minority businessperson.

2. The Policy and Market Development division will monitor this activity to see that it generates and continually examines new alternatives for using public and private resources for the benefit of minority business. Much of PMD's efforts will seek to raise the consciousness of thousands of individual procurement and financing decision makers throughout business and government. This advocacy and educational role will draw on key senior officials in PMD for speaking and conference participation around the country. Policy and Market Development will be advocating for MESBICs, minority banks, minority life insurance companies and minority savings and loan companies for the development of funding in specialized areas such as manufacturing, transportation and construction.

62-212 O - 80 - 9

Advocacy Activity. 1. Obtaining studies and reports to support legislative proposals for modification of Federal directives and preparation of position statements. 2. Analysis of impact statements prepared by other agencies on economic development of scale. 3. Promoting minority business access to opportunities generated by Federal grant-in-aid construction contracts.

3. The Research and Information division directs and supervises basic research projects which are performed by contractors, grantees, consultants or MBDA staff, for the following purposes:

. To gain a fuller knowledge and understanding of minority businesses and their needs, and apply research to overcome special problems confronting minority firms.

. To keep informed of and to analyze research conducted by the public and private sectors to determine its applicability to minority business development.

. To advise the Director on national and international economic conditions and trends that affect MBDA's mission and goals as well as provide economic analysis in support of ongoing programs and activities.

. To coordinate the development of annual objectives, and upon request, assist program officers in translating goals and objectives into programs and projects while also designing overall systems for monitoring, evaluating, and reporting progress by MBDA components and funded organizations.

. To develop measures of progress of minority business enterprises nationally and to monitor overall program performance against established goals and objectives.

. To evaluate the impact of broadscale Federal programs to assist minority business development, and conduct other evaluations and special projects as directed by the Director.

4. The Capital Development division has the responsibility of reviewing other Federal loan and loan guarantee programs, such as SBA and FmHA, and establishing close working relationships with majority financial trade associations. The Capital Development division must see that these four (4) objectives are carried out:

- Increase availability of funding from traditional sources.
- Expand opportunities for minority businesses through funding in growth fields.
- Strengthen minority venture funding sources.
- Develop new minority venture funding sources.

In FY 1981, the Capital Development division will continue to focus on regional bonding and insurance initiatives; funding for technology/growth industry projects; acquisitions; assistance to minority financial institutions; export assistance; and regional financial advisory councils.

5. The Management Development division has the responsibility to carry out four (4) major objectives:

- To encourage expansion of the number of minority students enrolled in graduate schools of business administration.
- To expand the capabilities of minority firms by enabling their key individuals to participate in training.
- To attract more minority students to a career in business.
- To help improve training programs in minority colleges.

6. Field Coordination consists of six (6) regional offices, each of which implements the policies, programs and projects designed to accomplish the basic MBDA mission in a specified multi-state area. Each regional office provides local support to minority business development by identifying and developing local sources of financial, marketing, management and technical assistance by mobilizing local private sector resources; by coordinating specific Federal support regionally; by mobilizing state and local government support; by carrying out special activities such as seminars and training; and by monitoring and evaluating the contractors and grantees that provide specified assistance to minority businesses. Regional Program Coordination (RPC) staffs will fully implement FY 1979 policy guidance which calls for more frequent on-site monitoring of contractor and grantee organizations.

Each regional office is headed by a Regional Director and Deputy Director who have staff support in their planning, evaluation, and general administration responsibilities. The staff is divided into program generalists and technical specialists. Each generalist is responsible for the accomplishment of overall goals and objectives in a given segment of the region. The technical specialists provide regionwide support to the Regional Director, Deputy Director, and to the generalists in specialized areas, such as market development, capital development, education and training and construction.

Executive Direction and Support consists of five (5) organizational line items.

1. The Office of the Director coordinates and directs overall policy; plans and develops special emphasis programs; plans policy development, particularly directed toward urban and rural business retention, ventures of scale and commercial revitalization; reviews and modifies the agency's Management Reporting System, as required; and analyzes organizational efficiency. At this level, headquarters offices and each of the six regional offices will be evaluated for operating efficiency and program effectiveness.

2. Congressional Affairs provides staff support to the Director in his relations with the Congress; serves as the focal point within MBDA for handling Congressional inquiries, requests for assistance and all other matters in which Congress has an interest (except the preparation and analysis of legislation directly affecting MBDA's program); and provides guidance and support to the regional offices and the rest of MBDA on matters of interest to the Congress.

3. Public Affairs prepares statements, messages, speeches, etc. for the MBDA Director, the Secretary, the White House and others, publishes an annual update of the directory of MBDA service organizations, and issues six (6) editions of Access each year.

4. The Planning, Budgeting and Evaluation Division prepares the agency budget, supporting schedules, exhibits, etc. for Office of the Secretary, OMB and Congressional appropriation committees. Develops program evaluation methods, evaluation criteria and performance measures for all three (3) program areas; evaluates effectiveness of programs through reports and on-site reviews. Follow-up evaluation will be made on the direct technical assistance program and the Policy and Market Development program will be evaluated. Prepares financial plans and reports to insure that funds are effectively and efficiently used, provides administrative services, and procurement services. Implement grants, cooperative agreements and contracts processing system. Functions of this headquarters unit include activities taken over from the Department's Office of Administrative Services and Procurement when positions and personnel were transferred to MBDA in FY 1980. All phases of the contract/grant/ cooperative agreement award process are included from solicitation, to administration, to close-out. Plans and packages special program contract/grant research and studies.

5. The Chief Counsel provides counsel and advice to the MBDA Director and staff so they may function according to law and regulation. In FY 1981, the Chief Counsel and his staff will coordinate and direct MBDA efforts in behalf of the agency's proposed legislation. This will include providing background and explicatory information on the proposal to the Congress and other interested parties and assisting MBDA representative to prepare for hearings/public presentations relating to the proposal.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriations: Minority business development

Object Class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. + or Dec. - Pos.	Inc. + or Dec. - Av. No.	Inc. + or Dec. - Amount	Emp. 12/31
11 Personnel compensation:										
11.1 Permanent positions	341	315	$ 7,900	341	315	$ 7,900	...	...	$...	242
11.3 Positions other than permanent	50	43	704	50	43	704	...	...	...	43
11.5 Other personnel compensation			59			59				
Total	391	358	8,663	391	358	8,663	...	...	...	285
Other objects:										
12 Personnel benefits			791			791	...	...	...	
21 Travel and transportation of persons			623			623	...	...	...	
22 Transportation of things			40			40	...	...	...	
23 Rent, communications and utilities:										
23.1 Standard level user charges			673			673	...	...	...	
23.2 Other rent, communications, and utilities			415			415	...	...	...	
24 Printing and reproduction			208			208	...	...	...	
25 Other services			5,933			6,233	...	...	+300	
26 Supplies and materials			120			120	...	...	...	
31 Equipment			87			87	...	...	...	
41 Grants, subsidies and contributions			42,224			45,004	...	...	+2,780	
Total requirements	391	358	$59,777	391	358	$62,857	...	...	+3,080	

Justification by Object Class
(Dollar amounts in thousands)

	Object Class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. + or Dec. - Pos.	Inc. + or Dec. - Av. No.	Inc. + or Dec. - Amount	Emp. 12/31
11.1	Permanent positions										
	General schedule	341	315	$ 7,900	341	315	$ 7,900	...	...	...	242
11.3	Positions other than permanent										
	General schedule	50	43	704	50	43	704	...	...	...	43
11.5	Other personnel compensation										
	Overtime			59			59	...	...	...	
12.1	Personnel benefits										
	Civil Service Retirement			553			553	...	...	...	
	Federal Ins. Contribution Act (FICA)			43			43	...	...	...	
	Health insurance			133			133	...	...	...	
	Life insurance			39			39	...	...	...	
	Employee awards			23			23	...	...	...	
	Total, personnel benefits			791			791	...	...	...	
21.0	Travel and transportation of persons										
	Per diem			198			198	...	...	...	
	Air fare			355			355	...	...	...	
	Other common carrier			31			31	...	...	...	
	Privately owned automobiles			25			25	...	...	...	
	GSA vehicles			14			14	...	...	...	
	Total, travel and transportation of persons			623			623	...	...	...	
22.0	Transportation of things										
	Freight			24			24	...	...	...	
	Express			16			16	...	...	...	
	Total, transportation of things			40			40	...	...	...	
23.1	Standard level user charges			673			673	...	...	...	

23.2	Other rent, communications and utilities				
	Federal Telecommunications System	172	172	...	...	...
	Other telephone, telegraph and teletype services	93	93	...	...	...
	Postal services by USPS	87	87	...	...	...
	Rental of office copying equipment	55	55	...	...	...
	Other equipment rental	8	8	...	...	...
	Total, other rent, communications and utilities	415	415	...	...	...
24.0	Printing and reproduction					
	Publications	185	185	...	...	...
	Other printing and reproduction	23	23	...	...	...
	Total, printing and reproduction	208	208	...	...	...
25.0	Other services					
	Training:					
	University	18	18	...	...	...
	Civil Service Commission	24	24	...	...	...
	Other	3	3	...	...	...
	Maintenance of equipment	41	41	...	...	...
	GSA alterations and repairs	137	137	...	...	...
	Centralized Departmental Services	2,149	2,149	...	...	...
	Other services	1,385	1,385	...	...	...
	Program contracts	2,176	2,476	...	...	+300
	Total, other services	5,933	6,233	...	...	+300
26.0	Supplies and materials					
	Office supplies and materials	78	78	...	...	...
	Books and periodicals	37	37	...	...	...
	Other	5	5	...	...	...
	Total, supplies and materials	120	120	...	...	...
31.0	Equipment					
	Office furniture and fixtures	52	52	...	...	...
	Office machines and equipment	35	35	...	...	...
	Total, equipment	87	87	...	...	...
41.0	Grants, subsidies and contributions					
	Grants	42,224	45,004	...	...	+2,780

[The following justification material in support of a budget amendment, contained in H. Doc. 96–294, was submitted to the Committee for the Minority Business Development Agency subsequent to the hearing:]

H. Doc. No. 96-294

DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY

BUDGET AMENDMENT
FISCAL YEAR 1981

TABLE OF CONTENTS

	Page Number
Summary sheet	MBDA-1
Appropriation language sheet	MBDA-2
Summary of requirements	MBDA-3
Justification	MBDA-4
Summary of requirements by object class	MBDA-6
Justification by object class	MBDA-7
Program and financing	MBDA-9

Congressional Submission
April 1980

DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY

Minority Business Development
Revised Estimates
Fiscal Year 1981

Funding		Employment	Perm. Pos.	Average Total Employment
Request pending.....	$62,857,000	Request pending.....	341	358
Proposed amendment.....	- 3,186,000	Proposed amendment.....	...	...
Revised request.....	59,671,000	Revised request.....	341	358

STATEMENT OF PURPOSE AND NEED

Consistent with the Administration's Anti-Inflation Program and its initiative to balance the budget, the 1981 requested Minority Business Development Agency Appropriation is decreased by $3,186,000.

DEPARTMENT OF COMMERCE

MINORITY BUSINESS DEVELOPMENT AGENCY

Budget Appendix Page	Heading	Request Pending	Proposed Amendments	Revised Request
229	Minority Business Development	$62,857,000	-$3,186,000	$59,671,000
	(In the appropriation language under the above heading, delete "47,480,000" and insert in lieu thereof $44,400,000 and delete "$15,377,000" and insert in lieu thereof $15,271,000.)			
	This amendment reduces the 1981 request for program funds to the 1980 level and reduces operating expenses. This action would reduce 1981 outlays by $2 million.			

Appropriation: Minority Business Development

Summary of Requirements
(dollar amounts in thousands)

Comparison by activities:	Request Pending Perm. Pos.	Request Pending Amount	Proposed Amendment Perm. Pos.	Proposed Amendment Amount	Revised Request Perm. Pos.	Revised Request Amount
Enterprise Development	...	$36,691	...	-$ 3,000	...	$33,691
		(40,191)		(- 3,000)		(37,191)
Policy and Market Development	...	9,814	...	...	...	9,814
		(9,814)		(...)		(9,814)
Research and Information	...	975	...	- 80	...	895
		(975)		(- 80)		(895)
Program Management	341	15,377	...	- 106	341	15,271
		(15,377)		(- 106)		(15,271)
Decrease			...	- 3,186		
				(- 3,186)		
Total Requirements	341	62,857			341	59,671
		(66,357)				(63,171)

Justification for Proposed Amendment

Activity: Enterprise Development
Subactivity: Specialized Consultant Services

(Dollar amounts in thousands)

	Request Pending		Proposed Amendment		Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Specialized Consultant Services.....	...	$ 8,000	...	-$ 3,000	...	$ 5,000

The proposed amendment withdraws a requested increase intended to increase by 20, the number of intermediary organizations giving assistance to selected minority firms.

Activity: Research and Information
Subactivity: Information Clearinghouse

(Dollar amounts in thousands)

	Request Pending		Proposed Amendment		Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Information Clearinghouse.....	...	$ 200	...	-$ 80	...	$ 120

The proposed amendment withdraws a requested increase intended to expand the clearinghouse functions. The Information dissemination activities will be accomplished at the amended funding level.

Activity: Program Management
Subactivity: Program development and management

(Dollar amounts in thousands)

	Request Pending		Proposed Amendment		Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Program Development and Management:						
Enterprise development	25	$ 903	...	-$ 8	25	$ 895
Policy and market development	35	1,434	...	- 11	35	1,423
Research and information	21	883	...	- 7	21	876
Field coordination	187	9,205	...	- 57	187	9,148
Total, Program Development and Management	268	12,425	...	- 83	268	12,342

Activity: Program Management
Subactivity: Executive direction and support

(Dollar amounts in thousands)

	Request Pending		Proposed Amendment		Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Executive Direction and Support:						
Office of the director	14	$ 441	...	-$ 1	14	$ 437
Congressional affairs	3	152	...	- 1	3	151
Public affairs	5	152	...	- 2	5	150
Planning, budgeting and evaluation	45	1,941	...	- 14	45	1,927
Chief counsel	6	266	...	- 2	6	264
Total, Executive Direction and Support	73	2,952	...	- 23	73	2,929
Total Requirements	341	15,377	...	- 106	341	15,271

This proposed amendment reduces the requested amount for other services. The agency will reduce the amount of services procured from other public and private agencies.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriations: Minority business development

Object Class	Request Pending			Proposed Amendment			Revised Request			Emp. 12/31
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	
11 Personnel compensation:										
11.1 Permanent positions	341	315	$ 7,900	...	...	$ ...	341	315	$ 7,900	242
11.3 Positions other than permanent	50	43	704	...	...	...	50	43	704	43
11.5 Other personnel compensation			59			...			59	
Total	391	358	8,663	...	...	...	391	358	8,566	285
Other objects:										
12 Personnel benefits			791			...			791	
21 Travel and transportation of persons			623			...			623	
22 Transportation of things			40			...			40	
23 Rent, communications and utilities:										
23.1 Standard level user charges			673			...			673	
23.2 Other rent, communications, and utilities			415			...			415	
24 Printing and reproduction			208			...			208	
25 Other services			6,233			- 406			5,827	
26 Supplies and materials			120			...			120	
31 Equipment			87			...			87	
41 Grants, subsidies and contributions			45,004			- 2,780			42,224	
Total requirements	391	358	$62,857	...	...	$3,186	391	358	$59,671	

Justification by Object Class
(Dollar amounts in thousands)

Object Class	Request Pending			Proposed Amendment			Revised Request			12/31
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	
11.1 Permanent positions										
General schedule	341	315	$ 7,900	...	...	$ ...	341	315	$ 7,900	242
11.3 Positions other than permanent										
General schedule	50	43	704	...	...	...	50	43	704	43
11.5 Other personnel compensation										
Overtime			59			...			59	
12.1 Personnel benefits										
Civil Service Retirement			553			...			553	
Federal Ins. Contribution Act (FICA)			43			...			43	
Health insurance			133			...			133	
Life insurance			39			...			39	
Employee awards			23			...			23	
Total, personnel benefits			791			...			791	
21.0 Travel and transportation of persons										
Per diem			198			...			198	
Air fare			355			...			355	
Other common carrier			31			...			31	
Privately owned automobiles			25			...			25	
GSA vehicles			14			...			14	
Total, travel and transportation of persons			623			...			623	
22.0 Transportation of things										
Freight			24			...			24	
Express			16			...			16	
Total, transportation of things.			40			...			40	
23.1 Standard level user charges			673			...			673	

23.2 Other rent, communications and utilities			
Federal Telecommunications System	$ 172	$ ...	$ 172
Other telephone, telegraph and teletype services	93	...	93
Postal services by USPS	87	...	87
Rental of office copying equipment	55	...	55
Other equipment rental	8	...	8
Total, other rent, communications utilities	415	...	415
24.0 Printing and reproduction			
Publications	185	...	185
Other printing and reprodution	23	...	23
Total, printing and reproduction	208	...	208
25.0 Other services			
Training:			
University	18	...	18
Civil Service Commission	24	...	24
Other	3	...	3
Maintenance of equipment	41	...	41
GSA alterations and repairs	137	...	137
Centralized Departmental Services	2,149	...	2,149
Other services	1,385	- 106	1,279
Program contracts	2,476	- 300	2,176
Total, other services	6,233	- 406	5,827
26.0 Supplies and materials			
Office supplies and materials	78	...	78
Book and periodicals	37	...	37
Other	5	...	5
Total, supplies and materials	120	...	120
31.0 Equipment			
Office furniture and fixtures	52	...	52
Office machines and equipment	35	...	35
Total, equipment	87	...	87
41.0 Grants, subsidies and contributions			
Grants	45,004	- 2,780	42,224

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY

Program and Financing
(in thousands of dollars)

Identification code 13-0201-0-1-376	19 81 actual	19 81 estimate	19 81 estimate
	Request Pending	Proposed Amendment	Revised Request
Program by activities:			
Direct program:			
1. Enterprise development	33,550	-2,785	30,765
2. Policy and market development	8,899	...	8,899
3. Research and information	884	- 74	810
4. Program management	15,319	- 98	15,221
Total direct program	58,652	-2,957	55,685
Reimbursable programs	2,500	...	2,500
Total program costs, funded	61,152	-2,957	58,195
Change in selected resources (undelivered orders)	5,205	- 229	4,976
10.00 Total obligations	66,357	-3,186	63,171
Financing:			
11.00 Offsetting collections from: Federal funds	- 2,500	...	- 2,500
17.00 Recovery of prior year obligations	- 1,000	...	- 1,000
Budget authority	62,857	-3,186	59,671
Budget authority			
40.00 Appropriation	62,857	-3,186	59,671
Relation of obligations to outlays:			
71.00 Obligations incurred, net	62,857	-3,186	59,671
72.40 Obligated balance, start of year	37,358	...	37,358
74.40 Obligated balance, end of year	-40,808	1,232	-39,576
90.00 Outlays, excluding pay raise supplemental	59,399	-1,954	57,445
91.20 Outlays from civilian pay raise supplemental	8	...	8

GPO:1964—O-752-469

MBDA-9

Mr. HIGHTOWER. We are happy to have Mr. Daniel P. Henson III, the Director of the Minority Business Development Agency, today. This is your first appearance before this subcommittee, I believe, Mr. Henson.

Mr. HENSON. Yes.

BIOGRAPHY OF MR. HENSON

Mr. HIGHTOWER. We will insert your biography in the record at this point.

[The information follows:]

BIOGRAPHY OF DANIEL P. HENSON III

Daniel P. Henson III was appointed Director of the Commerce Department's Minority Business Development Agency, (MBDA) November 1, 1979.

As Director of MBDA, Mr. Henson is responsible for the coordination of all government programs dealing with minority business development; he directs a staff of more than 300 federal employees located in offices throughout the nation. He also coordinates governmental relations with private industry on issues related to minority business development.

Last August, MBDA replaced the Commerce Department's Office of Minority Business Enterprise. This reorganization was the result of a new thrust by the Carter Administration to help minority firms develop into medium and large-sized firms in growth industries that produce jobs, add stability to communities and the overall economy. The reorganization also brings the Interagency Council for Minority Enterprise, which formerly had been a separate federal agency, under MBDA.

Prior to joining the Department of Commerce, Mr. Henson was the Regional Director of the Small Business Administration's Region III with headquarters in Philadelphia.

Between 1977 and 1979, the period he was Regional Director, loans to minority businesses and procurement with minority firms in SBA's 8(a) program, more than tripled, increasing from $88 million to $272 million.

Born in Baltimore, Maryland, Mr. Henson, attended public schools in that city, and following completion of high school entered and graduated from Morgan State University in 1966. He attended graduate courses in the Johns Hopkins University School of Business.

After a brief career as a public school social studies teacher, Mr. Henson worked as a life insurance agent. During this period he accumulated numerous sales and management awards. In 1973 he became a general agent for a major New York insurance company, one of the few blacks to achieve this prestigious career goal.

Mr. Henson also founded, and was the chief executive officer of Dan Henson and Associates, Inc., a management consulting firm that specialized in designing training and employee benefits plans.

Henson is a member of both Baltimore's and Maryland's Life Underwriters Association; the International Association of Financial Planners; National Association of Life Underwriters; American Association of Business Consultants; and the Maryland Association of Health Underwriters.

Henson and wife, the former Del Carter, reside in Baltimore with their two children.

GENERAL STATEMENT

Mr. HIGHTOWER. I understand you have a general statement. We will be happy to hear from you.

Mr. HENSON. Mr. Chairman. Thank you for this opportunity to discuss the fiscal year 1981 appropriation request for the Minority Business Development Agency or MBDA. With me are Herbert S. Becker, Assistant Director for Planning, Budget and Evaluation and Harolyn B. Chism, Budget Officer.

During the past ten years, the Office of Minority Business Enterprise, succeeded in impressing upon the national consciousness the

plight of and the potential for minority businesses in America. OMBE created a national network of organizations which assisted in the development of individual enterprises. The agency forged linkages between minority-owned businesses and the public and private sector.

Another of OMBE's major contributions to minority business development was its advocacy on behalf of minority enterprise before Congress, regulatory agencies, private financial institutions, business and trade associations and chambers of congress. OMBE has served as the focal point for the examination of issues and problems affecting minority business, and has continually sought counsel from public and private interests for solutions to the unique problems which affect the viability of minority business firms.

However, after more than a decade it has become clear that advocacy, by itself, is not enough to effect significant changes in the minority economic community. The fundamental and unique problems facing minority entrepreneurs in 1969 when OMBE was established, were lack of access to capital and markets and underdeveloped management skills. These critical problems still exist today. However, the changing conditions of the national economy require revised approaches to solving these problems. MBDA is committed to address these issues from a new perspective.

After intensive studies by OMBE and the Department of Commerce, MBDA was organized with the following objectives in mind: to design a structure for greater efficiency and effectiveness; to consolidate two organizations with similar goals; to attract a select team of top management; and to signal a renewed Federal commitment to the minority business community.

MBDA will continue to coordinate government and private efforts to address unique problems of capital development, management development and the lack of access to markets. The new MBDA program structure, which is described in our appropriation request, has the following components: Enterprise Development, Policy and Market Development, and Research and Information.

1981 REQUEST

For MBDA in fiscal year 1981, the appropriation request is $62,857,000 and 341 permanent full-time positions. Approximately 77 percent of this requested amount will be used to fund organizations across the country to provide business development assistance directly to minority firms. The balance will be devoted to overall program development, evaluation and management.

In fiscal year 1981 we are requesting $36,691,000 for Enterprise Development to provide existing and potential minority firms with direct and long-term management and technical assistance services. This activity funds public and private entities to provide services to minority business enterprises. Programs to increase the participation of minority business people in technology-based business activities are also funded through this activity.

For the Policy and Market Development activity, we are requesting $9,814,000 in fiscal year 1981. This amount is level with the fiscal year 1980 appropriation. This activity provides for efforts to

increase public and private sector purchases, both domestic and internationally, from minority-owned firms and assist minority business firms in taking advantage of expanding market opportunities. The major function of this unit is to analyze government policies affecting minority business development and to propose initiatives in behalf of minority business interests.

Programs funded through this activity are designed to promote minority business growth by identifying and accessing an array of financial resources. This activity is geared toward strengthening the relationships between minority- and majority-owned businesses, business leaders and associations.

We are asking $975,000 for the Research and Information activity. This will enable MBDA to conduct research and provide data pertinent to minority business policy formulation and program development. It will also allow for the systematic identification and dissemination of information relating to minority business development opportunities and capabilities.

Finally, Mr. Chairman, we are requesting $15,377,000 in fiscal year 1981 for program management. This activity provides funds for overall planning, directing, monitoring and evaluation of programs to achieve agency goals. This amount represents an increase of $1,088,000 over the fiscal year 1980 appropriation and includes $326,000 transferred from General Administration to establish an MBDA in-house capability for processing grants and cooperative agreements. The remaining $762,000 represents amounts necessary for pay and other non-discretionary costs which will allow the agency to operate at current levels of activity.

This budget represents another indication of the Administration's sound policy of balancing the need for restraint against spending by carefully targeting limited resources to the areas of greatest need.

We in MBDA view 1980 and 1981 as the years to redirect Federal minority business development activity to meet the economic challenges of the new decade. Through enabling legislation and this appropriation request, we have expressed our intent to serve the minority business community through practical, efficient and effective programs. Mr. Chairman, this concludes my prepared statement, I will be pleased to answer any questions you might have.

MBDA LEGISLATIVE PROPOSAL

Mr. HIGHTOWER. Thank you very much Mr. Henson. For several years, this committee has strongly encouraged the Department of Commerce and the Administration to submit an authorizing proposal for this program. None has been submitted, as of this date, to my knowledge. I understand that a proposal has been developed and is being considered by OMB. What is the status of that proposal and when do you expect it will be submitted to the Congress?

Mr. HENSON. That proposal has been sent, last Thursday, I believe, by the Secretary of Commerce to the Speaker of the House and the President of the Senate. It will be formally introduced within the next week.

Mr. HIGHTOWER. Do you think we should make the availability of the appropriation contingent upon the enactment of the authorizing legislation?

Mr. HENSON. I would hope that we wouldn't, sir.

Mr. HIGHTOWER. I understand.

Mr. HENSON. I think the chances of us getting it through this year are becoming limited, in terms of the time that can be allotted to legislation like this. I would hope, of course, that we could have a sound hearing on the legislation this year, on a legislative proposal and get a favorable approval. However, I would not like the appropriation contingent on that.

Mr. HIGHTOWER. Mr. Henson, if you could provide us with a copy of the proposed legislation or a summary of its contents for the record, we would appreciate it.

Mr. HENSON. I think we have a copy today.

[A copy of the proposed bill follows:]

A BILL

To establish a Minority Business Development Agency in the Department of Commerce, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Minority Business Development Agency Act of 1980."

FINDINGS AND PURPOSES

SEC. 2 (a) The Congress finds and declares that although existing programs of the Federal, state and local governments and of the private sector of the United States economy have contributed towards a lessening of an historic and persistent pattern of discrimination against minority groups, minority business enterprises have as yet been unable to participate fully in the nation's commerce,

(b) It is the purpose of this Act to establish a Minority Business Development Agency in the Department of Commerce to help assure that members of minority groups have an equal opportunity to participate in the nation's commerce.

SEC. 3. As used in this Act, the term --

(1) "Secretary" means the Secretary of Commerce.

(2) "Minority business enterprise" means a business or commercial enterprise which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned

business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and whose management and daily business operations are controlled by one or more of such individuals.

(3) "Socially disadvantaged individuals" are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to other individual qualities.

(4) "Economically disadvantaged individuals" are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged. In determining the degree of diminished credit and capital opportunities the Agency shall consider, but not be limited to, the assets and net worth of such socially disadvantaged individual.

(5) "Members of minority groups" include Black Americans, Hispanic Americans, Native Americans, and other minorities, or any other individual found to be disadvantaged by the Secretary of Commerce.

(6) The terms "state", "states", and "United States" include the several states, the District of Columbia, the Commonwealth of Puerto Rico, the territories of the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Marianas.

FUNCTIONS AND RESPONSIBILITIES
OF THE SECRETARY AND
ESTABLISHMENT OF THE
MINORITY BUSINESS DEVELOPMENT AGENCY

SEC. 4. (a) The Secretary of Commerce shall be responsible for administering this Act.

(b) There is established in the Department of Commerce an agency to be known as the Minority Business Development Agency.

(c) The Secretary shall coordinate as consistent with law the plans, programs, and operations of the Federal Government which affect or may contribute to the establishment, preservation, and strengthening of minority business enterprise.

(d) The head of each Federal department and agency when so requested by the Secretary, shall, to the extent permitted by law and the availability of funds, furnish information, assistance, and reports to, and shall otherwise cooperate with the Secretary in the performance of functions under this Act.

(e) The head of each Federal department or agency shall, when so requested by the Secretary, designate a Deputy Secretary or official of comparable rank to have primary and continuing responsibility for the participation and cooperation of that department or agency in furtherance of the purposes of this Act.

(f) The officials designated under the preceding paragraph, when so requested, shall review and report to the Secretary with regard to, and shall keep the Secretary informed of, all existing and proposed budgets, policies, plans, programs and activities of their department or agency affecting minority business enterprises.

(g) The Secretary is authorized to cooperate with state and local governments to promote the mobilization of activities and resources toward the growth of minority business enterprises, and encourage administrative and legislative changes favorable to the establishment and development of minority business enterprises.

(h) The Secretary is authorized to develop and implement activities in the private sector in concert with public and private firms, organizations, associations, educational institutions, and persons to ensure their support for the development of minority business enterprises in areas including, but not limited to, purchasing and procurement, financial and managerial assistance, and the penetration and expansion of markets, both domestic and foreign.

(i) The Secretary is authorized to provide for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the Nation in undertaking or promoting the establishment and successful operation of minority business enterprise.

(j) The Secretary is authorized to provide financial assistance in the form of contracts, cooperative agreements, and grants with and to public or private entities to defray all or part of the costs of providing management and technical development services to minority business enterprises or otherwise to further the purposes of this Act.

(k) The Secretary, in fulfillment of the responsibilities vested by subsection (c), may -- (1) with the participation of other Federal departments and agencies as appropriate, develop comprehensive plans and specific program goals for the minority enterprise program; establish regular performance monitoring and reporting systems to assure that goals are being achieved; and evaluate the impact of Federal support in achieving the objectives established by this Act; (2) convene, for purposes of coordination, meetings of the heads of such departments and agencies, or their designees, whose programs and activities may affect or contribute to the purposes of this Act; (3) provide the managerial and organizational framework through which joint or collaborative undertakings with Federal departments or agencies or private organizations can be planned and implemented; and (4) require a coordinated review of all proposed Federal training and technical assistance activities in direct support of the minority enterprise program to assure consistency with program goals and to avoid duplication.

ADMINISTRATION AND MISCELLANEOUS
POWERS OF THE SECRETARY

SEC. 5. In performing the duties under this Act, the Secretary is authorized (a) to make advance payments under grants, contracts, and cooperative agreements, (b) to employ experts and consultants or organizations thereof as authorized by section 3109 of title 5, United States Code, to compensate individuals so employed at rates not in excess of the per diem rate authorized for GS-18 of the General Schedule, including travel time, and allow them travel expenses (including per diem in lieu of subsistence) while away from their homes or regular places of business, as

authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently, while so employed, and (c) to prescribe such rules, regulations and procedures as the Secretary may deem appropriate to carry out the provisions of this Act.

ANNUAL REPORT

SEC. 6. The Secretary shall, not later than March 1 of each year, submit to the President a full report of the Secretary's activities hereunder during the previous fiscal year, including such recommendations as the Secretary deems desirable to promote the purposes of this Act. Each Federal department or agency shall report to the Secretary as hereinabove provided on a timely basis so that the Secretary may consider them for the Secretary's report and recommendations to the President. Each Federal department or agency shall provide to the Secretary current data helpful in evaluating and promoting the efforts herein described.

SEPARABILITY

SEC. 7. If any provision of this Act or the application thereof to any persons or circumstances shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act or its applicaton to other persons and circumstances, but shall be confined in its operation to the provision of this Act or the application thereof to the persons and circumstances directly involved in the controversy in which such judgment shall have been rendered.

SEC. 8. Nothing in this Act shall be construed as subjecting any function vested in, or assigned pursuant to law to, any Federal department

or agency or official thereof to the authority of any other agency or office exclusively, or as abrogating or restricting any such function in any manner.

SEC. 9. There is authorized to be appropriated to the Secretary such sums as may be necessary for the purpose of carrying out this Act.

STATEMENT OF PURPOSE AND NEED

The purpose of this legislation is to establish a Minority Business Development Agency (MBDA) in the Department of Commerce. The MBDA will continue the programs and activities that have been previously carried out pursuant to E.O. 11625. These include coordination, consistent with law, of Federal activities relating to minority small business enterprises; collection and dissemination of data that will be helpful in promoting and operating minority business enterprises; providing financial assistance to public or private entities to defray all or part of the cost of providing management and technical development services to minority business enterprises; and working with the private sector to assist in the development of minority business enterprise in areas such as purchasing, procurement, and financial and managerial assistance.

The promulgation of Executive Orders 11458 and 11625, in 1969 and 1971, indicated the Federal Government's commitment to encourage and assist the development of minority business enterprises. Today the Nation is confronted with critical economic issues. It is in the national interest to promote the development of minority business enterprises and to foster their inclusion and participation in the competitive business marketplace.

It is essential that coordinated and comprehensive measures be undertaken to alleviate the unique difficulties confronting minority business enterprises in obtaining access to capital, markets, and management resources and skills.

The scarcity of long-term capital has prevented minority management teams from owning, operating and managing viable business enterprises. The primary reason for this scarcity of capital is the continued perception by the financial

industry that minority managers do not possess the requisite expertise necessary for business success. Federal programs of financial assistance to minority business enterprises have yet to effectively address this misconception. It is critical that minorities obtain greater access to capital before the cost of entering these new fields becomes prohibitive.

Statistical studies have shown that there is a disproportionate concentration of minority businesses engaged in the service and small retail sectors. If minority business participation in the American economy is to be increased, there must be a movement into new and more promising domestic and foreign markets.

Management capacity is the single most important variable in business success. It is of critical importance to minority business enterprises because of their historical exclusion from America's business community. Current Federal programs have provided management and technical assistance to small minority firms. However, in providing assistance, the Federal Government has failed to distinquish between minority business enterprises with respect to size, type of industry, track record, nature of operations, and growth potential.

Developmental assistance tailored to the individual needs of minority businesses is necessary if these businesses are to grow, diversify and develop.

Current, accurate and complete information is essential if minority business enterprises are to penetrate new domestic and foreign markets. This information is also necessary to the private sector in its efforts to identify and do business with minority-owned firms.

Basic information on minority business enterprises must be compiled, analyzed and disseminated if an effective Federal program of assistance to minority businesspersons is to be designed and implemented.

No one sector is capable of meeting all of the needs of this Nation's minority business enterprises. The private, state and local government, and Federal sectors each possess certain perspectives and resources which should be utilized in developing effective and practical remedies for the chronic problems which confront minority businesses.

The bulk of American commercial activity is in the private sector. It is a storehouse of immense management, technical, and capital resources which can be harnessed to support minority business development.

This Act provides the legislative foundation for the MBDA to continue to stimulate and coordinate private and governmental activity in support of minority business enterprise development. The establishment of this agency on a statutory basis within the Department of Commerce will enhance the status of the minority business program.

MINORITY BUSINESS DEVELOPMENT

ACT OF 1980

SECTION-BY-SECTION ANALYSIS

Section 1 - Short Title

Section 2 - Findings and Purposes

(a) The Congress finds and declares that existing Federal, state and local programs have not effectively promoted the participation of minority business enterprises in the nation's commerce.

(b) The purpose of the Act is to establish the Minority Business Development Agency in the Department of Commerce to help assure that members of minority groups have an equal opportunity to participate in the nation's commerce.

Section 3 - Definitions

Defines several operative terms used in the Act including Secretary, minority business enterprise, socially disadvantaged individuals, economically disadvantaged individuals, members of minority groups, and state, states and United States.

Section 4 - Functions and Responsibilities of the Secretary; Establishment of the Minority Business Development Agency

Provides that (a) the Secretary of Commerce shall be responsible for administering the Act; (b) the Minority Business Development Agency is established in the Department of Commerce; (c) the Secretary shall coordinate those efforts within the Federal Government which affect or contribute to the interests of minority business enterprises; (d) at the Secretary's request, the head of each Federal department and agency shall cooperate with the Secretary; (e) at the Secretary's request, the head of each Federal department and agency shall designate a Deputy Secretary or official of comparable rank who will have responsibility for the participation and cooperation of that department or agency in furtherance of the purposes of this Act.; (f) upon request, the officials designated in

62-212 O - 80 - 11

the preceding paragraph shall inform the Secretary of all activities within their department or agency that affect minority business enterprises; (g) the Secretary is authorized to cooperate with state and local governments to promote the interests of minority business enterprises; (h) the Secretary is authorized to develop and implement private sector activities in concert with public and private groups and persons to ensure private sector support for the development of minority business enterprises; (i) the Secretary is authorized to provide information that will benefit the establishment and operation of minority business enterprises; (j) the Secretary is authorized to provide financial assistance in the form of contracts and cooperative agreements with and grants to public or private entities; (K) in fulfillment of the Secretary's responsibilities to coordinate efforts within the Federal Government, the Secretary may (1) develop plans and goals, establish monitoring and reporting systems and evaluate the impact of Federal support; (2) convene meetings of agency and departmental heads or their designees; (3) provide the framework within which undertakings with other Federal departments and agencies can be planned and implemented; (4) require a review of all proposed Federal activities that directly support the minority business enterprise program.

Section 5 - Administration and Miscellaneous Powers of the Secretary.

Authorizes the Secretary to (a) make advance payments under grants, contracts and cooperative agreements; (b) employ experts, consultants and organizations and to compensate individuals so employed; and (c) prescribe rules, regulations and procedures.

Section 6 - Annual Report

Requires the Secretary to make an annual report to the President for each fiscal year. The Secretary may include recommendations in this report. Each Federal department or agency shall report to the Secretary, and shall provide the Secretary with data in conjunction with these reporting efforts.

Section 7 - Separability

Provides that the invalidation of one part of the Act by a court of competent jurisdiction shall not affect, impair or invalidate any other part.

Section 8 - Construction

Provides that nothing in this Act shall be construed as subjecting any function of any Federal department or agency or official thereof to the authority of any other agency or office, or as abrogating or restricting any such function.

Section 9 - Authorization

Authorizes appropriations to carry out the purposes of this Act.

CHANGE IN APPROPRIATION LANGUAGE

Mr. HIGHTOWER. On page 5a of the justifications, you cite a proposed change in the appropriation language. What is that change and what is the reason for it?

Mr. HENSON. A change in the appropriation language?

Mr. HIGHTOWER. Yes, on page 5a of your justifications.

Mr. HENSON. It's a name change related to a particular budget activity. Program development and management has been changed to program management.

Mr. HIGHTOWER. What is the reason for that?

Mr. HENSON. Management development is now handled in our policy and marketing shop.

AGENCY REORGANIZATION

Mr. HIGHTOWER. Last year this program was administered by the Office of Minority Business Enterprise. Since that time, the program and the office have been reorganized into the Minority Business Development Agency. Can you tell us what are the principal features of this reorganization?

Mr. HENSON. The major purposes of the reorganization were several fold. Number one, to take into account the history of the Minority Business Development effort in the Federal structure. That history, as you know, goes back about ten years from initial involvement. The new effort would in fact involve us in servicing medium size and larger minority businesses, as well as traditionally small businesses at the entry level.

The structure has been designed for greater efficiency and effectiveness. It allowed us to consolidate two organizations with similar purposes within the Department of Commerce, the Office of Minority Business Enterprise as well as the Inter-agency Council for Minority Enterprise. We wanted to be able to signal renewed commitment to the minority business community. The primary goal of the Minority Business Development Agency is to achieve minority economic parity through the free enterprise system.

Mr. HIGHTOWER. What has been the impact of the reorganization on the administration of the program?

Mr. HENSON. I don't——.

Mr. HIGHTOWER. What changes have resulted because of the reorganization?

Mr. HENSON. We are in the reorganization stage now. The reorganization has several phases. Phase number one allowed us to formally reorganize. As you know, this was originally approved by this Committee in August, I believe. The reorganization has taken until about February to formulate and to attract managers. We are now in a phase where we are gearing up. We believe, through efficient use of the limited resources that we have at this time, there has been no actual negative effect on our existing programs.

We are in the mode now of attempting to redirect our efforts to reformulate Government policies toward minority business development.

Mr. HIGHTOWER. Have your two offices been physically combined? Are they located in one location now?

Mr. HENSON. In one hallway, yes.

Mr. HIGHTOWER. Do you both have the same address?

Mr. HENSON. Yes, Mr. Chairman, my Associate Director for Policy and Market Development is also the Director of the Inter-Agency Council.

Mr. HIGHTOWER. What new policymaking positions were established by the reorganization and how many of them have been filled to date or how many of them do you have commitments for?

Mr. HENSON. Four Assistant and Associate Director positions have been established. All of them are currently filled.

MBDA/SBA COORDINATION

Mr. HIGHTOWER. Public Law 95-507, which was enacted on October 27, 1978, set up within SBA a new Office of Minority Small Business and Capital Ownership Development. The purpose for establishing this new Office was to serve the needs of minority business concerns. Since this new Office will provide assistance for minorities in the area of procurement and management services, as well as technical assistance, can you tell us what steps you have taken to prevent duplication between your program and that of the Small Business Administration?

Mr. HENSON. The U.S. Small Business Administration has within it many programs designed for small business assistance. Each of those programs has unto itself a goal, set within the Small Business Administration, for minority participation. For example, the 7-A Loan Program has a goal established within the Small Business Administration for minority participation.

The procurement assistance program has goals established for minority participation. Within the Small Business Administration, the Associated Administration for Small Business and Capital Ownership Development coordinates those activities within that agency. Our function is much broader than that, it, in fact, is designed to coordinate activity across the Federal structure for minority business participation, including SBA.

We, in fact, complement SBA's activities and SBA complements our activities through their loan programs and through their procurement programs.

The procurement function within SBA, established under Public Law 95-507, is a Government-wide goal-setting function. We interact through an interagency agreement with SBA in support of that activity. There is no overlap. My biography indicates to you that, in addition to being a Regional Administrator with SBA for two years, I was Acting Director of Field Management for SBA for about six months. During that period I became intimately involved with that issue. One of my first concerns, upon assuming the Directorship of this agency, was the potential for overlap. I've taken a look at it and am assured there is none.

In fact, it's very complementary. I think you might be interested to note that approximately 52 percent of all of SBA's loans to minorities last year were in fact packaged and coordinated through the organizations that the Minority Business Development Agency funds.

Mr. HIGHTOWER. It is my understanding that at the White House Conference on Small Business, which was held earlier this year,

several delegates brought up the matter of duplication and confusion between the SBA and the MBDA programs. What efforts has your agency undertaken to provide minority firms with a clear understanding of the difference between the assistance provided by SBA and MBDA?

Mr. HENSON. Other than fielding those questions personally at the White House Conference, we are in the process, in our public affairs effort, of trying to more closely delineate all of the services that the Federal Government provides and will provide in the future, of course, for minority business development.

GRANTS ADMINISTRATION

Mr. HIGHTOWER. Page 8 of the justifications indicates a transfer in fiscal year 1980 of 12 positions and $326,000 for establishing a unit within MBDA to process grants, contracts and cooperative agreements. When did this transfer occur and what impact has the transfer had on the administration of this program?

Mr. BECKER. The transfer occurred very late last fall and was a transfer from the General Administration account of the Department. We need some time in trying to staff up some of these positions, but most of them are now filled and a system is being set up for providing grants administration within the agency. As you may know, with most of the funded organizations, the technique for funding them was contracts, in the past. As a result of the Grants Cooperative Agreement Act of 1977, the procedure now is to use the grant as an instrument.

DEFINITION OF MINORITY

Mr. HIGHTOWER. I wanted to be sure that the record was correct. On page 11, you show a table which lists business development organizations funded through your enterprise development activity from October 1, 1978 through September 30, 1979. One category listed is called non-minority. What are the characteristics of this ethnic category and since they are not a minority, why are you assisting them?

Mr. HENSON. The Executive Order 11625 has in it a definition of minority enterprise as being an organization or a business, 51 percent owned by individuals who are socially or economically disadvantaged. This non-minority category here would be individuals who meet that test and who, while not being an ethnic minority, do qualify for assistance under Executive Order 11625.

Mr. HIGHTOWER. In your proposed legislation, do the provisions of that Executive Order exist in relation to non-minorities?

Mr. HENSON. I believe that the definition of both minority enterprise and minority in the proposed legislation are consistent with Public Law 95-507.

PERFORMANCE MEASURES

Mr. HIGHTOWER. On page 12 you indicate that under the Enterprise Development program, a national network of 100 local business assistance centers will provide basic services to small- and medium-sized minority firms. How do you plan to measure the

effectiveness of these centers? For example, have any standards been established, and if so, would you please tell us about them?

Mr. HENSON. Within our Research and Information office, we are currently establishing a method to track the effectiveness of services to our clients, our clients being the minority business people in the localities where the centers are located. Since I have Herb Becker here, may I let him touch on the evaluation criteria.

Mr. BECKER. There are a number of measures that have been in existence for some time. One of the things that we are doing under this reorganization is to take a good hard look at program design and the way we measure the impact because we're not completely confident that the measures we have been using really tell us the kind of story we would like to have. That is one of the areas that is being reviewed during the coming months as a result of the reorganization.

Mr. HIGHTOWER. If you'd like to provide those measures for the record, we would be happy to have them.

[The information follows:]

PROGRAM PERFORMANCE MEASURES

Number of total clients.
Number of business clients.
Number of financial packages approved.
Dollar value of financial packages approved.
Number of procurements obtained.
Dollar value of procurements obtained.

SPECIALIZED CONSULTANT SERVICES

Mr. HIGHTOWER. On page 16 of the justifications, you indicate a requested increase of $3 million for specialized consultant services. You state that the number of intermediary organizations will be increased to approximately 20 with these additional funds. How many intermediary organizations are funded with the present resources for this program?

Mr. HENSON. None, at present.

Mr. HIGHTOWER. Where are these intermediary organizations located and how long have you provided for them?

Mr. HENSON. This is new service that we are proposing for fiscal years 1980 and 1981.

Mr. HIGHTOWER. According to page 16 of the justifications, you say the number of intermediary organizations will be increased to approximately 20. Now, you must have some already.

Mr. HENSON. That's an unclear statement. They don't exist now. Some of them will exist by the end of fiscal year 1980. Let me explain. This would be an organization providing specialized services to clients that are suffering from some of the unique problems that minority entrepreneurs sometimes run into. That is, lack of an adequate market, or lack of access to adequate capital to move from being a small "mom and pop" or entry level firm to becoming a more successful part of the free enterprise system. These services do not currently exist so that should actually read that we will be expanding this function or actually moving into this function in fiscal year 1980.

Mr. HIGHTOWER. You have a $5 million base for this program. How are these funds used?

Mr. HENSON. I'm going back to the crosswalk. This is money being transferred from an area that could be called portfolio management.

Mr. HIGHTOWER. I also don't understand about the "intermediary organizations." What kind of organizations are we talking about?

Mr. HENSON. These are specialized consulting——

Mr. HIGHTOWER. Could you please name some that you are familiar with?

Mr. HENSON. We have none currently on board. I could name some that——

Mr. HIGHTOWER. There are organizations in existence though that you have in mind to use for these functions?

Mr. HENSON. Yes, sir—Salmon Bros. Goldman Sachs—these are the types of services that any medium-sized business would necessarily need. We are thinking in this particular instance that these services be provided on a cost-sharing basis with the minority firm sharing part of the cost and MBDA sharing part of the cost and with us being in a position to "monitor" the activities as we move these minority firms into the free enterprise system. But these firms do currently exist, you are correct.

Mr. HIGHTOWER. Have you established a full grant to evaluate these intermediary organizations?

Mr. HENSON. We are in the process of doing that.

Mr. HIGHTOWER. Then at some point in time, you will have an approved list?

Mr. HENSON. Right now we are procuring all of our services of this type on a competitive basis. We would plan to procure these services on a competitive basis and try to interest these firms into doing business with the Government.

Mr. HIGHTOWER. You would have certain standards that would be spelled out?

Mr. HENSON. Yes, sir.

Mr. HIGHTOWER. Before you would accept bids from an organization.

Mr. HENSON. Yes, sir.

INFORMATION CLEARINGHOUSE

Mr. HIGHTOWER. On page 27 of the justifications, you show a reduction of $120,000 in the Research program and an increase of $200,000 for the Information Clearinghouse. The latter item appears to be a new program because this is the first time funds have been requested for it. However, the justifications indicate that an element of the Research program, research symposia, is being transferred to the new Clearinghouse. What programs in this new organization would be carried out that your existing field structure cannot do?

Mr. HENSON. In the Clearinghouse?

Mr. HIGHTOWER. Yes.

Mr. HENSON. The Clearinghouse is a library of information located in a central place. It will disseminate sophisticated information to minority entrepreneurs as well as Government officials,

and to non-minority persons who are interested in the information that has been gathered on minority-owned firms and who are interested in the prospects of doing business with minority-owned firms.

Mr. HIGHTOWER. Is this Clearinghouse now in existence?

Mr. HENSON. It's in existence, but on a somewhat limited basis.

Mr. HIGHTOWER. Is it authorized?

Mr. BECKER. It was part of the reorganization proposal submitted to the Committee. It has been set up in that the function exists, we have not been able to staff it yet or develop the detailed aspects of how it will operate. These have to be fully developed.

Mr. HIGHTOWER. How much are you spending for this Clearinghouse in fiscal year 1980?

Mr. HENSON. It's in the Research program at present. I would have to pull those figures out for you, sir.

Mr. HIGHTOWER. If you could provide that for the record, we would appreciate it.

[The following information was submitted:]

INFORMATION CLEARINGHOUSE

The Information Clearinghouse is the central source for research, data and general information on the Minority Business Development Agency, its purpose, programs, and accomplishments.

The Information Clearinghouse was established February 1, 1980 in MBDA's reorganization. It is currently operating with only one of its four (4) authorized positions filled. Position discriptions for additional authorized staff members have been prepared.

The Clearinghouse is presently performing its information servicing function using staff support from the Office of the Assistant Director for Research and Information. Since its establishment, over 150 information kits and/or letters have gone out; telephone requests and "walk-ins" are averaging 15 per day.

INFORMATION CLEARINGHOUSE

	1980	1981
Estimated funding:		
Program funds	$120,000	$200,000
Salaries and expenses	56,000	112,000
Total estimate	176,000	312,000

Mr. HIGHTOWER. The justifications indicate that the Clearinghouse would be structured with a strong outreach program to targeted audiences and the general public. What would these targets be?

Mr. HENSON. The targets are the minority business person, majority owned firms, major corporations, the Public Affairs Offices of the Department of Commerce and the Minority Business Development Agency and any other interested party.

Mr. HIGHTOWER. Why are you trying to serve the general public, since the focus is on the minority?

Mr. HENSON. We think that it is important to get involvement from all sectors of the community, focusing on the major issues of minority business development in 1980.

STAFFING FOR CLEARINGHOUSE

Mr. HIGHTOWER. You do not ask for any additional positions for this Clearinghouse. How many people are now being used and how many do you anticipate using and where will they come from?

Mr. HENSON. Four permanent positions.

Mr. HIGHTOWER. Where have they been?

Mr. HENSON. In the office of Research and Information.

Mr. BECKER. Some of them come from our Public Affairs office. What the Clearinghouse function is is an effort to contain in one place all of the information that is developed by the research staff and to make it more accessible to the minority business community and to the larger business community.

Mr. HIGHTOWER. On page 27, you do not show any positions estimated for fiscal year 1981.

Mr. BECKER. It would show up in the salaries and expenses account rather than here. This is all program money on this particular page.

Mr. HENSON. On page 28, four of those positions are for the Clearinghouse.

NATIONAL PROCUREMENT DATA BANK

Mr. HIGHTOWER. Fine. What is the National Procurement Data Bank that is listed on page 27?

Mr. HENSON. This is a source vehicle for Government procurement purposes, consisting of a computerized listing and qualification statement of all minority owned firms in the country. We began working on this approximately six to eight months ago. We expect to be on line with this by June. It will be of immense assistance, we believe, to all Government agencies and minority-owned, firms particularly in meeting the needs under Public Law 95–507 and other procurement needs.

Mr. HIGHTOWER. Who operates the Bank?

Mr. HENSEN. We do. The Minority Business Development Agency. Let me point out, it is currently being developed under a grant to Source Publications, Inc. We will eventually operate it, however.

Mr. HIGHTOWER. Thank you very much, Mr. Henson. We appreciate your appearance here today.

Mr. HENSON. Thank you, Mr. Hightower.

TUESDAY, APRIL 15, 1980.

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

WITNESS

HENRY GELLER, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION

Mr. HIGHTOWER [presiding]. The committee will consider the appropriation request of the National Telecommunications and Information Administration for fiscal year 1981 this afternoon. The total amended fiscal year 1981 budget request for this agency is $39,178,000. This amount is a decrease of $1,832,000 below appropriations for NTIA enacted to date for fiscal year 1980. This budget request is comprised of two appropriation items. The first is for Salaries and expenses, and the second is for Public telecommunications facilities, planning and construction.

We will insert at this point in the record the original set of justifications as well as the separate set of justifications in support of the amended budget request which is contained in H. Doc. 96-294.

[The justification materials follow:]

DEPARTMENT OF COMMERCE

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Salaries and Expenses
Revised Estimates
Fiscal Year 1981

Funding		Employment	Perm. Pos.	Average Total Employment
Request Pending	$18,068,000	Request Pending	292	342
Proposed Amendment	-595,000	Proposed Amendment	...	...
Revised Request	17,473,000	Revised Request	292	342

STATEMENT OF PURPOSE AND NEED

The purpose of this amendment is to reduce the 1981 request for the Information Technology and Policy subactivity.

In accordance with the President's decision to reduce the national deficit and balance the Nation's budget, certain programs within NTIA are being reduced. One of the programs affected is the telecommunications protection program.

DEPARTMENT OF COMMERCE

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
247	Salaries and Expenses	$18,068,000	-$595,000	$17,473,000

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Salaries and expenses,
National Telecommunications and
Information Administration

Comparison by activities:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Estimate Perm. Pos.	1981 Revised Estimate Amount
1. Policies for the development of telecommunications industries:						
(a) Broadcast, cable, and special services	10	$ 962	...	...	10	$ 962
(b) Domestic common carrier	18	1,195	...	...	18	1,195
(c) International telecommunications policy	9	791	...	...	9	791
Subtotal	37	2,948	...	...	37	2,948
2. Efficient use of telecommunications and information systems:						
(a) Telecommunications applications	32	3,663	...	...	32	3,663
(b) Information technology and policy	36	2,969	...	-$595	36	2,374
Subtotal	68	6,632	...	-595	68	6,037
3. Management of telecommunications resources:						
(a) Spectrum policy	15	923	...	...	15	923
(b) Spectrum management and planning	145	6,052	...	...	145	6,052
(c) Technology for efficient use of spectrum	8	528	...	...	8	528
Subtotal	168	7,503	...	...	168	7,503
4. Public telecommunications facilities:						
(a) Public telecommunications facilities	19	985	...	...	19	985
Subtotal	19	985	...	...	19	985
Decrease	...	...	...	-595	...	...
Total requirements	292	18,068	...	-595	292	17,473

Justification for Proposed Amendment
(Dollar amounts in thousands)

Activity: Efficient use of telecommunications and information systems

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Estimate	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Information technology and policy	36	$2,969	...	-$595	36	$2,374

Program

The impact of the proposed amendment on the telecommunications protection program will be to reduce the resources available for technical support of the program, with a consequent reduction in NTIA's ability to provide technical inputs into the formulation of a national strategy for the protection of telecommunications systems, thus delaying our imput into this strategy by approximately 4 months.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Salaries and expenses

		1981 Request Pending			1981 Proposed Amendment			1981 Revised Estimate			
		Pos.	Comp. Work Years	Amount	Pos.	Comp. Work Years	Amount	Pos.	Comp. Work Years	Amount	Emp. 12/31
11	Personnel compensation:										
11.1	Permanent positions	292	275	$ 7,583	...	...	...	292	275	$ 7,583	265
11.3	Positions other than permanent	70	67	2,460	...	...	...	70	67	2,460	65
11.5	Other personnel compensation			55			...			55	
	Total	362	342	10,098	...	...	...	362	342	10,098	330
	Other objects:										
12	Personnel benefits			899			...			899	
21	Travel and transportation of persons			609			...			609	
22	Transportation of things			58			...			58	
23	Rent, communications and utilities:										
23.1	Standard level user charges			846			...			846	
23.2	Other rent, communications and utilities			888			...			888	
24	Printing and reproduction			390			...			390	
25	Other services			2,255			$ -595			1,660	
26	Supplies and materials			225			...			225	
31	Equipment			600			...			600	
41	Grants, subsidies and contributions			1,200			...			1,200	
	Total requirements			18,068			-595			17,473	

62-212 O - 80 - 12

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Request Pending Pos.	Comp. Work Years	Amount	1981 Proposed Amendment Pos.	Comp. Work Years	Amount	1981 Revised Estimate Pos.	Comp. Work Years	Amount	Emp. 12/31
11.1 Permanent positions										
General schedule	292	275	$ 7,583	...	...	...	292	275	$ 7,583	265
11.3 Positions other than permanent										
General schedule	70	67	2,460	...	...	...	70	67	2,460	65
11.5 Other personnel compensation			55			...			55	
12.1 Personnel benefits										
Civil service retirement			606			...			606	
Federal Insurance Contribution Act, FICA			145			...			145	
Health insurance			84			...			84	
Life insurance			52			...			52	
Employee awards			12			...			12	
Total, personnel benefits			899			...			899	
21.0 Travel and transportation of persons										
Per diem			298			...			298	
Common carrier			302			...			302	
Other			9			...			9	
Total, travel and transportation of persons			609			...			609	
22.0 Transportation of things			58			...			58	
23.1 Standard of level user charges			846			...			846	

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Request Pending Pos.	Comp. Work Years	Amount	1981 Proposed Amendment Pos.	Comp. Work Years	Amount	1981 Revised Estimate Pos.	Comp. Work Years	Amount
23.2 Other rent, communications and utilities									
Federal Telecommunications System			114			...			114
Other telephone, telegraph and teletype service			84			...			84
Postal services by USPS			35			...			35
Rental of automatic data processing equipment			472			...			472
Rental of office copying equipment			95			...			95
Other equipment rental			88			...			88
Total, other rent, communications, and utilities			888			...			888
24.0 Printing and reproduction									
Publications			137			...			137
Other pringing and reproduction			253			...			253
Total, printing and reproduction			390			...			390
25.0 Other services									
Training									
Civil Service Commission			53			...			53
Other			80			...			80
Other Federal Agencies:									
Department of Commerce			304			...			304
National Oceanic and Atmospheric Administration			142			...			142
National Bureau of Standards			298			...			298
Other			50			...			50

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Request Pending Pos.	Comp. Work Years	Amount	1981 Proposed Amendment Pos.	Comp. Work Years	Amount	1981 Revised Estimate Pos.	Comp. Work Years	Amount
25.0 Other services (cont.)									
Maintenance of equipment			75			...			75
GSA alterations and repairs			74			...			74
Other services			1179			$-595			584
Total, other services			2255			-595			1660
26.0 Supplies and materials									
ADP supplies			150			...			150
Other supplies			75			...			75
Total, supplies and materials			225			...			225
31.0 Equipment									
ADP equipment			276			...			276
Other equipment			217			...			217
Equipment depreciation			107			...			107
Total, equipment			600			...			600
41.0 Grants, subsidies and contribution			1200			...			1200

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL TELECOMMUNICATIONS AND
INFORMATION ADMINISTRATION
SALARIES AND EXPENSES
Program and Financing
(in thousands of dollars)

Identification code 13-0550-0-1-376	19 81 actual	1981 estimate	19 81 estimate
	Request Pending	Proposed Amendment	Revised Request
Program by activities:			
Direct program:			
1. Policies for the development of telecommunications industries:			
a. Broadcast, cable and special services	962	...	962
b. Domestic common carrier	1,195	...	1,195
c. International telecommunications policy	791	...	791
2. Efficient use of telecommunications and information systems:			
a. Telecommunications applications	3,663	...	3,663
b. Information technology and policy	2,969	-595	2,374
3. Management of telecommunications resources:			
a. Spectrum policy	923	...	923
b. Spectrum management and planning	6,052	...	6,052
c. Technology for efficient use of spectrum	528	...	528
4. Public telecommunications facilities:			
a. Public telecommunications facilities	985	...	985
Total, direct program	18,068	-595	17,473
Reimbursable programs	7,900	...	7,900
Total program costs, funded	25,968	-595	25,373
Change in selected resources (undelivered orders)	...	...	...
10.00 Total obligations	25,968	-595	25,373
Financing:			
11.00 Offsetting collections from:			
Federal funds	-7,900	...	-7,900
Budget authority	18,068	-595	17,473
Budget authority:			
40.00 Appropriation	18,068	-595	17,473

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL TELECOMMUNICATIONS AND
INFORMATION ADMINISTRATION
SALARIES AND EXPENSES
Program and Financing
(in thousands of dollars)

Identification code 13-0550-0-1-376	1981 XXXXX Request Pending	1981 XXXXX Proposed Amendment	1981 XXXXX Revised Request
Relation of obligations to outlays:			
71.00 Obligations incurred, net	18,068	-595	17,473
72.40 Obligated balance, Start of year	9,033	...	9,033
74.40 Obligated balance, end of year	-9,650	65	-9,585
90.00 Outlays, excluding pay raise supplemental	17,428	-530	16,898
91.20 Outlays, from civilian pay raise supplemental	23	...	23

DEPARTMENT OF COMMERCE
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Public Telecommunications Facilities, Planning and Construction
Revised Estimates
Fiscal Year 1981

Funding

Request Pending	$23,705,000
Proposed Amendment	-2,000,000
Revised Request	21,705,000

Statement of Purpose and Need

The purpose of this amendment is to reduce the 1981 request for the public telecommunications facilities grant program.

In accordance with the President's decision to reduce the national deficit and balance the nation's budget, certain programs within NTIA are being reduced.

The impact of the proposed reduction on the public telecommunications facilities grant program will be to decrease the number of grants to public broadcast facilities.

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
249	Public Telecommunications Facilities, Planning and Construction	$23,705,000	-$2,000,000	$21,705,000

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Public telecommunications facilities, planning and construction

Comparison by activity	1981 Request Pending		1981 Proposed Amendment		1981 Revised Estimate	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Public telecommunications facilities grants	...	$23,705	...	-$2,000	...	$21,705

Justification of Program and Performance

Activity: Public Telecommunications Facilities Grants

(Dollar amounts in thousands)

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Estimate	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Public Telecommunications Facilities Grants.....	...	$23,705	...	-$2,000	...	$21,705

This proposed amendment to the Public Telecommunications Facilities grants budget would reduce the number of grants awarded under each of the program's three funding priorities: (1) The extension of public telecommunications services to unserved areas, (2) The provision of additional or complementary services to special audiences, and (3) The improvement of existing public telecommunications facilities.

Under priority (1) the anticipated impact would be a reduction of $750,000 in grants which would cause a reduction of three in the number of public radio entities which could be assisted in establishing stations.

The impact on priority (2) would be a reduction in the number of planning and facilities grants for the provision of additional public telecommunications services to meet the specialized needs in a community, or additional public radio or cable facilities to serve minority groups in an area. Grants for these purposes would be reduced by seven in number totaling $750,000.

Under priority (3) a reduction in total appropriated funds would reduce the amount available for improvement of facilities by $500,000, (under the present statutory requirements, not less than 75% of appropriated funds must be available for extension of services to unserved areas). As a result, four public telecommunication entities would not be helped in upgrading their facilities to provide better quality services to viewers or listeners within their coverage area.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Public telecommunications facilities planning and construction

Object Class	1981 Request Pending			1981 Proposed Amendment			1981 Revised Estimate		
	Pos.	Comp. Work Years	Amount	Pos.	Comp. Work Years	Amount	Pos.	Comp. Work Years	Amount
41.0 Grants, subsidies and contributions	...	...	$23,705	...	...	-$2,000	...	...	$21,705

Justification by Object Class
(Dollar amounts in thousands)

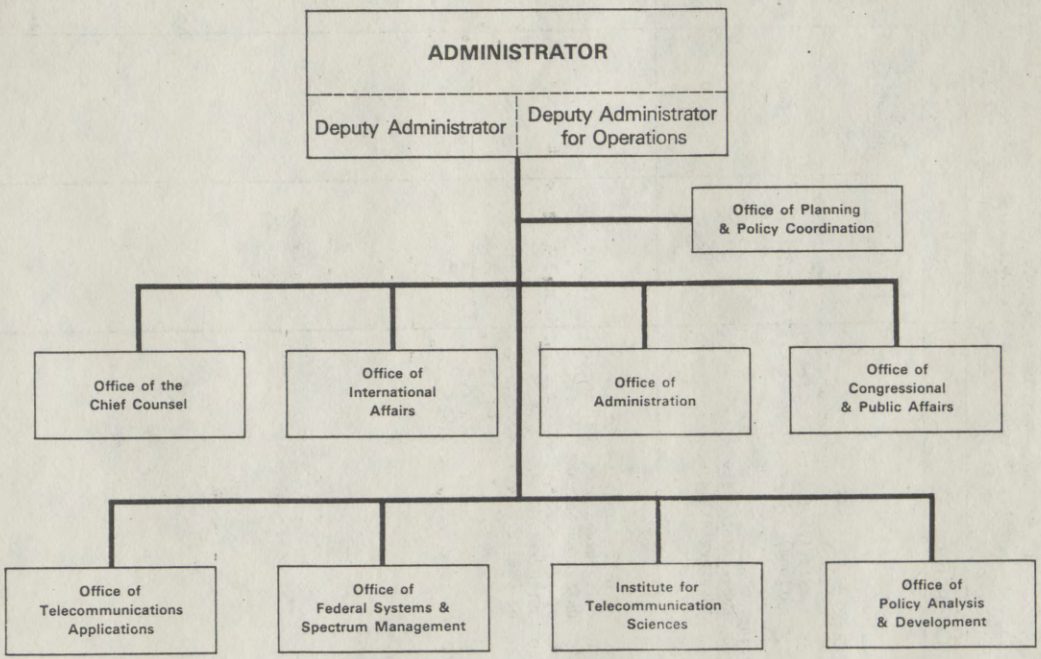
41.0 Grants, subsidies and contributions	...	...	$23,705	...	...	-$2,000	...	...	$21,705

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION
PUBLIC TELECOMMUNICATIONS FACILITIES, PLANNING AND CONSTRUCTION
Program and Financing (in thousands of dollars)

Identification code 13-0551-0-1-503	19 81 xxxxxx	19 81 xxxxxx	19 81 xxxxxx
	Request Pending	Proposed Amendment	Revised Request
Program by activities:			
10.00 Public telecommunications facilities (costs - obligations) (object class 41.0).	23,705	-2,000	21,705
Financing:			
40.00 Budget Authority (appropriation).....	23,705	-2,000	21,705
Relation of obligations to outlays:			
71.00 Obligations incurred, net....	23,705	-2,000	21,705
72.40 Obligated balance, start of year.....	38,372	...	38,372
74.40 Obligated balance, end of year.....	-39,232	600	-38,632
90.00 Outlays.....	22,845	-1,400	21,445

U.S. DEPARTMENT OF COMMERCE
National Telecommunications and
Information Administration



NTIA-1

GENERAL STATEMENT

The National Telecommunications and Information Administration was formed on March 26, 1978, pursuant to Reorganization Plan No. 1 of 1977. The reorganization combined the resources of the Office of Telecommunications within the Department of Commerce and the Office of Telecommunications Policy from the Executive Office of the President. The Executive Order (E.O. 12046) which created NTIA also provides a broad national role on telecommunications and information issues for the Department of Commerce. Subsequently, the President has signed directives giving NTIA significant responsibility in the areas of communications security, privacy protection and the application of public service satellites. Congress has also authorized major responsibility for NTIA in the area of public telecommunications facilities planning and construction through the enactment of the Public Telecommunications Financing Act of 1978.

NTIA's broad goals include: (1) formulating policies to support the development, growth and regulation of telecommunications, information and related industries, (2) furthering the efficient development and use of telecommunications and information services, (3) providing policy and management for the use of the electromagnetic spectrum, and (4) providing telecommunications facilities grants to public service users.

The following is a comparison of the 1980 appropriation with the 1981 budget request:

(Dollar amounts in thousands)

Appropriations	1980 Appropriation Perm. Pos.	Amount	1981 Estimate Perm. Pos.	Amount	Inc(+) or Dec(-) Perm. Pos.	Amount	Perm. Emp. 12/31
Salaries and expenses	273	$17,305	292	$18,068	+19	+$763	265
Public telecommunications facilities planning and construction	...	23,705	...	23,705	...	...	...
Total	273	41,010	292	41,773	+19	+ 763	265

Appropriation Summary Statement

Appropriation: Salaries and expenses

The FY 1981 budget request of $18,068,000 for this appropriation represents an increase of $763,000 over the 1980 currently available amount of $17,305,000. This amount includes increases of $358,000 for adjustments to base and built in changes; $785,000 for a program increase in the Management of Telecommunications Resources and a program decrease of $380,000 in the Efficient Use of Telecommunications and Information Systems.

The "Policies for the Development of Telecommunications Industries" activity develops policies aimed at creating an improved legislative, administrative and regulatory framework for television, radio, cable and mobile radio and assures that users receive the least-cost and broadest range of common carrier services. This activity also provides that the interests of the United States are accounted for by providing the most efficient and economical international services.

The "Efficient Use of Telecommunications and Information Systems" activity fosters the cost effective application of telecommunications and information systems technologies appropriate to public services delivery; and encourages the establishment of more efficient and non-duplicative telecommunications and information system planning procurement and implementation. In addition, this activity develops and recommends national policies to resolve problems arising from the changing relationships among nations, institutions, industries, and individuals which result from the widespread use of new information technologies and new ways of handling information. The decrease in this area consists of an adjustment to base for the telecommunications protection effort to account for non-recurring contracts ($753,000), a phasing out of technical assistance to local governments on the efficient operation of telecommunication systems (-3 pos. - $180,000); and a decreased level of effort in the privacy program (+3 pos. - $200,000).

The "Management of Telecommunications Resources" activity develops policies and manages the Government's use of the radio spectrum so that this use in both the long and short terms is effective, efficient, equitable and responsive to national and international requirements; plans jointly with the FCC long-range management of the whole national radio spectrum resource; coordinates national positions with the FCC and Department of State and develops Government policies for international negotiations on spectrum planning and regulation. In carrying out this activity present and projected radio interference situations between various Federal agencies' operations and between Government and non-Government operations are resolved; assignments of radio frequencies to Federal agencies are made; and promulgations issued in compliance with regulations concerning Federal spectrum use are insured. In addition, this activity increases the usefulness of the radio spectrum by developing new data, system performance models and evaluation methods for using presently congested portions more efficiently and by opening up new portions for productive use, and maintains a strong technical information base for informed public decision making on technical issues involved in telecommunications regulations. An increase will provide for better management of the Federal use of the radio spectrum by improving spectrum resource assessments, systems reviews and the processing of additional frequency assignments to reduce backlogs in these areas (+19 pos.; +$785,000).

"Public Telecommunications Facilities Grant Administration" activity will provide for the administration of grants for the planning and construction of public telecommunications facilities.

Summary of Requirements
(Dollar amount in thousands)

Appropriation: Salaries and expenses

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			273	$17,305
NTIA-6	Adjustments to base and built-in changes:				
	Adjustments for 1980 pay increase and related costs	...	+ 883		
	Other increases	...	+ 264		
	Other decreases	...	- 789		
	Subtotal, adjustments to base and built-in changes	...		...	+ 358
	1981 base			273	$17,663

	Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc. (+) Dec. (-) Over 1981 Base Perm. Pos.	Inc. (+) Dec. (-) Over 1981 Base Amount
NTIA-11	1. Policies for the development of telecommunications industries:										
	(a) Broadcast, cable, and special services	12	$ 847	10	$ 920	10	$ 962	10	$ 962	...	...
			(946)		(957)						
	(b) Domestic common carrier	20	987	18	1,112	18	1,195	18	1,195	...	...
			(892)		(1,152)						
	(c) International telecommunications policy	12	734	9	751	9	791	9	791	...	...
			(602)		(918)						
	Subtotal	44	2,568	37	2,783	37	2,948	37	2,948	...	...
			(2,440)		(3,027)						

Page No.	Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc. (+) Dec. (-) Over 1981 Base Perm. Pos.	Inc. (+) Dec. (-) Over 1981 Base Amount
NTIA-17	2. Efficient use of telecommunications and information systems:										
	(a) Telecommunications applications	30	2,083	35	3,685	35	3,843	32	3,663	- 3	-$ 180
			(1,820)		(4,054)						
	(b) Information technology and policy	44	843	33	3,752	33	3,169	36	2,969	+ 3	- 200
			(2,995)		(4,913)						
	Subtotal	74	2,926	68	7,437	68	7,012	68	6,632	...	- 380
			(4,815)		(8,967)						
NTIA-25	3. Management of telecommunications resources:										
	(a) Spectrum policy	15	841	15	872	15	923	15	923	...	...
			(918)		(924)						
	(b) Spectrum management and planning	126	4,747	126	4,837	126	5,267	145	6,052	+ 19	+ 785
			(4,532)		(5,192)						
	(c) Technology for efficient use of spectrum	10	538	8	491	8	528	8	528	...	...
			(611)		(504)						
	Subtotal	151	6,126	149	6,200	149	6,718	168	7,503	+ 19	+ 785
			(6,061)		(6,620)						
NTIA-35	4. Public telecommunications facilities:										
	(a) Public telecommunications facilities administration	15	305	19	885	19	985	19	985	...	...
			(299)		(915)						
	Subtotal	15	305	19	885	19	985	19	985	...	...
			(299)		(915)						
	Increase									+ 19	+ 405
	Total requirements	284	11,925	273	17,305	273	17,663	292	18,068		
			(13,615)		(19,529)						

Note - Dollar amounts in parentheses represent obligations.

62-212 O - 80 - 13

Justification of Adjustments to Base and Built-in Changes
(Dollar amounts in thousands)

	Perm. EOY Emp.	Amount
Adjustment for 1980 Pay Increase and Related Costs:		
Total cost in FY 1980 of pay increase	...	+ 748
Less amount absorbed	...	- 311
Anticipated FY 1980 pay increase supplemental	...	+ 437
Additional amounts in FY 1981 to provide full-year cost of pay increase	...	+ 446
Total	...	+ 883

The anticipated supplemental in 1980 of $437,000 includes $62,000 for the Executive Pay Raise effective October 1, 1979, and $375,000 for the general schedule pay increase effective October 7, 1979. An additional $446,000 is required in 1981 to cover the full-year cost of the October increase.

Other increases		
Full-year cost in 1981 of positions financed for part-year in 1980	...	+ 29
Within-grade step increases	...	+ 70
Federal Telecommunications System	...	+ 15
Rent payments to GSA (SLUC)	...	+ 42
Printing and reproduction	...	+ 7
Other services	...	+ 99
Supplies	...	+ 2
Total	...	+ 264

	Perm. EOY Emp.	Amount
	...	+29

The full-year cost in 1981 of the 1980 program increases is for the annualized costs of personnel compensation for the positions associated with the 1980 NTIA program increase in the Public Telecommunications Facilities Administration program. The following table identifies the positions and shows the derivation of the cost increase:

Position Title	GS Grade	Number	Amount
Telecommunications Specialist	13	4	$109,812
Total annual salary of new positions in 1980		4	109,812
Less 5 percent lapse			-5,491
Full year cost			104,321
Benefits at 8.8 percent			9,180
Full year cost of salaries and benefits			113,501
Less salaries and benefits approved in 1980 budget at 25 percent lapse			-84,775
Total increase needed in 1981 to cover full-year cost of 1980 program increase			28,726

	Perm. EOY Emp.	Amount
The cost of within-grade step increases was calculated as follows:	...	+70
Estimated number of within-grade step increases scheduled..... 129		
Step increases not earned due to turnover..... 5		
Average step above step 1 per separation..... 3		
Average cost per within-grade step increase..... $ 574		
Gross cost of scheduled step increase..... 74,046		
Less savings due to separations..... 8,610		
Subtotal, personnel compensation..... 65,436		
Personnel benefits at 8.8%..... 4,908		
Total cost..... 70,344		
The increase in Federal Telecommunications System charges is based on a distribution of rate and usage charges as determined by the General Services Administration (GSA).	...	+15
The GSA conducted a Fair Annual Rental (FAR) appraisal for 1981 which resulted in an adjusted increase in SLUC of $42,000 over the 1980 estimate.	...	+42
The increase for printing and reproduction is intended to offset a portion of the increased printing cost which has occurred in the past year and represents 8% of the 1980 estimate of $89,000 for printing.	...	+7
Other services:	...	+99
Cross services..... $ 8,000		
Computer maintenance service..... 72,000		
Working Capital Fund..... 19,000		
Total.....99,000		

	Perm. EOY Emp.	Amount

The increase of $8,000 is for the additional charges in 1979 for cross-services provided by National Bureau of Standards and National Oceanic and Atmospheric Administration to NTIA facility at Boulder. The computation is as follows:

	($ in thousands)
FY 1978 Cross-Service Charge	$756
FY 1979 Cross-Service Charge	775
Total increase	19
Amount associated with other Agency Projects	-11
Additional amount required for direct funded programs	8

The computer maintenance service provided by the Bureau of Census for our Annapolis office will be discontinued in 1979. NTIA estimates that it will cost NTIA at least $72,000 in addition to the amount charged by the Bureau of Census for a new maintenance contract with another entity. The increase in this item is not to increase the level of service. The adjustment is necessary to maintain the same level of services.

The increase of $19,000 is for the additional charges for the services provided by the Office of the Secretary through Working Capital Fund and reimbursable projects, such as personnel services, library, and central contracting.

This increase is intended to compensate the price increase in paper products due to changes in market condition such as strikes against some of the paper mills, and increase in raw material and transportation costs. This increase requires an adjustment of $2,000 for paper supplies. ... +2

	Perm. EOY Emp.	Amount
Other decreases		
One less compensable day in 1981	...	-$36
Non-recurring items	...	-753
Total	...	-789
The cost of the one less compensable day in 1981 compared to 1980 was calculated by dividing the 1980 estimate for personnel compensation and benefits by 262 compensable days.	...	-36
This decrease represents non-recurring contracts in the Information Technology and Policy subactivity.	...	-753

Justification of Program and Performance

Activity: Policies for the Development of Telecommunications Industries

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Broadcasting, Cable & Special Services	12	$ 847	10	$ 920	10	$ 962	10	$ 962	...	...
Domestic Common Carrier	20	987	18	1,112	18	1,195	18	1,195	...	...
International Telecommunications Policy	12	734	9	751	9	791	9	791	...	...
Total requirements	44	$2,568	37	$2,783	37	$2,948	37	$2,948	...	...

Goals and Objectives

Goals: Promote diversity of services, effective competition, and minimal regulation in the telecommunications industries by development and support of policies and plans for domestic and international telecommunications industries.

Objectives: Formulate and advocate regulatory, legislative, and institutional reforms to the FCC, Congress, industry, and international bodies to: (1) increase the number of outlets and diversity of broadcast and related services, and promote the ownership and viable operation by minorities of broadcast stations: (2) promote competition and deregulation where feasible, ensure the universal availability of basic telecommunications services, and advocate the United States position in international bodies.

Base Program

This activity is concerned with developing plans and policies which will improve domestic and international services provided by telecommunication industries. The Communications Act of 1934 provides a base for the regulation of these industries in protecting the public interest. However, a number of new services and new technologies have come into being since the adoption of the Act. Over-regulation of the industry tends to impede adoption of such services and technology, while too little regulation may lead to monopolistic practices. NTIA, as Executive Branch spokesperson, develops and recommends policies to the Congress and the FCC which promote greater diversity of services through the

application of technology and effective competition with a minimum of regulation so that these services can be made available to the public in a timely manner at reasonable cost. Thus, NTIA strives to obtain a proper regulatory balance which will allow for maximum benefit to the public.

NTIA's effort in this activity is organized to treat the unique features and regulatory aspects of various types of telecommunications industries. The first subactivity deals with broadcasting, cable and special services. Through policy and technical studies this subactivity develops ways to increase diversity of services, open up new outlets, and increase minority ownership and participation. A second subactivity concerns domestic common carrier problems. It recommends new policies to increase deregulation and competition. The third subactivity addresses international telecommunications services. Here, NTIA develops policy recommendations aimed at improving international telecommunications through the introduction of innovative and expanded services. It also participates and advocates our national position in international organizations.

Broadcasting, Cable & Special Services

The broadcasting, cable and related services industries (i.e. television, radio, cable, etc.) have been largely regulated since the passage of the Communications Act of 1934. In the past decade, significant changes in technology have raised questions by the Executive Branch, the Congress and the private sector as to the adequacy of the current structure. NTIA's agenda in this area is to some extent a response to major Congressional or FCC action. NTIA is also directing its efforts toward achieving more broadcasting outlets, diversification of services, and greater participation by minorities.

NTIA in its role as Executive Branch spokesperson makes proposals to the FCC and the Congress that will allow more outlets and diversification of services. These proposals can be technical in nature (such as showing the feasibility of expanding or reconfiguring services), policy oriented (such as participating in legislative or regulatory proceedings to revise current practices), or some combination of these two. Proposals made to the FCC sometimes result in years of hearings, discussions, filings and comments before a final decision is reached. Therefore, the impact of NTIA recommendations may not be apparent for many years. NTIA is often required to participate in several proceedings involving proposals on the same issue. An example of an NTIA proposal which is expected to have significant impact on the use of a scarce spectrum resource is the proposal to allow the spacing between channels in the AM band to be reduced from 10 kilohertz to 9 kilohertz. Other proposals will allow new techniques to be used in assigning FM radio stations and in establishing a new class of low-power TV stations. Each of these proposals will allow more stations within the existing spectrum capacity. This is intended to provide more diversified services to the American public. In FY 1981, NTIA will continue to support these proposals at the FCC as well as to develop others to expand broadcasting services.

In 1981 NTIA will continue to participate in major FCC and Congressional proceedings. One of NTIA's major efforts is aimed at ensuring that the Administration's viewpoint is considered in the FCC's ongoing "Network Inquiry". This inquiry is intended to determine whether present arrangements for the supply and distribution of television programming unduly restrict program diversity and if so what alternatives are available to altering these arrangements. NTIA views

its role as an interested party who, on behalf of the Administration, can address legal, economic, and structural issues presumably leading to a timely resolution of the proceeding. In addition, NTIA intends to participate in Congressional and FCC efforts which focus on current regulations controlling program content for radio. This effort is an examination of those regulations put into effect when it was thought that the public interest would best be served by regulation. It is now believed that the public interest might best be served by competition. The potential benefits of this effort would be the reduction of costly regulation; enhancement of First Amendment freedoms; greater diversification of services; and an accelerated growth in the broadcasting industry.

In 1981, NTIA will also develop policies and approaches leading to improvements in the quality of UHF television reception to a level comparable to that of VHF. The signal quality limitations of UHF television have generally precluded full competition for advertising dollars and therefore programming. NTIA's proposal would enable UHF to be on a more competitive basis with VHF service in the long term. Such an advance would significantly increase the quality and diversity of services.

The broadcasting industry operates within a framework of legal, technical and regulatory constraints that limit the number of outlets and the diversity of services that can be offered. Therefore many groups, especially minorities, cannot adequately participate within such a system. The constraints usually favor those who are already licensed to operate. NTIA has put forth a continuing effort toward enhancing the participation of minorities in the field of telecommunications. This base program consists of two parts. The first attempts to assure that capital is made available to minority entrepreneurs. NTIA promotes the availability of loans from Federal (e.g. SBA, MBDA, EDA, etc.) and private sources, by coordinating the needs of minorities and the resources available. In FY 1981, NTIA expects to be able to increase the loans to minorities by 30% over the 1980 level. Second, NTIA will work with the Office of Federal Procurement Policy and the American Association of Advertising Agencies to increase the proportion of Federal government advertising placed with minority advertising, production and broadcasting firms by 200% over the 1980 level. Both efforts will substantially increase the viability of minorities in broadcasting.

Domestic Common Carrier

NTIA's involvement in domestic common carrier[1/] issues is aimed at the formulation and advocacy of policies to meet the challenge of technological improvements in telecommunications. NTIA's primary intent in this regard is to promote competition and deregulation where feasible. This is accomplished by working with the Congress and the FCC and examining new innovative services to ensure that they are provided in a competitive environment; that the government does not create regulatory barriers which burden the provider or receiver of these services; and that the availablility of basic telephone service is not jeopardized.

While supporting the universal availability of basic common carrier services, NTIA's role is to advocate policies and proposals that promote the reduction of competitive barriers. When the basic legislation (Communications Act of 1934) was written, no one could anticipate that the technology would advance as rapidly as it has and secondly that these advances would have such an impact on competition within the industry. In addition, the fields of communications and data processing, for example, are no longer clearly distinguishable and therefore such regulatory questions as who should provide what services and under what conditions are made extremely complex and difficult.

1/ The domestic common carrier industry consists of telephone, telegraph and data link communications.

Since the creation of NTIA, four major areas affecting the viability of the common carrier industry have been addressed:

- the Exchange Network Facilities for Interstate Access Tariff (ENFIA);
- the role of the Postal Service in electronic communications;
- the cost allocation for the interstate revenue pool; and
- the Congressional rewrite of the Communications Act of 1934.

As principal negotiator in the ENFIA issue, NTIA played a major role in determining a cost allocation methodology for competitive and monopolistic firms which was both fair and equitable. The facilities of both types of firms are used to provide interstate telephone service. This effort, which averted lenghty regulatory proceedings, insures that this service will be provided in a competitive environment.

By chairing an interagency committee and coordinating the drafting of a Presidential review memorandum, NTIA, in conjunction with various Federal agencies, examined the role of the Postal Service in electronic communications. This review, resulted in the identification of a role for the Postal Service which would not hamper the development of innovative services, nor have an adverse impact on the competitive environment.

In 1979, NTIA also made cost allocation recommendations on certain private-line long distance telephone services as to how contributions should be made to an interstate revenue pool. This proposal evaluated and assessed the adequacy and reasonableness of the costs of these services from the standpoint of both the provider and receiver of the service.

Also the Administration announced a major policy to foster competition and move toward deregulation of the common carrier industries. NTIA, at the request of Congress, supplied advice and assistance consistent with the Administration's position in rewriting the Communications Act of 1934. In 1980 NTIA will continue to advocate these policies to Congress and to propose specific mechanisms through testimony and technical analyses. NTIA will also continue to provide laison with Federal and State regulators, the industry and other interested parties on these issues. In 1981 and beyond research will be conducted on the major issues of deregulation, such as rate de-averaging and access charges. NTIA will propose and advocate specific mechanisms, before Congress and appropriate regulatory agencies, to manage the transition to a more fully competitive environment.

In FY 1980, NTIA plans to review the basic assumptions and criteria for interstate telephone rates, which are now based on national averages. NTIA intends to make specific proposals for new policies on rate making, taking into account the needs of specific geographic areas such as rural areas. In FY 1981, additional proposals for changes in rate making practices will be made to the FCC as well as follow-up to the FCC filings and proceedings. A significant segment of this effort is to determine the effect of de-averaging on rural areas which are more expensive to serve and to overcome such a problem. In FY 1980 NTIA will also develop a first phase analysis of the structural and regulatory conditions which are necessary to prevent telephone firms from using monopoly profits to subsidize competitive services. In FY 1981 and beyond, NTIA will continue this effort to answer the questions of participating parties and seek a resolution. Also the econimic and legal issues surrounding the structure of the common carrier industry and market would be examined in FY 1980 and beyond to determine whether changes should be proposed.

In FY 1981 NTIA will evaluate additional technologies which might be able to enhance competition in local telephone service. This effort will promote the principle of expanding competition where feasible. In addition, NTIA will propose improvements in rate making practices through FCC filings and proceedings particularly the effect of de-averaging on rural areas, which are more expensive to serve; continue to examine cross-subsidization issues; and review the economic and legal issues involving the structure of the common carrier industry.

NTIA will provide the Administration's position on several other FCC proceedings including public long-distance rates as well as the proposed Xerox Telecommunications Network (XTEN). XTEN could provide competition to some aspects of local business telephone service ---- one of the last remaining non-competitive services. NTIA will also file in the FCC's ongoing Computer Inquiry II which is examining the role of AT&T and other telephone carriers in providing data processing services so as to increase competition and give consumers the benefits of new technology.

In FY 1981, NTIA will participate in major FCC dockets. Although it is not certain what areas will be the most active in FY 1981, the following issues are most likely:

- NTIA may make proposals to revise the Uniform System of Accounts. This is the accounting system used in calculating and distributing costs of common carrier services. An examination of this is necessary to ensure that the prices of various services reflect true costs and that cross-subsidization of services does not occur.

- AT&T is proposing to offer an Advanced Communications Services (ACS) which is a competitive service. NTIA will make proposals to determine the terms and conditions under which such a service should be offered.

- The FCC will be proposing a new cost allocation method for shared equipment which must be examined to insure that the costs are properly distributed.

International Telecommunications Policy

NTIA has three major roles in international telecommunications which are supported by this subactivity.

First, NTIA is a major participant in the development and advocacy of policies for the advancement of U.S. interests in the international telecommunications area. This effort includes presenting proposals at international forums which can best facilitate the introduction of innovative and expanded international communication services.

In FY 1981, NTIA will also develop and advocate the adoption of U.S. positions on several major issues. NTIA will examine the use of small earth terminals and their applicability for less developed countries; new technologies for satellite services; and the feasibility of introducing additional competition into international telecommunications. NTIA will also be prepared to respond to those issues raised by other international entities.

In its second role, NTIA is charged with the continuing oversight of COMSAT (Communications Satellite Corp.), the United States representative to the International Telecommunications Satellite Organization (INTELSAT), which provides communications satellite services. Within this role, NTIA monitors COMSAT's operations, participates in oversight briefings, prepares policy analysis for a limited number of issues, and in coordination with the Department of State issues guidance to COMSAT. In FY 1981 NTIA will continue to advocate a change in FCC policy that would allow COMSAT to sell its services directly to end users. Currently, COMSAT offers its services only to common carriers, with very limited exceptions. NTIA petitioned for a reconsideration of the policy in FY 1980. FY 1981 activities will focus on development of an appropriate cost allocation procedure to ensure that the opportunity for full and fair competition between COMSAT and other carriers is maintained. NTIA will also initiate a study of specialized uses of the INTELSAT system. This will include exploration of regional, aeronautical and maritime-mobile communications services.

NTIA also has a continuing role in establishing an orderly process to plan for international communications facilities such as satellites and submarine cable. In FY 1979 NTIA participated in this process for the North Atlantic region. In FY 1980 and FY 1981 high level negotiations will take place on new technologies for the North Atlantic region. Consultations leading to a facilities planning process in the Pacific and Caribbean will also be initiated. In FY 1979, NTIA promoted the establishment of a new international organization, the International Maritime Satellite Organization (INMARSAT) to provide communications to and from ships at sea. Further work in this area will consist of ensuring that appropriate policies are adopted for INMARSAT.

NTIA will continue to actively participate in, comment on and petition in other FCC proceedings in FY 1981.

Activity: Efficient Use of Telecommunications and Information Systems

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Telecommunications Applications...	30	$2,083	35	$3,685	35	$3,843	32	$3,663	-3	-$ 180
Information Technology and Policy.	44	843	33	3,752	33	3,169	36	2,969	+3	- 200
Total Requirements.....	74	$2,926	68	$7,437	68	$7,012	68	$6,632	...	- 380

Goals and Objectives

Goals: Telecommunications Applications: (1) stimulate commercial satellite carriers to provide cost-effective services to widely dispersed and low volume domestic and foreign public service users, (2) identify key technical and economic aspects of direct broadcast satellite systems in order to identify and quantify upcoming telecommunications policy issues, (3) improve the effectiveness with which telecommunications systems satisfy Federal objectives and ensure that telecommunications resources are used as efficiently and effectively as practicable, (4) improve the application of telecommunications systems serving the public and those which support state and local governments. Information Technology and Policy: (1) develop and recommend policies that resolve problems arising from the changing relationships among nations, institutions, industries, and individuals which are affected by the widespread use of new information technologies and new ways to handle information; and (2) develop and coordinate privacy policy regarding private sector collection, use, and dissemination of personally-identifiable information; support the Administration's policy via drafting of legislation regarding new or changing information practices in the private sector; (3) to develop and recommend policies and practices, which enhance the security of information vital to the national interest transmitted over telecommunications systems.

Objectives: Telecommunications Applications: (1) develop organizational mechanisms to identify and operate cost effective services for dispersed, low-volume public service users and promote the transfer of these commercial technologies and organizational approaches to lesser developed countries; (2) conduct technical analyses of the 1979 General World Administrative Conference decisions on small earth stations and identify key technical and economic aspects of direct broadcasting satellite systems; (3) make recommendations to improve policy guidance for Federal systems; (4) assist states in reducing duplicative, fragmented and over-regulated telecommunications systems. Information Technology and Policy: (1) identify unclassified information which would be of use to foreign adversaries and assure that the means are available for the protection of such information; (2) work with the FCC and common carriers to adopt systems to protect the privacy of individual communications, as well as develop a national policy for the protection of the privacy of recorded information about individuals held by public and private institutions; (3) promote and encourage adoption of practices conducive to improved competition, greater innovation in telecommunications information technology and services, and increased reliance on the private sector marketplace; (4) develop policies to remove barriers to the introduction by the private sector of innovative and competitive new information technologies and services.

Base Program

The nation is becoming increasingly dependent on the services provided by telecommunications and information systems. This increased dependence requires that the use of more efficient systems be encouraged for better delivery of public and private services. The availability of such services leads to more data about the nation, industry and individuals being stored and transferred. This raises many issues concerned with protecting such information as well as individual rights of privacy.

Thus, this NTIA activity is designed to address this complex problem. The Telecommunications Applications subactivity stresses methods of improving service delivery through use of satellites and more conventional systems. Private, state and local and Federal government systems and services are included. The Information Technology and Policy subactivity stresses similar improvements for information systems, but also considers protection and privacy of information.

Telecommunications Applications

This subactivity consists of three principal components, namely, (1) an effort to stimulate a new generation of commercial satellite systems to meet public service needs, (2) an effort to coordinate the planning, procurement and management of Federal telecommunications systems, and (3) an effort to coordinate Federal telecommunications assistance to states.

The effort to stimulate a new generation of commercial satellite systems to meet public service needs was initiated in FY 1980 in accordance with the civil space policy. This effort consists of a four-year grant program to provide subsidies to wholesalers able to procure commercial satellite services at bulk rates and resell those services at affordable costs to dispersed Federal and non-Federal public service users. It is anticipated that, as more agencies use the created satellite networks, the proportion of costs borne by the program will decrease until user demands are sufficiently aggregated that a Federal subsidy is no longer required. It is expected that initially, users of the public service satellite network will want broadband services (one-way video and two-way audio) to address the extensive education and training needs of these groups. The present high costs of providing traditional training (much of it going to travel) makes the use of satellite technology more cost effective in many cases.

In FY 1981, NTIA will continue funding this domestic effort and bring more Federal and non-Federal agencies toward operational use of satellite communications for training and teleconferencing. To accomplish this objective and to develop homogeneous requirements for the design of future data and related narrowband services (e.g., facsimile, data communications), NTIA staff will work intensively with potential user agencies, providing technical, economic and legal support, to determine ways in which satellite communications might help them meet their responsibilities more effectively and efficiently.

In 1981, NTIA will begin to focus some attention on its international responsibility by developing the capability to translate its experience in market aggregation and technical analyses into programs for lesser developed countries. One critical problem in developing countries is not having the capability of adequately responding to disasters. Because of a scarcity of communications systems, any natural or other disaster that destroys a telecommunications system could totally

cut off an affected area from the rest of the country and the world. Satellite systems are particularly good for communications restoration, because small, self-contained units can be transported to the disaster area to rapidly restore communications.

Initial efforts will concentrate on voice communications systems for communications restoration and disaster relief. NTIA will enter into a contract with one lesser developed country in order to establish requirements, design systems configurations, and initiate a foreign technical exchange/training program. This work will be done in cooperation with the Agency for International Development, Department of State and the Department of Interior. This effort will be funded by the decreases in the subsidy needed by the domestic public service satellite network as the network becomes more self supporting.

A second part of the satellite work would require NTIA to conduct technical analyses of orbital spacing, frequency assignments and small earth stations to evaluate the proposals made in the 1979 General World Administrative Radio Conference. The goals of these analyses will be to provide information to public service users on the availability of small earth stations. This effort will also contribute to preparations for the 1983 Regional Administrative Radio Conference (RARC) on services in the Western Hemisphere.

Decisions on Direct Broadcast Satellite (DBS) frequencies and orbital slot allocations for the Western Hemisphere will be made at the Regional Administrative Radio Conference in 1983. U.S. positions must be well-developed and supported if they are to prevail. The urgency for research in this field has recently increased with the announcement by COMSAT that it intends to seek permission to offer DBS service in the United States.

In 1981 NTIA will begin work to establish the technical and economic bases for filing with FCC in DBS proceedings (both in the RARC preparations and the COMSAT proposal), including the costs of various services, reliability, compatibility with existing satellite and terrestrial systems, and the suitability of signals for retransmission through TV systems. It will also develop technical positions concerning standard interfaces between existing U.S. television received (e.g., teletext/viewdata, games, computers, etc.) Funds to initiate the DBS effort are from an equivalent decrease in research in fiber optics.

The second part of this subactivity which is Federal Telecommunications Systems Planning concentrates on improvements to policies and standards used to procure and manage telecommunications systems and services. Since the Federal Government is the largest single user of telecommunications systems and services, such improvements can result not only in more efficient and effective use of telecommunications but can also produce substantial savings to the taxpayers.

The responsibility for promulgating Federal policies for the procurement and management of telecommunication systems is vested in OMB. NTIA is the government entity responsible for recommending changes in such policies that will improve the management and procurement processes. In FY 81, as in the past several years, NTIA will select specific system procurements and analyze them for adherence to present policy direction. The specific systems to be reviewed will be selected in consultation with OMB to represent classes of systems involves issues which are of present concern and for which existing policies may be inadequate because of new applications of telecommunications or use of new technology. In FY 80 and FY 81 emphasis will be placed on data

communication systems. The results of these reviews will also be presented to the Federal agencies who are procuring the systems along with, where required, recommendations for modifications necessary for conformance with policies.

In FY 81, NTIA will also continue its analysis of policy issues relating to costing methodology (OMB Exhibit 43B), unnecessary duplication of facilities and services, sharing of systems between agencies and planning methods used by various Federal agencies.

To promote and encourage agency adoption of practices conducive to improved competition, greater innovation in telecommunications technology, and increased reliance on the private sector marketplace, NTIA will continue efforts to foster government-wide adoption of performance specifications for telecommunications in Federal procurements, including the resolution of implementation barriers.

To further assist Federal procurement, NTIA will continue to participate in the development and implementation of performance measurement approaches to telecommunications standards. The development of such Federal standards to determine methods of specifying and measuring data communications performance is expected to result in substantial savings to the government. NTIA will work to secure final Federal Telecommunications Standards Committee (FTSC) approval of a Federal Standard on performance measurement techniques via extensive coordination with Federal user agencies and private industry. Use of measurement standards will be presented through seminars, technical publications and demonstrations. NTIA will complete another standard on interconnection which will involve network surveys, selection of performance classes and development of technical procedures for calculating system performance. NTIA was tasked to develop this standard by the FTSC because of its technical expertise in telecommunications engineering and its mandate to develop telecommunications standards.

The third part of the subactivity attempts to coordinate Federal telecommunications assistance to states so as to avoid duplication and enhance the ability of all governmental levels to make effective use of their telecommunications capabilities in furtherance of the Administration's intergovernmental policies.

In order to coordinate nonduplicative efforts in the development of telecommunications systems, NTIA, in fiscal year 1979, helped North Carolina identify 308 separate telecommunications systems supported by state and Federal tax dollars. Initial steps were taken toward better coordination through the creation of a state agency for public telecommunications which will consider how to eliminate duplication and fragmentation of the, for example, 76 two-way radio systems. In 1980, similar assistance was supplied to Montana at their request. As resources permit, other states, as they identify their needs, will be assisted in 1981 to make structural changes in the management of state telecommunications systems. State planning will be advanced through a cost-effectiveness study of the application of advanced telecommunications systems to meet state needs and land mobile radio services.

In order to help alleviate the lack of television service to remote rural areas, NTIA petitioned the FCC to allow cross ownership of telephone and cable television systems in these areas. NTIA will continue to work toward removal of regulatory barriers in low-power broadcasting in order to permit rural areas to receive economical broadcast service.

Through leadership of the Interagency Emergency Medical Services (EMS) Communications Workshop, NTIA will continue efforts aimed at reconciling conflicting requirements of DOT, HEW and other Federal mission agencies funding EMS systems. Information containing suggested state legislation to implement 911 as the emergency telephone number will also be disseminated.

Information Technology and Policy

This subactivity is made up of two major components, telecommunications protection and information. The telecommunications protection work focuses on the objectives established by the National Security Council. NTIA's participation along with the Department of Defense is coordinated by a special subcommittee of the National Security Council. The major milestone is the recommendation of a national strategy for the protection of unclassified information of possible use to foreign adversaries. The details of this program are classified. The information component includes two interrelated areas of concentration. The first area includes efforts toward the evaluation of new technologies (e.g., home information systems) to improve the delivery of government services, while maintaining an appropriate relationship between government and the private sector. The second includes efforts toward the resolution of the serious barriers to the development of private sector information services markets.

In 1981 NTIA's telecommunications protection program will continue to assist selected government agencies in the identification of telecommunications and information vulnerabilities. This assistance will include training personnel of selected agencies in the techniques of vulnerability surveys; conduct and/or assistance in the conduct of surveys; and assistance in the organization and conduct of training designed to make government employees aware of the vulnerabilities of telecommunications transmissions to eavesdropping and exploitation by adversaries of the United States.

NTIA works with the Department of Defense and the National Security Council in the evaluation of telecommunications protection plans and programs for civilian systems to assure that the security requirements are appropriately balanced with other pertinent national telecommunications objectives such as competition and common carrier regulation; government procurement requirements; and the desire to rely on the private sector to provide the level of telecommunications protection appropriate for unclassified information of value to a foreign adversary. NTIA will provide technical input to classified aspects of a national telecommunications protection plan.

NTIA will also work with the Federal Telecommunications Standards Committee and other government agencies to develop and gain approval of technical standards necessary to specify the types of telecommunications protection equipment and technical which will be acceptable for government use. These standards are essential to both government, the telecommunications industry and private sector telecommunications users. Orderly growth of the industry and effective achievement of national telecommunications protection policy objectives cannot be achieved without these standards. In cooperation with the DoD, NTIA will also evaluate telecommunications protection devices developed by the private sector to determine which, if any, are satisfactory for government use.

62-212 O - 80 - 14

NTIA and DoD will also work to implement a national policy for public cryptography. This policy, which should be drafted during FY 1980, will have a significant impact upon the growth of a telecommunications protection product line in the United States electronic manufacturing and telecommunications common carrier industries. Further work on this will be continued in FY 1981. Rapid growth in this emerging technology will not be reached until the Federal Government's position on restrictions which may be imposed on private sector activities in cryptographic research is announced and clearly understood.

The information component addresses NTIA's role in the shaping of policies that facilitate realization of the benefits of innovative information technologies and information services, while minimizing the potentially adverse effects of the new technologies and related abundance of information.

The rapid evolution of technologies -- particularly computers and communications -- is obliterating policy assumptions and distinctions we have relied on for many years. The role of information and the costs of information and information services in American society are changing at an ever-increasing rate. However, rules that appeared adequate years ago -- when there were discrete technologies and apparently neat categories of information and information services -- do not always serve us well any longer. Those rules now may retard the introduction of innovative information services, distort the economic soundness of decisions made by information producers and users, and interfere with the free flow of information necessary to the proper functioning of the "marketplace of ideas".

In FY 1981 activities in information will build on existing work by preparing policy analyses and formulating policy directions in two broad areas. First, the government's own information handling activities and second, the removal of barriers to the development of private sector information and information service markets.

The application of new technologies to the government's information dissemination activities offers the promise that the dissemination of information generated by the government for the public can be performed more effectively and perhaps at a lower total cost. NTIA will perform policy analysis in selected areas such as videotex to assess these benefits while determining how to minimize the risks of adverse consequences such as unnecessary foreclosing of the private sector from business opportunities and proceeding in ways which might be cost effective in the short run but would increase the costs of government in the long run.

The availability of new information services offered by the private sector, such as home and business information systems and electronic funds transfer services, offer significant benefits to the nation. In at least one area, i.e., videotex, a new type of home information system, NTIA will actively seek to remove regulatory barriers and resolve policy issues raised by this new technology and other new information technologies being developed for the private sector.

In both of the areas described above, NTIA will address during FY 1981 several complex issues such as: policies which differ for different information industries; the scope and effect of freedom of information laws as the government increases its use of electronic forms of information; the effect or non-effect of certain intellectual property protection laws such as the copyright, patent, and trade secret laws on the innovation and productivity of information industries; risks of computer crime; emerging market and pricing structures for a wide variety of competitive but complementary information industries such as newspapers, on-line information systems, cable systems, satellite services, and transaction services; and the international climate affecting both the flow of information and information services and the health of the domestic information industries.

NTIA received Congressional approval to reprogram a total of $365,000 into the Privacy Program in FY 1980 and is proceeding in accordance with Congressional direction. NTIA has accomplished the first phase of the President's Privacy initiative by drafting legislation to protect the privacy of Americans in the areas of retail credit, consumer reporting agencies, independent check authorization and guarantee services, depositary institutions, insurance companies, electronic funds transfer systems and research records. Some of this legislation is currently being considered by the Congress. The privacy activities for FY 1981 will consist of priority efforts concerning legislation and amendments, as required, to result in the protection of the privacy of information about Americans now held by, for example, 2,000 insurance companies and 400,000 retail credit grantors, and to begin protecting the privacy of Americans who use electronic funds transfer (EFT) services. Other privacy activities for FY 1981 include support for the President's expected decision on the role of the government in the provision of electronic funds transfer (EFT) services and the impact of such governmental involvement on the privacy of Americans, and performing selected research and analysis of a selected number of areas (such as telephone records which describe who individual citizens talk with) where the statutorily created Privacy Protection Study Commission identified apparently serious privacy problems which have not yet been addressed.

Decreases for FY 1981

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Telecommunications Applications.....	35	$3,843	32	$3,663	-3	-$180

With the completion of the rural communities field study and the National League of Cities inventory of telecommunications facilities opportunities and problems, NTIA has phased out support for analysis of local telecommunications activities. In fiscal year 1981 budget work on intergovernmental problems will concentrate at the state level.

The position and object class breakout for the decrease follows:

Position Title	GS Grade	Number	Annual Salary
Telecommunications Policy Analyst.....	13	-1	-$ 29,375
Telecommunications Policy Analyst.....	12	-2	-49,406
Total Permanent Positions.....		-3	-$ 78,781
Personnel Benefits.....			-7,090
Communications, Utilities and Other Rent.....			-17,129
Printing and Reproduction.....			-16,000
Other Services.....			-54,000
Supplies and Materials.....			-3,000
Equipment.....			-4,000
Total.....			-$180,000

Changes for FY 1981

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Information Technology and Policy.....	32	$3,169	35	$2,969	+3	-$200

An increase of three positions and a decrease of $200,000 is requested for NTIA's privacy activities. The primary thrust of the privacy program is well underway with initial priority legislation currently under consideration by the Congress.

The decrease in dollars reflects the adjustment of resources from those amounts approved for NTIA under reprogramming authority in FY 1979 and FY 1980 in recognition of the expected stabilization of the privacy workload requirements in FY 1981.

An increase of three positions would allow NTIA to increase the permanent positions for this program from the pre-reprogramming base level of three, however, this results in a net reduction of the overall staffing for the program as it was supported by Congressional reprogramming in FY 1980.

The position and object class breakout for the change follows:

Position Title	GS Grade	Number	Annual Salary
Policy Analyst.....	14	1	$ 34,713
Policy Analyst.....	13	2	58,750
Total Permanent Positions.....		3	93,463
Positions other than Permanent.....			34,000
Offsetting Personnel Compensation.....			-307,463
Total Compensation.....			-180,000
Personnel Benefits.....			-16,000
Communications, Utilities & Other Rent.....			-3,000
Supplies and Materials.....			-1,000
Total.....			-$200,000

Activity: Management of Telecommunications Resources

(Dollar Amounts in Thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Spectrum policy	15	$ 841	15	$ 872	15	$ 923	15	$ 923	...	...
Spectrum management and planning	126	4,747	126	4,837	126	5,267	145	6,052	+19	+$785
Technology for efficient use of spectrum	10	538	8	491	8	528	8	528	...	...
Total requirements	151	$6,126	149	$6,200	149	$6,718	168	$7,503	+19	+$785

Goals and Objectives

Goals: (1) establish policies guiding the Federal Government's use of the radio frequency spectrum; (2) authorize frequencies to Federal Government agencies and manage the allocation and use of the spectrum by the Federal Government; (3) conduct engineering and applied scientific research to more effectively and efficiently use the radio spectrum, both nationally and internationally.

Objectives: (1) Spectrum Policy: to issue or revise allocations and regulations governing Federal spectrum use; to develop U.S. positions for, participate in, and implement the results of various international radio conferences; and to improve national spectrum use and management by enhancing opportunities for Federal and non-Federal sharing of radio bands, developing long-range plans in coordination with the FCC, ensuring that spectrum use does not present a public health hazard, and testing the viability of applying economic factors to spectrum management processes (2) Spectrum Management and Planning: to improve present and future Federal use of the radio spectrum and minimize mutual radio interference problems by resolving conflicting Federal spectrum requirements, developing plans for intra- and inter-service sharing in nine allocated bands and evaluating proposed Federal telecommunications systems to ensure electromagnetic compatibility and compliance with regulations; to review, process, and authorize Federal applications for radio frequency assignments, maintain pertinent data base files, and perform measurements of spectrum use; and to improve Federal spectrum management by conducting a Federal Spectrum Management Training Program and by developing new technical standards and techniques (3) Technology for efficient use of spectrum: to provide Government and industry users and planners with analytical methodology, engineering models, design techniques, and data that will improve the efficiency and effectiveness of spectrum use.

Base Program

In this activity, NTIA manages the Federal Government's use of the radio frequency spectrum and aids in improving national and international use. The dimensions of this responsibility can be gauged in part by the statistics of estimated Federal telecommunications use: an inventory worth over $60 billion and an annual investiment of about $13 billion. The Government uses its telecommunications in diverse ways: air and maritime safety, energy conservation, and national defense are notable examples. Moreover, Federal use of the airwaves has been growing at the rate of about seven percent a year. Similar growth in communications use is occurring among non-Federal users and other countries.1/

The continued expansion in communications demands on the radio frequency spectrum, both in the U.S. and abroad, is putting increasing pressure on the management of the whole spectrum -- Federal and non-Federal, national and international. It is also causing a problem of spectrum scarcity here in the U.S. NTIA believes, however, that this scarcity does not arise from any lack of radio frequencies available for use and that it can be lessened by improving spectrum allocation and frequency assignment practices. These practices are currently based on administrative convenience; this is particularly the case with those governing the use of the non-Federal spectrum. NTIA contends that these practices encourage overstatement of requirements rather than attempts at conservation, and it suggests that possible improvements may therefore include consideration of the economic tradeoffs involved in using the radio spectrum compared with using other resources.

This NTIA activity encompasses three program subactivities. The first is spectrum policy, which stresses both the establishment of policies to guide Federal spectrum use and, with the FCC, the development of long-range policy for the utilization of the entire spectrum. The second is spectrum management and planning, where the emphasis is on authorizing frequency assignments to Federal agencies, reviews of proposed Federal telecommunications systems, frequency band studies, and compliance activities. The third is technology for efficient use of spectrum, in which NTIA focuses on technical and engineering problems relevant to improving and expanding present spectrum use.

Spectrum Policy

This subactivity centers on the establishment of plans and policies to help ensure the safe, efficient, effective, and equitable use of the spectrum. It includes three major program components. With the advice of the Interdepartment Radio Advisory Committee (IRAC), NTIA formulates policies concerning Federal use of the spectrum. In conjunction with the FCC, it formulates long-range plans to accommodate both Government and non-Government requirements, which includes coordinating Federal research on the possible biological side effects of nonionizing radiation on humans and exploring the question of whether economic factors might be incorporated into the spectrum management process. Finally, it helps coordinate the preparations of Government and national positions for those international forums that deal specifically with spectrum allocation and regulation; one major forum is the International Telecommunication Union (ITU), an U.N. agency that is a key focal point for international spectrum allocation negotiations.

As part of its role establishing Federal spectrum management policy, NTIA effects Government allocation and assignment of the radio frequency spectrum. This responsibility includes chairing the IRAC and its major subcommittees. The IRAC, which is a

1/ Table reflecting typical uses of radio frequency bands is on page NTIA-34.

group composed of the representatives of 19 Federal agencies and an FCC liaison person, is the major Executive Branch advisor on Federal agency frequency assignments. NTIA also chairs the IRAC Spectrum Planning Subcommittee and various specialized ad hoc groups. In FY 1980, various modifications to the regulations and procedures reflecting policy changes are being issued. In FY 1981, all these efforts will be continued, with the results of the 1979 World Administrative Radio Conference (WARC-79) integrated into this Federal policymaking function; WARC-79 was the international conference at which the spectrum was allocated worldwide to communications services for the next 20 years.

With respect to national spectrum concerns, NTIA, in conjunction with the FCC, formulates long-range spectrum allocation plans that respond to the changing requirements of both Government and non-Government services. It coordinates Federal research on possible biological side effects of nonionizing radiation, and it studies the applications of economic and market techniques to spectrum management.

As part of this program element, in FY 1981 as in FY 1980, NTIA and FCC will continue to change the National Table of Allocations as necessary and to plan for long-term use of the entire radio frequency spectrum. (The National Table of Allocations is a "road map of the spectrum"; it indicates what frequency bands may be used by the various radio services.) Also, the two agencies will continue to cooperate in evaluating proposed changes in allocations for bands that are or will be shared by Government and non-Government users and in determining the effects these changes will have on existing policies and on present and projected operations.

In addition, NTIA will continue to coordinate the multi-agency research effort to determine the nature and magnitude of possible biological effects on persons of nonionizing radiation emitted by telecommunications systems and other equipment. As yet, insufficient evidence has been produced to indicate whether these side-effects represent a significant problem. A number of Federal agencies are sponsoring research in this field. NTIA's role is to ensure that all significant aspects of the problem are being addressed, that there is no needless duplication of Federal research, and that the radio spectrum is used in a safe manner. As part of this effort, NTIA chairs the Electromagnetic Radiation Management Advisory Council and the Interagency Working Group. In FY 1980, NTIA will complete a final report of a special interagency task force that it organized to develop a program planning document, which will provide recommendations and guidance for future Federal research programs in the area. NTIA will also publish a survey report of pertinent Federal research and worldwide standard-setting activities. In FY 1981, NTIA will continue its coordinating role among Federal agencies. Also, it will continue to collect, analyze, and distribute program data and publish a digest of relevant world literature and data bases for the research community; and it will respond to public inquiries and provide review of and recommendations on major actions and reports.

A third part of this program element centers on the apparent scarcity of spectrum noted above. NTIA believes that this apparent scarcity can be lessened by improving current spectrum allocation and assignment procedures, especially those that apply to the non-Federal spectrum. To strengthen these procedures, NTIA is conducting a study of the possible application of economic and market factors to spectrum management. In FY 1980, NTIA is continuing its pilot study of how various economic techniques -- such as user charges, auctions, shadow pricing, resale, and trade and license modification agreements -- might be applied to two situations: first, to five specific radio services to determine the authorization of channels within the spectrum bands reserved for those services; second, to all radio services. In FY 81, drawing upon this pilot study's results, NTIA will construct one or more test cases that specifically propose market techniques and radio

service spectrum assignment in the non-Federal spectrum area. These efforts will lead to the development of a comprehensive recommendation for the application of economic and market techniques to the spectrum management processes.

In its international spectrum management role, NTIA cooperates with the FCC and the State Department in preparing for diverse international negotiations and forums on spectrum allocations and spectrum use regulation. Specifically, NTIA coordinates the Federal Government's contributions to the U.S. positions at these forums and helps prepare the preliminary and final national positions. NTIA also analyzes the known intentions of other nations to determine whether U.S. counter-proposals are necessary. It works towards building confidence worldwide in U.S. spectrum planning techniques so as to win support for U.S. positions and it participates in the negotiations and forums themselves. Beginning in FY 1980, NTIA is studying the implications of WARC-79 decisions, which will govern spectrum allocations by band for the remainder of this century and will thus have a strong effect on U.S. spectrum use. Because of the comprehensive nature of the WARC-79 decisions, this implementation will be a multi-year effort. One result of WARC-79 was the requirement for additional international spectrum conferences over and above those anticipated for the next few years. NTIA is analyzing the implications of this increased international involvement and will develop program directions to cope with it. Also in FY 1980, NTIA is beginning preparations for a number of upcoming international spectrum conferences: the 1981 Regional Administrative Radio Conference on medium frequency broadcasting; the 1982 Plenipotentiary Conference of the ITU, which will review the basic purposes, composition, and structure of the ITU itself; the 1982 Plenary Assembly of the International Radio Consultative Committee, which will approve recommendations on technical matters pertaining to diverse aspects of radio services and propagation; the 1982/83 WARC on mobile services; the 1983 Regional Satellite Broadcasting Conference; and two forthcoming conferences (dates yet to be set) that will consider, respectively, international high frequency broadcasting and use of the geostationary satellite orbit. In FY 81, NTIA will continue its WARC-79 implementation activity with Federal telecommunications users and the FCC. It will participate in the 1981 regional medium frequency conference and the 1982 ITU Plenipotentiary Conference and it will continue preparing proposals and positions for the other upcoming international meetings noted above.

Spectrum management and planning

This subactivity has three program components. One is frequency assignment and utilization, which includes not only the maintenance of data files and software necessary for the assignment process to be carried out efficiently but also the activity required to ensure Federal radio station compliance with spectrum use regulations. Another is spectrum analysis, which embraces the review of proposed Federal communications systems, the study of how systems currently use given radio bands, and the resolution of selected operational problems involving Federal agencies. The third program component is management of Federal spectrum use, which entails technical and administrative support to the frequency management process and the operation of a training program for Federal spectrum managers.

In its frequency assignment and utilization effort, NTIA reviews, processes, and authorizes Federal Government radio frequency assignments. Each year, the agency receives an increasing number of requests for such assignments. In FY 1980, NTIA will process about 65,000[2/] of these requests. This frequency assignment responsibility involves chairing the IRAC Frequency Assignment Subcommittee, as well as directing that Subcommittee's activities and providing its administrative support. The assignment responsibility also involves ensuring that the spectrum needs of the United Nations and foreign embassies are met and updating the plans and procedures for managing the spectrum's use during national emergencies. NTIA will continue to evaluate Federal use of frequencies and work to ensure agency compliance with regulations. To accomplish this, it will

2/ Tabular data on frequency assignments and other information is on page NTIA-34a.

collect and evaluate data regarding on-the-air use of frequencies by Government radio stations; and it will analyze information collected previously in order to assess the extent and nature of Government agencies' actual use of assignments in various frequency bands. It will make on-site inspections of facilities to determine the degree of compliance with authorized use and will continue its reviews of Federal frequency assignments to evaluate the validity of current needs. It will continue to operate the van-mounted Radio Spectrum Measurement System and the necessary supporting laboratory-measurement equipment.

In addition, NTIA will maintain and update its files and records necessary for radio spectrum management. Some of these are in hard-copy form. Many of them, however, are computerized. The computerized files include: the Government Master File of Frequency Assignments; portions of the FCC frequency records necessary for use in Federal spectrum management, especially the management of shared Government/non-Government frequency bands; frequency allocation records; equipment characteristics files; terrain elevation data; and Federal systems review data. NTIA also develops and maintains data file software; this requires maintaining and improving the computer programs that are used to process store, and retrieve data on assignments and allocations. NTIA calls upon these diverse files and records to provide varied information and publications to its own staff and to the rest of the spectrum management community. Some of these data relate to border frequency coordination with Canada and Mexico. NTIA also provides a monthly microfiche publication of the total Government Master File of Frequency Assignments and a Directory of Field Contacts. NTIA anticipates that during FY 1981 it will receive about 4,500 requests for specialized retrieval from these varied files and that it will be able to meet about 3,500 of them. The information so provided will be used by Federal agencies in proposing frequency assignments and by NTIA personnel in analyzing potential interference problems.

To meet its spectrum analysis responsibilities, NTIA reviews proposed Federal telecommunications systems for compliance with Federal regulations and for compatibility with other systems, present and planned. These reviews are done at the conceptual, experimental, developmental, and pre-production stages of a given system's procurement procedure. NTIA clearance is required at each stage before the given agency may request OMB approval for funding the next stage. After completing these assessments, NTIA approves or disapproves the proposed system. NTIA will perform 75 such reviews in FY 1980 and FY 1981. (This effort includes reviews of space systems of the U.S. and of other nations when the latter may affect U.S. systems.) On six of the proposed systems, NTIA will perform an in-depth analysis of the system's electromagnetic compatibility. In addition, in FY 1981 as in FY 1980 NTIA will continue to conduct electromagnetic compatibility analyses to evaluate the effect that Government communications-electronic systems have on the spectrum, and will complete six of these spectrum resource and sharing assessments; this represents about ten percent of the bands used by the Federal Government. To do these analyses, NTIA will focus on selected radio frequency bands and explore such factors as present and projected usage in those bands, congestion within them, the potential within them for compatible sharing by Federal services, and the effects of the allocation changes decided at WARC-79; in order to better plan future use it will also investigate the possibility of sharing between Federal and non-Federal services in the bands those services currently share or may share in the future.

NTIA also works to resolve operational conflicts that arise between Federal agencies regarding the use of the spectrum. It coordinates the process of meeting Federal agency spectrum requirements that cannot be satisfied within the provisions of existing policies and procedures. Solving such problems demands analyses of the effects that proposed changes in frequency assignment, operational procedures, or equipment will have on the electromagnetic environment as well as consideration of the various tradeoffs that exist between technical and operational factors. During 1981, NTIA will undertake solutions to three such frequency assignment and operational problems involving incompatibility between Federal

agency operations. To conduct the various reviews and analyses described immediately above, NTIA will continuously assess its analytic capability to ensure that that capability contains methods of problem-solving appropriate to new communications systems and to state-of-the-art changes in telecommunications. It will therefore develop and maintain analytical computer programs that will permit rapid computation of interference effects between existing and proposed systems; a number of these computer programs must be tailored to fit requirements of specific problems.

In the international aspects of spectrum management, NTIA will analyze the results of the WARC-79 (completed in December 1979) and identify the steps that can be taken to implement the WARC results after ratification of the treaty that will emerge from the conference. This analysis is beginning in FY 1980. In a related area, NTIA will continue its work on the technical issues to be treated by the 1982 ITU Plenipotentiary Conference, the 1982 Plenary Assembly of the CCIR, and the 1983 Regional Broadcast Satellite Conference.

In management of Federal spectrum use, NTIA will continue in FY 1981 to provide administrative and technical support to the IRAC. In so doing, it will direct the IRAC Technical Subcommittee and various ad hoc groups in their efforts to improve Federal procedures regarding spectrum use. In addition, to improve the management of the Federal frequency spectrum, NTIA will continue to conduct the Spectrum Management Career Development Program and the Spectrum Management Information Center. NTIA will train five interns through this program and, moreover, will develop materials pertinent to a proposed Interagency/International Radio Spectrum Management Training Center for Federal, state, foreign and local government personnel. It is contemplated that this center will become operational in FY 1982. NTIA will publish improved rules and regulations concerning Government spectrum use; it will also prepare modifications to Federal frequency allocations. NTIA will provide detailed technical support to the planners for international conferences. Finally, it will work to improve the "reference" propagation models it evaluated in FY 1980 and to educate Federal agencies on how best to incorporate them into spectrum planning studies.

Technology for Efficient Use of the Spectrum

This subactivity revolves around the development and application of new technology to improve the efficiency of spectrum use. More specifically, its continuing concern is research on the technical problems associated with spectrum use. The region of the spectrum that includes the lower frequencies -- i.e., frequencies below 10 billion cycles a second, or 10 gigahertz (GHz) -- is crowded with users. Spectrum bands in the higher frequencies however, are less crowded. NTIA's research attempts to find ways to improve both the spectrum efficiency of signal transmission in crowded bands and the reliability of transmission in the higher, less crowded bands. This improvement will allow more users to fit into the congested frequency bands and permit greater opportunity for use of the less crowded bands. Besides helping Government and industry users to improve their communications operations, the subactivity provides regulatory authorities with information that aids them in resolving regulatory issues in Government and civilian frequency assignments. Part of this engineering effort entails the maintenance of considerable data and modeling techniques used in predicting signal transmission.

To improve techniques and knowledge of use in the crowded spectrum regions, NTIA provides engineering models and system design techniques to allow more effective use of the VHF/UHF portions of the spectrum. In FY 1980, VHF/UHF propagation measurements are being taken in urban areas to obtain basic data required to develop better models for prediction of TV

broadcasting and land mobile radio coverage. Also, NTIA is beginning the verification of theoretical models for prediction of signal distortion and of the potential for frequency re-use in terrestrial microwave links below 10 GHz. In FY 1981, the emphasis will be on the development of a "reference" model for predicting VHF/UHF propagation performance. Contradictory assumptions, approximations, data, or results will be rationalized to formulate a universally acceptable model; this in turn will serve as the basis for system design, spectrum assignments, interference analyses, and other responses to regulatory needs.

NTIA also focuses on the effect of such technical factors as signal fading, interference, and transmission coverage patterns on the use of the presently less crowded part of the spectrum; i.e., above 10 GHz. NTIA's work in this area has shown that the very short radio waves transmitted at these extremely high frequencies are less susceptible to the effects of rain and snow than previously had been thought. This increases the possibility that these microwave signals might be used for short-distance radio links, which now employ the crowded lower frequency bands. If this turns out to be possible, then spectrum managers will be able to reserve the lower frequencies for longer-distance microwave systems, or for higher priority applications which need the system reliability associated with the lower radio bands. In FY 1980, NTIA is continuing to collect and analyze data on signal characteristics in the 10, 30, and 60 GHz bands, which are the bands in this under-utilized part of the spectrum most likely to be exploited. In FY 1981, NTIA will evaluate the technical alternatives for proposed new short-distance systems that are slated for placement in the lower-frequency bands. NTIA will attempt to determine whether these proposed systems would be wasteful of spectrum space at these lower frequencies and whether options to move these systems to the higher, under-utilized frequencies should be pursued.

NTIA makes available this extensive compilation of data and modeling techniques to both Government and industry users for predicting communications systems performance at frequencies from 100 MHz to 100 GHz. In FY 1980, 25 models are being reviewed for possible inclusion in the data bank, bringing the number of models incorporated into the bank to a total of about 100. In FY 1981, NTIA will sustain the data and techniques bank to ensure that the investment in this activity continues to be available to Federal agencies and industry.

Increases for FY 1981
(Dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) or Dec(-)	
	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
Spectrum Management and Planning.....	126	$5,267	145	$6,052	+19	+$785

An increase of $785,000 and 19 positions is requested to enable NTIA to accomplish its responsibilities in the management of the Federal radio frequency spectrum. The additional funding and positions would support an increase in the number of frequencies assigned, the number of spectrum bands assessed annually, and the number of telecommunications systems reviewed.

To ensure that the radio spectrum is used with maximum effectiveness and efficiency, Federal frequency assignments and reviews of proposed Federal communications systems must be kept up to date. The proposed increase would be used to handle the predicted increase in the workload in these two areas, thus avoiding substantial backlog in them, and to improve automation of the processes associated with them. As the table on page 34a indicates, the increase would allow about twice as many system reviews -- i.e., approximately 150 -- to be done compared to what base funding will permit.

The increase would also be used to expand the number of spectrum resources assessments -- called "band studies" -- from the current base level of 6 to a level of 9 per year; with this expansion of effort, the approximately 60 frequency bands used by the Government would be examined every 6.6 years instead of every 10 years as called for in the base level.

The present method of managing the radio spectrum--which NTIA employs for Government users and the FCC employs for non-Government users--has not changed significantly over the past 30 years. Both systems are based on the use of conservative rules that are administratively convenient and that are intended to preclude the chance of interference. Continuing to follow these rules in the light of increasing demand for spectrum use would result in a "spectrum crisis" by the late 1980's, which will cause many critical requirements to go unmet or require closing down existing stations to make room for new ones. The crisis would occur not because there is no more spectrum to use but because the conservative administrative rules do not produce efficient resource utilization. The "crisis" can be averted by expanded application of the new techniques of spectrum engineering (resource assessments and systems review).

The savings that would result from not having to field-retrofit major systems because of interference or from not having to scrap major systems for the same reason are potentially substantial. Cost savings of this type have already resulted from the systems review and resource assessment processes. There are under development a number of communications systems whose estimated cost varies from hundreds of millions of dollars to multi-billions of dollars. The reviews NTIA will make of

these systems as well as the agencies planned spectrum resource assessments not only will produce more effective and efficient utilization of the spectrum, but also will ensure that Federal funds are not wasted. Further, the requirements for Federal frequency assignments and the data required to make such assignments continue to grow at a rate of about 7 percent a year. With this increase, NTIA would keep current with these requirements and improve the efficiency of the process through improved automation.

In summary, ever since the mid-1940's, dependence upon and demand for the spectrum has been increasing at a rate greater than the rate of growth of GNP. Expanding demand for use of the spectrum cannot be met unless two steps are taken. The first step is keeping up with the workload in system reviews and assignments, which will provide the controls necessary to ensure that Federal agencies do not contribute to the approaching spectrum crisis. The second step consists of accumulating knowledge of how the spectrum is being used and how greater demand can be satisfied. Because of the dynamic nature of Federal use (nearly half the assignments change each year), a decrease in the period required to assess total Federal involvement is essential.

During FY 81, at this increased level, NTIA will:

(1) Reduce the backlog in system reviews at the end of 1981 from the projected 135 to 60 by doubling the number reviewed. The increases in systems submitted for review reflect greater agency adherence to the procedure, later-stage reviews of systems whose initial stages were previously reviewed, and increased system review requirements resulting from WARC-79 decisions.

(2) Increase the number of resource assessments from 6 to 9 in bands where Federal spectrum use is involved, and determine where sharing of services (e.g., space and terrestrial fixed) can improve long-range national resource utilization. This will allow NTIA to assess the total Federal spectrum involvement on approximately a 6.6 year cycle. The results of these assessments will be used to determine bands where critical spectrum shortages are developing and to guide agencies on actions they can take to alleviate the problem and make more efficient and effective use of spectrum.

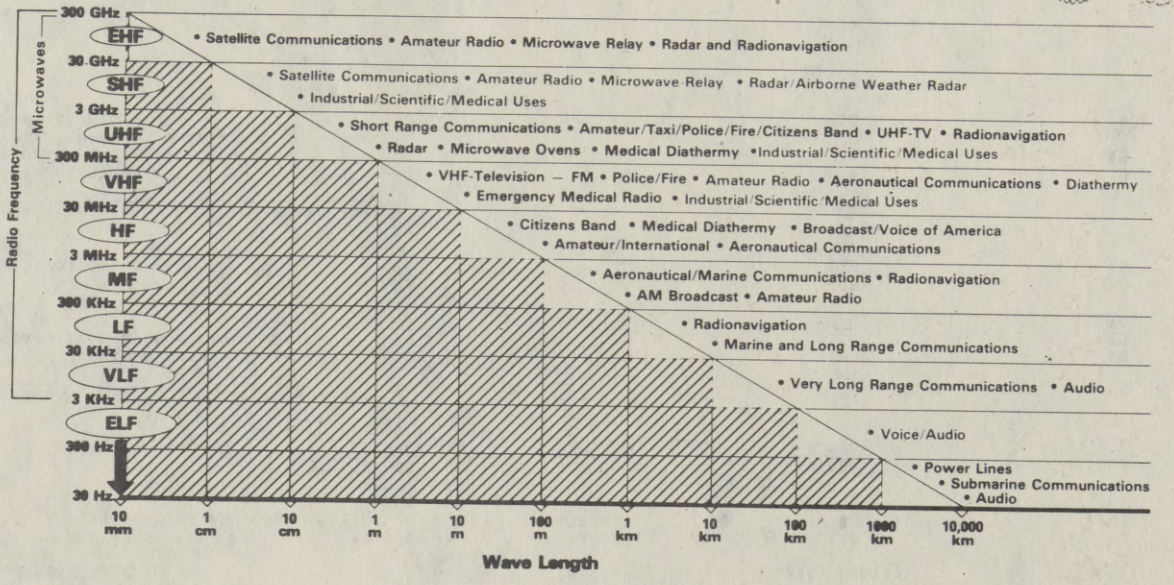
(3) Process most of the assignments (which will total 85,000), retrieval requests, and equipment and system data base entries received during the year. Controlling the backlog of frequency assignments will help agencies operate their telecommunications facilities in support of their own missions in a timely manner. Unauthorized use of the spectrum will be decreased, and accurate records will be readily available to enable NTIA and the agencies to make better use of the spectrum bands that are available to them.

(4) Improve the efficiency of automated analytical and data processing capabilities. This includes revising the Frequency Management Records System, converting present computer software to a more modern system, and studying how to optimize retrieval and data base access techniques. Such improvement is required if NTIA is to reduce the backlogs in frequency assignments, band studies, and systems reviews.

The requested increase of $785,000 for this subactivity will provide for the salaries and related expenses of 19 additional permanent positions as follows:

Position Title	GS Grade	Number	Annual Salary
Electronic Engineer	15	2	$ 81,664
Electronic Engineer	14	3	104,139
Electronic Engineer	13	3	88,125
Electronic Engineer	12	3	74,109
Computer Specialist	12	1	24,703
Electronic Engineer	11	2	41,222
Communications Specialist	11	1	20,611
Electronic Engineer	9	2	34,070
Communications Specialist	9	1	17,035
Computer Specialist	9	1	17,035
Total Salaries		19	$502,713
Less Lapse		-4.75	-125,678
Permanent Positions		14.25	$377,035
Other Personnel Compensation			43,000
Total Compensation			$420,035
Personnel Benefits			37,965
Standard level user charges			38,000
Communications, Utilities & Other Rent			46,000
Printing and Reproduction			20,000
Other Services			156,000
Supplies and Materials			24,000
Equipment			43,000
Total			$785,000

Typical Uses of Radiofrequency Bands



Work Requirements for Frequency Assignments, System Reviews and Band Studies

Frequency Assignments	1979	1980(est)	1981 Base(est)	1981(est)
Carryover from previous year	5,000	12,000	25,000	25,000
New requests for assignment and changes	+72,000	+78,000	+83,000	+83,000
Total	77,000	90,000	108,000	108,000
Processed	-65,000	-65,000	-65,000	-85,000
Carryover to following year	12,000	25,000	43,000	23,000
System Reviews				
Carryover from previous year	10	15	60	60
New submittals from system reviews	80	120	150	150
Total	90	135	210	210
Reviewed	-75	-75	-75	-150
Carryover to following year	15	60	135	60
Spectrum Resource Assessments (band studies)				
Band studies performed	3	6	6	9
Percentage of bands reviewed per year	5	10	10	15
Time (in years) between complete reviews of all bands	20	10	10	6.6

Activity: Public Telecommunications Facilities Grant Administration

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Public Telecommunications Facilities Grant Administration.....	15	$305	19	$885	19	$985	19	$985	...	...

Goals and Objectives

Goals: (1) To extend delivery of public telecommunications services to 95% of the population of the United States and territories, by the most efficient and economical means, including the use of broadcast as well as nonboradcast technologies; (2) To increase public telecommunications services and facilities available to, operated by, and controlled by minorities and women; (3) To strengthen the capabilities of existing public broadcast stations to provide to the public quality public telecommunications, including local program production capabilities.

Objectives: (1) To review and evaluate all applications received for funding consideration, and issue and monitor grant awards in accordance with Program regulations and criteria; (2) To increase the number of minority and women's groups involved in the planning and development of public telecommunications facilities in their communities through an outreach program which informs and educates these groups on regulatory requirements, funding sources, and the necessary application procedures; (3) To develop a comprehensive update to the plan outlining a five-year projection of national public telecommunications facilities needs and the expenditures necessary to provide such facilities for submission to the Congress.

Base Program

This activity provides the staff support for the operation of the Public Telecommunications Facilities grant program (PTFP), funded with a separate appropriation. The efforts of the staff are to promote the efficient and equitable delivery of public telecommunications services in the United States and its territories, under the authority and priorities established by the Public Telecommunications Financing Act of 1978. The program includes the issuing of planning and construction grants; outreach to assist minorities and women and other groups of special concern; technical assistance to applicants; monitoring of grants previously awarded; and the development and updating of a long-range facilities plan.

As part of its responsibility in grant administration, the staff of the PTFP carries out the annual review and evaluation of pending applications, the selection and award of grants, and post-grant monitoring of projects. In FY 1979, 454 applications requesting $84.6 million were received, reflecting a 79% increase in number of applications and a 53% increase in funds requested over 1978. In each of the fiscal years 1980 and 1981, 500 applications requesting over $95 million are anticipated.

Applications are reviewed by program staff and outside experts according to established priorities and funding criteria. A competition is held to award planning and construction grants for the activation, extension, and improvement of public telecommunications facilities. Construction applications are evaluated on such factors as how well the applicant has ascertained the needs in the area to be served; the extent to which the proposed equipment will meet these needs; the cost-effectiveness of the project; the involvement by minorities and women; and to what extent the facility would further extend service. Planning applications are reviewed as to the extent to which the applicant's interests and purposes are relevant to the proposed planning; the adequacy of the procedural design to carry out the planning; and involvement by minorities and women. Technical guidance is provided, when requested, in preparing grant proposals, on aspects such as the following: determining eligibility of equipment and other project preparation costs; specifying needed budget data and other supporting documentation; and developing community ascertainment techniques. Technical guidance is not limited to the pre-application phase, but is provided as needed during the post-grant period, as well. During the application review process, PTFP coordinates with the FCC, the Corporation for Public Broadcasting (CPB), State telecommunications organizations and others, to ensure that the appropriate licensing, facilities and operational funds are available, and that the proposed facilities are not duplicative or cost-inefficient.

Facilities grants are monitored during the competitive equipment procurement and the construction period to ensure compliance with applicable Federal regulations. Final field inspections are conducted at all installations to verify that funds were used as specified under the original terms of the grant. Planning grants are monitored to ensure that the goals and objectives of the project are met, with interim and final reports submitted by grantees to discuss all phases of the project. PTFP is monitoring the progress of about 300 planning and facilities projects currently underway. Additionally, approximately 600 completed facilities projects must be monitored annually since they have not completed the ten-year period during which the Federal government maintains an interest in equipment use.

In its outreach to minorities and women, PTFP has and will continue to take steps to increase the share of public telecommunications facilties and services available to, operated by, and controlled by minorities and women. Section 392(f) mandates that minorities and women be provided with information on assistance available under the Act, on locations where new facilities and services are needed, and that they be given any other assistance needed to achieve this objective of the Act. In 1979, the program, in addition to its regular activities to inform the public generally, informed over 2,000 minorities and women about the special considerations provision, and the procedures for applying for Federal assistance. A Policy Statement (Federal Register, June 7, 1979) was included, which outlined PTFP's plan for implementation of this provision. National and regional meetings and conferences as well as trade publications also were used as sources for disseminating program information. In 1980, a series of conferences will be held to bring together key representatives from minority and women's organizations, and other industry-related groups such as CPB, FCC, Public Broadcasting Service, National Public Radio, and National Federation of Community Broadcasters, to exchange information about sources of funding, regulatory restraints and benefits, and strategies for improving participation by minorities and women. These conferences will promote an on-going and expanding network linking clients and resource persons concerned with telecommunications and minority and women's interests. In 1981, workshops will be held for telecommunications planners on steps to be taken to start a new facility: obtaining the necessary FCC authorizations, procedures for applying for Federal assistance, how to stimulate local community support and involvement, and planning on-going operational support of the facility. A planning manual will be published and distributed to other groups with special concerns needing assistance in starting a public telecommunications facility, and, when requested, technical assistance will be provided to minority applicants seeking to enter the field.

In accord with Section 394 of the Act, the program is also responsible for the development of a long-range public telecommunications facilities plan, to be updated annually. This plan projects long-range facilities needs, and the costs required to meet those needs, and will assist the grant program in identifying areas currently unserved by public radio and television, locations where facilities are needed to serve minorities and women, and the cost required for upgrading and strengthening existing facilities. The initial plan will be submitted to the President and the Congress in early calendar year 1980. In FY 1980, PTFP will utilize the findings of a CPB-conducted inventory of equipment of public broadcast stations to more accurately assess the current status of the system and project future equipment needs. The updated plan will also look closely at the delivery of services by cable systems, and project costs for local origination capabilities of stations. In FY 1981, the additional data and analyses compiled, along with FY 1980 grant information, will be incorporated into an updated report, to be submitted by December 31, 1980. Public television and radio coverage data, as well as data on facilities needed to serve minorities and women, will be updated during the calendar year 1981 to be incorporated in the FY 1982 report to Congress.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Salaries and expenses

Object Class	1981 Base Pos.	1981 Base Comp. Work Years	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Comp. Work Years	1981 Estimate Amount	Inc. (+) or Dec. (-) Pos.	Inc. (+) or Dec. (-) Comp. Work Years	Inc. (+) or Dec. (-) Amount	Emp. 12/31
11 Personnel compensation:										
11.1 Permanent positions	273	267	$ 7,448	292	275	$ 7,583	+19	+8	$+135	265
11.3 Positions other than permanent	70	67	2,460	70	67	2,460	...	...	...	65
11.5 Other personnel compensation			55			55			...	
Total	343	334	9,963	362	342	10,098	+19	+8	+135	330
Other objects:										
12 Personnel benefits			884			899			+15	
21 Travel and transportation of persons			609			609			...	
22 Transportation of things			58			58			...	
23 Rent, communications and utilities:										
23.1 Standard level user charges			808			846			+38	
23.2 Other rent, communications and utilities			862			888			+26	
24 Printing and reproduction			386			390			+4	
25 Other services			2,122			2,255			+133	
26 Supplies and materials			210			225			+15	
31 Equipment			561			600			+39	
40 Grants, subsidies and contributions			1,200			1,200			...	
Total requirements			17,663			18,068			+405	

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Base Pos.	1981 Base Comp. Work Years	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Comp. Work Years	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Comp. Work Years	Inc.(+) or Dec.(-) Amount	Emp. 12/31
11.1 Permanent positions										
General Schedule	273	267	$7,448	292	275	$7,583	+19	+8	+135	265
11.3 Positions other than permanent										
General Schedule	70	67	2,460	70	67	2,460	...	...	...	65
11.5 Other personnel compensation			55			55			...	
12.1 Personnel benefits										
Civil service retirement			594			606			+12	
Federal Insurance Contribution Act, FICA			145			145			...	
Health insurance			83			84			+1	
Life insurance			51			52			+1	
Employee awards			11			12			+1	
Total, personnel benefits			884			899			+15	
21.0 Travel and transportation of persons										
Per diem			298			298			...	
Common carrier			302			302			...	
Other			9			9			...	
Total, travel and transportation of persons			609			609			...	
22.0 Transportation of things			58			58			...	
23.1 Standard level user charges			808			846			+38	

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Base Pos.	1981 Base Comp. Work Years	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Comp. Work Years	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Comp. Work Years	Inc.(+) or Dec.(-) Amount
23.2 Other rent, communications and utilities									
Federal Telecommunications System			112			114			+2
Other telephone, telegraph and teletype service			83			84			+1
Postal services by USPS			34			35			+1
Rental of automatic data processing equipment			452			472			+20
Rental of office copying equipment			95			95			...
Other equipment rental			86			88			+2
Total, other rent, communications, and utilities			862			888			+26
24.0 Printing and reproduction									
Publications			137			137			...
Other printing and reproduction			249			253			+4
Total, printing and reproduction			386			390			+4
25.0 Other services									
Training:									
Civil Service Commission			53			53			...
Other			80			80			...
Other Federal Agencies:									
Department of Commerce			289			304			+15
National Oceanic and Atmospheric Administration			142			142			...
National Bureau of Standards			293			298			+5
Other			50			50			...

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Comp. Work Years	Amount	Pos.	Comp. Work Years	Amount	Pos.	Comp. Work Years	Amount
25.0 Other services (cont.)									
Maintenance of equipment			70			75			+5
GSA alterations and repairs			64			74			+10
Other services			1,081			1,179			+98
Total, other services			2,122			2,255			+133
26.0 Supplies and materials									
ADP supplies			140			150			+10
Other supplies			70			75			+5
Total, supplies and materials			210			225			+15
31.0 Equipment									
ADP equipment			251			276			+25
Other equipment			203			217			+14
Equipment depreciation			107			107			...
Total equipment			561			600			+39
40.0 Grants, subsidies and contribution			1,200			1,200			...

Appropriation Summary Statement

Appropriation: Public Telecommunications
Facilities Planning and Construction

The FY 1981 budget request of $23,705,000 for this appropriation represents the same amount appropriated in FY 1980. This activity makes matching grants to eligible applicants to extend delivery of public telecommunications services to as many citizens of the United States as possible by the most efficient and economical means, including the use of broadcast and nonbroadcast technologies; and increases public telecommunications services and facilities available to, operated by, and owned by minorities and women; and strengthens the capability of existing public television and radio stations to provide public telecommunications services to the public.

Summary of Requirements
(Dollars amounts in thousands)

Appropriation: Public telecommunications facilities, planning and construction

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			...	$23,705
	Adjustments to base and built-in changes:				
	Adjustments for 1980 pay increase and related costs	...	...		
	Other increases	...	...		
	Other decreases	...	...		
	Subtotal adjustments to base and built-in changes	...	...	...	...
	1981 base			...	$23,705

Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc. (+) Dec. (-) Over 1981 Base Perm. Pos.	Inc. (+) Dec. (-) Over 1981 Base Amount
NTIA-44 Public telecommunications facilities grants	...	$18,000	...	$23,705	...	$23,705	...	$23,705	...	...

Justification of Program and Performance

Activity: Public Telecommunications Facilities Grants

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Public Telecommunications Facilities Grants.....	..	$18,000	..	$23,705	..	$23,705	..	$23,705	..	....

Goals and Objectives

Goals: (1) To extend delivery of public telecommunications services to 95% of the population of the United States and territories, by the most efficient and economical means, including the use of broadcast as well as nonbroadcast technologies; (2) To increase public telecommunications services and facilities available to, operated by, and controlled by minorities and women; (3) To strengthen the capabilities of existing public broadcast stations to provide to the public quality public telecommunications services, including local program production capabilities.

Objectives: (1) To provide grants for the planning of facilities to provide cost-effective delivery of servides to unserved areas and significantly different specialized services; (2) To provide construction grants for the establishment and extension of public broadcast and nonbroadcast facilities in order to extend delivery of public television and radio programs to areas not currently served; (3) To establish additional facilities to provide significantly different specialized services to minorities and women and other groups with special concerns, and to extend specialized services; (4) To strengthen the production capability of public broadcast stations to provide quality public television and radio programs to the public,

Base Program

This program provides grants for the planning and construction of public telecommunications facilities to deliver noncommercial, educational, cultural and informational programs to citizens of the U.S. Under the authority of the Public Telecommunications Financing Act of 1978 (hereafter referred to as the Act), the highest priority is to extend delivery of public radio and television programs to areas not served today, with a specific mandate to give special attention to increasing involvement by minorities and women. Provision is also made for the strengthening of existing stations to ensure that these entities will be able to continue to provide quality programs to the public.

Since the beginning of the program in 1963, PTFP has awarded over $169 million in grants for the establishment, extension, or improvement of public telecommunications facilities. This includes 431 grants which have been awarded to help expand or improve existing public television stations, and 255 grants which have been made to expand or improve public radio stations. The program has assisted in the activation of 171 of the nearly 300 public television stations on the air or under construction today, and has helped to establish 90 public radio stations. Coverage data show that about 90% of the U.S. population receives public television service (including areas reached by cable television), and about 60% of the U.S. receives public radio services. The Act recognized the use of nonbroadcast technologies such as cable as a cost-effective means for delivery of services, and for the first time allowed these facilities to apply for support. Fifteen planning and construction grants were awarded in FY 1979 for the development of such nonbroadcast facilities. Section 392(f) of the Act also provides for the first time that special consideration be given to applications which would increase minorities and women's control of, operation of, and participation in public telecommunications. In FY 1981, this program will award approximately 175 grants totalling $23,705,000 for the planning and construction of public telecommunications facilities. Of these, 75% will be for the extension of public radio and television programs to rural and other areas currently unserved; and for significantly different second services.

PTFP will award planning grants to enable public telecommunications entities to engage in comprehensive planning in unserved or underserved areas, in order to ascertain the needs of the area, and to determine the most cost-effective public telecommunications delivery system to meet those needs. Forty-two grants in 1979, and an estimated 50 grants in FY 1980, will initiate planning activities in markets currently not served today, or deliver complementary or specialized services. In FY 1981, approximately 50 planning grants will be awarded, with over half of the grants awarded to entities which propose to increase the number of facilities controlled by, operated by, or emphasizing service to minorities and women.

Construction grants in FY 1979 and 1980 will increase public television coverage to nearly 92%, and public radio coverage to 78% of the U.S. population. In FY 1981, PTFP plans to assist in the extension of delivery of first services to rural and other unserved areas primarily through the utilization of translators and cable delivery systems. Nearly two million citizens will benefit from these projects, bringing total public television coverage to nearly 93%. PTFP plans to award grants to establish approximately twelve public radio stations in markets currently not reached by public radio, and to extend delivery of first services through expansion of power of stations, translators, or nonbroadcast means. In particular, support will be provided for the launching of specialized networks connecting targeted populations not now served, such as an American Indian radio service. An additional eight million citizens will benefit from these radio projects, bringing total public radio coverage to about 82% of the population.

PTFP also provides support for the establishment or extension of facilities which will provide significantly different second services to an area. Such projects might include the establishment of a second public radio station in a market with a high concentration of one or more minority groups, or the use of the subcarrier channel of a public radio station to provide specialized services such as a radio reading service for the visually handicapped or elderly, or for Spanish programming to reach a targeted population. In the area of television, a project might involve the use of cable channels by a minority-controlled entity in an urban area where no broadcast channels may be available. PTFP plans to fund the establishment of facilities in approximately six markets and the extension of facilities in approximately thirteen markets to provide such specialized services.

Up to 25% of appropriated funds will be available for strengthening the production capabilities of existing public broadcast stations. Funds are awarded to replace worn-out or obsolete production apparatus, or to enable stations to produce locally originated public radio and television programming for the first time. In FY 1979, 33 stations received funds to improve their production capability, and 40 public broadcast stations will receive such grants in FY 1980. PTFP plans to encourage a larger matching share from non-Federal sources for improvement projects, thereby assisting about 45 public broadcast stations to strengthen their facilities in FY 1981.

Projection of Grant Awards
(Dollars in Millions)

	FY 1979 (Actual)		FY 1980 (Estimate)		FY 1981 (Estimate)	
	APPLICATIONS RECEIVED	GRANTS	APPLICATIONS RECEIVED	GRANTS	APPLICATIONS RECEIVED	GRANTS
CONSTRUCTION:						
TELEVISION	$46.78 (118)	$10.28 (43)	$50.00 (120)	$11.90 (49)	$50.00 (110)	$10.65 (45)
RADIO	$13.22 (130)	$ 4.11 (51)	$15.00 (140)	$ 5.80 (59)	$15.00 (140)	$ 6.50 (61)
NONBROADCAST	$ 9.55 (37)	$ 2.47 (12)	$13.00 (65)	$ 3.905 (17)	$15.00 (75)	$ 4.355 (19)
PLANNING	$15.07 (169)	$ 1.57 (42)	$17.00 (175)	$ 2.10 (50)	$15.00 (175)	$ 2.20 (50)
TOTAL	$84.62 (454)	$18.43[1/] (148)	$95.00 (500)	$23.705 (175)	$95.00 (500)	$23.705 (175)

1/ Includes $428,738 de-obligated funds recovered from prior years.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Public telecommunications facilities, planning and construction

Object Class	1981 Base Pos.	1981 Base Comp. Work-Years	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Comp. Work-Years	1981 Estimate Amount	Inc(+) Dec (-) Pos.	Inc(+) Dec (-) Comp. Work-Years	Inc(+) Dec (-) Amount	Emp. 12/31
41.0 Grants, subsidies and contributions	...	...	$23,705	...	...	$23,705	...	...	...	...

Justification by Object Class
(Dollar amounts in thousands)

Object Class	1981 Base Pos.	1981 Base Comp. Work-Years	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Comp. Work-Years	1981 Estimate Amount	Inc(+) or Dec(-) Pos.	Inc(+) or Dec(-) Comp. Work-Years	Inc(+) or Dec(-) Amount	Emp. 12/31
41.0 Grants, subsidies and contributions	...	...	$23,705	...	...	$23,705	...	...	...	...

Mr. HIGHTOWER. We are happy to have Mr. Henry Geller, Assistant Secretary for Communications and Information.

GENERAL STATEMENT

We have your prepared statement which we will insert in the record at this point and invite you to proceed as you choose.

[The prepared statement follows:]

STATEMENT OF

HENRY GELLER

ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON STATE, JUSTICE, COMMERCE, AND THE JUDICIARY, AND RELATED AGENCIES

Mr. Chairman and Members of the Subcommittee, I appear before you today on behalf of the Commerce Department's National Telecommunications and Information Administration (NTIA).

For fiscal year 1981, we are requesting $39,178,000 and 292 permanent positions. Of this amount, $17,473,000 and all 292 positions are for the Salaries and Expenses appropriation; $21,705,000 is for the Public Telecommunications Facilities, Planning and Construction appropriation.

This request represents a net program decrease of $1,832,000 and an increase of 19 permanent positions over our FY 1980 appropriation of $41,010,000 and 273 positions.

NTIA, through the Secretary of Commerce, is the principal policy advisor to the President on communications issues and is a major adviser to the President on information policy questions.

NTIA's program is divided into four activities. The first is entitled "Policies for the Development of

Telecommunications Industries." In this, NTIA formulates policies designed to improve the technical and regulatory framework within which the nation's telecommunications and information industries will develop. Also, with the Department of State and other agencies, NTIA helps develop policy and coordinates U.S. preparations for international telecommunications conferences and negotiations.

Our second major program activity is headed "Efficient Use of Telecommunications and Information Systems." Here, we encourage cost-effective applications of telecommunications and information systems and technologies for the delivery of public services. This activity includes our role as adviser to the Office of Management and Budget on the planning for Federal Government communications systems. It also encompasses our function as chief coordinating agency for two Presidential Initiatives: first, privacy, and, second, the protection of sensitive but unclassified information transmitted electronically by the Government and by industry.

A third NTIA program activity is titled "Management of Telecommunications Resources." In this, NTIA manages and establishes policy to guide the Federal Government's use of the radio frequency spectrum and to improve national and international spectrum use.

As part of this responsibility, NTIA assigns radio frequencies to Federal agencies. It works jointly with the Federal Communications Commission to plan the long-range

management of the entire U.S. national radio frequency spectrum resource and to work for the acceptance of these long-range plans in both national and international spectrum management forums. And it develops technical and engineering data and methodology both to improve present spectrum use and to allow for future expansion of that use.

Our fourth program activity consists of the Public Telecommunications Facilities Program. This program distributes planning and construction grants to public telecommunications entities to support the extension and improvement of public telecommunications services -- including public broadcasting -- throughout the nation.

In addition, I should note that NTIA performs extensive engineering and applied scientific research on radio wave propagation, radio interference problems, communications systems and standards, and advanced communications networks. This work is integral to all the four program activities I just described. Much of it is conducted by our Institute for Telecommunication Sciences, in Boulder, Colorado. The Institute's research activities are funded by both direct and reimbursable monies.

Mr. Chairman, I should like to review for you now some of NTIA's more important activities over the past year.

First, we played a major role in the World Administrative Radio Conference -- called "WARC-79" -- that was completed last December after nearly three months of negotiations. At

62-212 O - 80 - 16

this conference, the radio frequency spectrum was allocated worldwide by radio service for the remainder of this century. NTIA, in cooperation with the FCC and the State Department, helped prepare the U.S. positions for WARC-79. Seventeen of our spectrum management specialists took part in the deliberations themselves, mainly by providing the vast amount of technical support needed to resolve the complicated issues that arose.

Now, with WARC-79 over, NTIA is studying how its results will affect our spectrum management. The effects should be much greater than originally was thought would be the case. On the domestic side, the results of WARC-79 will require a complete review and revision our National Table of Allocations -- which indicates what frequency bands may be used by the various services -- so as to adapt it to the new international table. This work has already commenced jointly with the FCC but its completion will require extensive rule-making over the next two or three years.

On the international side, over the next few years, six regional and three world administrative radio conferences will be held, in part, to settle questions left unresolved by WARC-79. Preparations for these conferences have been intensified and made more complicated by these unresolved questions.

As one example of this, WARC-79 made many changes in the allocations for mobile radio services and called for a

conference in late 1982 or early 1983 to revise the mobile service channeling plans and the administrative regulations for those services.

A second major NTIA effort last year was our continued contribution to the deliberations in the Congress and the FCC concerning possible revision of the regulatory structure of the U.S. common carrier industry. NTIA's purpose is to bring about substantial deregulation and increased competition in that industry, consistent with the need to maintain the reliability and affordability of our local telephone service. Such a change is necessary if our telecommunications industry is to be able to offer new services as efficiently as possible and thus become fully competitive in world markets.

Along these lines, NTIA has made and is making a strong contribution to the pending legislation that would rewrite the Communications Act of 1934 so as to incorporate the principles of deregulation and competition into the common carrier industry. For example, NTIA composed a "Primer" that served as the basis for current legislative proposals; we also worked closely with the industry and with Executive Branch agencies in developing the provisions of the "Primer" as Administration policy.

Third, in executing our responsibility relating to the President's Privacy Initiative, NTIA has drafted or helped to draft 11 bills that would broaden and specify the individual's right to privacy in this increasingly-

computerized, electronic information age we live in. NTIA is continuing to provide extensive support to the ten Congressional subcommittees before which these bills are now pending.

Two other NTIA programs were the recipients of increases in our FY 1980 budget. The first of these was the Public Telecommunications Facilities Program. In September 1979, this program awarded approximately $18 million in grants to a total of 148 organizations in 42 States and the District of Columbia. Nearly 76 percent of these grants went to projects that would extend public telecommunications services to areas not now receiving them. Also, 67 grant recipients received special consideration because they involved women's or minority ownership or operation. All of this was done in response to the mandate of the Public Telecommunications Financing Act of 1978, which shifted this program to NTIA, called for an emphasis on extending the coverage of public telecommunications, and specified that the program should work towards increasing the role of women and minorities in this field. This summer the Facilities Program will award the $23.7 million appropriated in our FY 1980 budget.

The second area of FY 1980 budget increases is our satellite applications program. In this program, NTIA has taken steps to pull together public service users of communications satellite services into a unified market source. This market aggregation will be accomplished

through grants providing non-Federal entities with venture capital to create self-sustaining public telecommunications services by 1984. Authority for this effort stems directly from the President's National Civil Space Policy. The intent of the grant program is to make communications services available at affordable rates to public service users. Grant proposals were formally solicited this February; decisions will be made in May.

Turning now to the highlights of our FY 1981 budget, we are requesting a program increase in the activity headed "Management of Telecommunications Resources"; it calls for $785,000 and 19 permanent positions.

This increase would allow NTIA to accomplish the following:

- o Double the number of reviews it would do of proposed Federal communications systems that use the radio spectrum; these reviews are done to ensure that the proposed systems will operate without causing or receiving intolerable interference.
- o Increase from 6 to 9 the number of assessments it would make of radio frequency band usage in those bands used either wholly or in part by Federal agencies;
- o Process most of the retrieval requests, the equipment and system data base entries, and the

estimated 85,000 Federal radio frequency assignments that will be received during the year;

- o Improve the efficiency of its automated analytical and data processing capabilities used in Federal spectrum management.

The proposed expansion of system reviews and frequency assignment processing would alleviate serious backlogs in these areas, backlogs that are worsening each year. Federal agency requests for frequency assignments, for example, are growing at an annual rate of seven percent. We estimate that as of this October we will face a backlog of 25,000 of these assignment requests. However, without increased funding, this backlog will swell to 43,000 by the end of FY 1981. The proposed increase would allow us to process 85,000 frequency requests during FY 1981. This in turn would bring the backlog down to about 23,000, which we consider to be an acceptable level.

Much the same is true of system reviews. We estimate that at a base level of effort, we will have a backlog totaling 135 by the end of FY 1981. With the increase, NTIA would conduct 150 reviews, which would bring the backlog down to the acceptable level of 60 by the end of FY 1981.

Also at the increased level, NTIA would be able to shrink to between 6 and 7 years the amount of time it would take for us to assess the usage of all the bands used by

Federal agencies. Without the increase, these assessments will continue to be done on a ten-year cycle.

These radio frequency band usage assessments help to determine how the bands might be shared more efficiently by all radio services, both Government and non-Government. The assessments, then, are valuable not just to Federal agencies but also to private organizations or citizens that communicate via radio waves.

I should add that the improved efficiency in our automated support capabilities is an integral part of our effort to reduce the backlogs I have discussed.

Let me stress that system reviews, radio band assessments, and up-to-date frequency assignment processing contribute greatly to efficient spectrum use. They help provide the controls necessary to insure that Federal agencies will not contribute to any "spectrum scarcity crisis" that might occur as the number of spectrum users continues to increase.

In addition, system reviews help prevent costly problems from developing in Government communications expenditures, problems caused by the system encountering unforeseen interference situations. Not having to retrofit communications systems to compensate for interference once they are deployed in the field can save substantial amounts of money. The same is true if we can avoid having to scrap a major system.

One benefit of the increase-level effort would be an improvement in our implementation of the results of the "WARC-79" conference that I mentioned a few moments ago.

Moreover, Mr. Chairman, the knowledge to be derived about efficient spectrum use from the increase-level activity will help strengthen our Nation's competitive position in the international trade in communications equipment and services. First, spectrum-efficient items are easier to sell overseas. And second, this knowledge will help us influence the setting of international communications standards, and thus decrease the chances of our equipment being shut out from overseas markets due to incompatibility with standards.

At this point, Mr. Chairman, I would like to consider other changes in our budget.

The changes are to be found in the program activity headed "Efficient Use of Telecommunications and Information Systems". The first change calls for a decrease of $200,000 and an increase of three permanent positions in the privacy program. There is no contradiction in this. The decrease of funding reflects a projected return to stabilization of the privacy program's workload after a period of especially intense activity, during which much priority draft legislation was prepared. And, although the additional positions would increase the number of permanent positions earmarked for this program from the level prior to the FY 1979 - FY 1980 reprogramming, it would nonetheless result in a net reduction by half of the overall staff for the program from the staffing level supported by FY 1980 Congressional reprogramming.

A second change is a proposed decrease totaling three positions and $180,000. This results from a decision to phase out our support for the analysis of local telecommunications activities. This local activity by and large centered on studies to identify how telecommunications systems might increase the efficiency of community services and administration. The studies discuss how local communities can conduct inventories of their existing communications systems. They also provide guidance as to how to plan for and implement improved communications systems. This should enhance community self-reliance in this area. We therefore intend in FY 1981 to concentrate our intergovernmental work on the State level. However, we shall examine how well communities appear to be able to employ the planning guides without additional Federal coordination.

In two other situations, both within the base-level, we have offset additional resources for certain programs by corresponding decreases in other programs. For example, we have established a program of aid to developing countries that wish to employ communications satellites. This aid program calls for $224,000, which we have offset by a corresponding reduction in our subsidy for public service satellite circuits. We have also earmarked an additional $200,000 and three permanent positions for direct broadcast satellite technology research; this sum is to be offset by a corresponding reduction in our fiber optics research effort.

Since the submission of the President's budget last January, the President has proposed budget reductions in certain programs to reduce the national deficit and balance the Nation's budget. To meet this need, NTIA revised the 1981 budget request to include a decrease in two program areas. The first is a reduction of $595,000 from the Information Technology and Policy subactivity under the Salaries and Expenses appropriation. This would reduce the resources available from the telecommunications protection program for technical support of the program, with a consequent reduction in NTIA's ability to provide technical inputs to a national telecommunications protection plan. Information and telecommunications vulnerability survey work, other agency training and policy analysis would also be conducted at a lower level of effort. The second is a reduction of $2,000,000 from the Public Telecommunications Facilities, Planning and Construction appropriation. This would decrease the number of grants awarded to public broadcast facilities for the extension of public telecommunciations services to unserved areas, the provision of additional or complementary services to special audiences, and the improvement of existing public telecommunications facilities.

Thank you for this opportunity to discuss our proposed budget. I will be happy to respond to your questions.

Mr. GELLER. I will only briefly go over some highlights of our budget testimony.

Mr. Chairman and members of the Subcommittee, I appear before you today on behalf of the Commerce Department's National Telecommunications and Information Administration (NTIA).

1981 BUDGET REQUEST

For fiscal year 1981, we are requesting $39,178,000 and 292 permanent positions. Of this amount, $17,473,000 and all 292 positions are for the Salaries and Expenses appropriation; $21,705,000 is for the Public Telecommunications Facilities, Planning and Construction appropriation.

This request represents a net program decrease of $1,832,000 and an increase of 19 permanent positions over our fiscal year 1980 appropriation of $41,010,000 and 273 positions.

PROGRAM INCREASE

Turning now to the highlights of our fiscal year 1981 budget, we are requesting a program increase in the activity headed "Management of Telecommunications Resources"; it calls for $785,000 and 19 permanent positions.

This increase would allow NTIA to accomplish the following:

Double the number of reviews it would do of proposed Federal communications systems that use the radio spectrum; these reviews are done to ensure that the proposed systems will operate without causing or receiving intolerable interference;

Increase from six to nine the number of assessments it would make of radio frequency band usage in those bands used either wholly or in part by Federal agencies;

Process most of the retrieval requests, the equipment and system data base entries, and the estimated 85,000 Federal radio frequency assignments that will be received during the year; and

Improve the efficiency of its automated analytical and data processing capabilities used in Federal spectrum management.

FREQUENCY ASSIGNMENTS

The proposed expansion of system reviews and frequency assignment processing would alleviate serious backlogs in these areas, backlogs that are worsening each year. Federal agency requests for frequency assignments, for example, are growing at an annual rate of 7 percent. We estimate that as of this October we will face a backlog of 25,000 of these assignment requests. However, without increased funding, this backlog will swell to 43,000 by the end of fiscal year 1981. The proposed increase would allow us to process 85,000 frequency requests during fiscal year 1981. This in turn would bring the backlog down to about 23,000, which we consider to be an acceptable level.

SYSTEM REVIEWS

Much the same is true of system reviews. We estimate that at a base level of effort, we will have a backlog totaling 135 by the end

of fiscal year 1981. With the increase, NTIA would conduct 150 system reviews which would bring the backlog down to the acceptable level of 60 by the end of fiscal year 1981.

BAND ASSESSMENTS

Also at the increased level, NTIA would be able to shrink to between 6 and 7 years the amount of time it would take for us to assess the usage of all the bands used by Federal agencies. Without the increase, these assessments will continue to be done on a 10-year cycle.

These radio frequency band usage assessments help to determine how the bands might be shared more efficiently by all radio services, both Government and non-Government. The assessments, then, are valuable not just to Federal agencies but also to private organizations or citizens that communicate via radio waves.

INCREASED AUTOMATION

I should add that the improved efficiency in our automated support capabilities is an integral part of our effort to reduce the backlogs I have just discussed.

Let me stress that system reviews, radio band assessments, and up-to-date frequency assignment processing contribute greatly to efficient spectrum use. They help provide the controls necessary to insure that Federal agencies will not contribute to any "spectrum scarcity crisis" that might occur as the number of spectrum users continues to increase.

In addition, system reviews help prevent costly problems from developing in Government communications expenditures, problems caused by the system encountering unforeseen interference situations. Not having to retrofit communications systems to compensate for interference once they are deployed in the field can save substantial amounts of money. The same is true if we can avoid having to scrap a major system.

One benefit of the increase-level effort would be an improvement in our implementation of the results of the "WARC–79" conference that recently concluded in Geneva. That conference allocated the radio frequency spectrum by service worldwide and the conference decisions will greatly influence U.S. domestic spectrum allocations. The deliberations of WARC–79 have also had the effect of intensifying and making more complicated the preparations for the six regional and three world spectrum management conferences that are scheduled for the next few years. The increase would permit more thorough and timely NTIA contributions to these preparations.

Moreover, Mr. Chairman, the knowledge to be derived about efficient spectrum use from the increased-level activity will help strengthen our Nation's competitive position in the international trade in communication equipment and services. Spectrum-efficient items are easier to sell overseas. And this knowledge will help us influence the setting of international communications standards, so as to decrease the chances of our equipment being shut out from overseas markets due to incompatibility with standards.

PRIVACY PROGRAM

I would like to consider other changes in our budget.

The changes are to be found in the program activity headed "Efficient Use of Telecommunications and Information Systems." The first change calls for a decrease of $200,000 and an increase of three permanent positions in the privacy program. There is no contradiction in this. The decrease of funding reflects a projected return to stabilization of the privacy program's workload after a period of especially intense activity, during which much priority draft legislation was prepared. And, although the additional positions would increase the number of permanent positions earmarked for this program from the level prior to the fiscal year 1979 and 1980 reprogramings, it would nonetheless result in a net reduction by half of the overall staff for the program from the staffing level supported by fiscal year 1980 congressional reprograming.

INTERGOVERNMENTAL TELECOMMUNICATIONS SYSTEMS

A second change is a proposed decrease totaling three positions and $180,000. This results from a decision to phase out our support for the analysis of local telecommunications activities. This local activity by and large centered on studies to identify how telecommunications systems might increase the efficiency of community services and administration. The studies discuss how local communities can conduct inventories of their existing communications systems. They also provide guidance as to how to plan for and implement improved communications systems. This should enhance community self-reliance in this area. We therefore intend in fiscal year 1981 to concentrate our intergovernmental work on the State level. However, we shall examine how well communities appear to be able to employ the planning guides without additional Federal coordination.

OTHER CHANGES

In two other situations, both within the base-level, we have offset additional resources for certain programs by corresponding decreases in other programs. For example, we have established a program of aid to developing countries that wish to employ communications satellites. This aid program calls for $224,000, which we have offset by a corresponding reduction in our subsidy for public service satellite circuits. We have also earmarked an additional $200,000 and three permanent positions for direct broadcast satellite technology research; this sum is to be offset by a corresponding reduction in our fiber optics research effort.

BUDGET AMENDMENT

Since the submission of the President's budget last January, the President has proposed budget reductions in certain programs to reduce the national deficit and balance the Nation's budget. To meet this need, NTIA revised the 1981 budget request to include a decrease in two program areas. The first is a reduction of $595,000 from the Information Technology and Policy subactivity under the

Salaries and Expenses appropriation. This would reduce the resources available from the telecommunications protection program for technical support of the program, with a consequent reduction in NTIA's ability to provide technical inputs to a national telecommunications protection plan delaying the development of the plan by several months. Information and telecommunications vulnerability survey work, other agency training and policy analysis would also be conducted at a lower level of effort. The second is a reduction of $2 million from the Public Telecommunications Facilities, Planning and Construction appropriation. This would decrease the number of grants awarded to public broadcast facilities for the extension of public telecommunications services to unserved areas, the provision of additional or complementary services to special audiences, and the improvement of existing public telecommunications facilities.

Thank you for this opportunity to discuss our proposed budget. I will be happy to respond to your questions.

Mr. HIGHTOWER. Thank you, Mr. Geller.

SALARIES AND EXPENSES

Mr. HIGHTOWER. The first item to which we will direct our attention is entitled Salaries and Expenses. The amended budget request for this item for fiscal year 1981 is $17,473,000. This amount is an increase of $168,000 above appropriations enacted to date for this item for fiscal year 1980.

COMPUTER MAINTENANCE SERVICE

On page 9 of the justifications under adjustments to base, you show an increase of $72,000 for a computer maintenance service contract. The justifications indicate that this service was formerly provided by the Bureau of the Census. Why is this service being discontinued by the Bureau of the Census?

Mr. GELLER. We were informed they could no longer continue to provide that service, that we had to provide it ourselves. We regret that because it was very convenient and reasonable for us to continue with Census, but it was their decision to no longer provide us this service.

Mr. HIGHTOWER. Are you contracting outside for this service?

Mr. GELLER. Yes, sir.

Mr. HIGHTOWER. Did the Bureau of the Census give you an anticipated time when they could reassume this responsibility?

Mr. GELLER. As far as we know, there are no plans for Census to reassume the responsibility.

Mr. HIGHTOWER. Couldn't they resume this service after they finish the Census, which after all is the reason for the changeover?

Mr. GELLER. There are no present plans to resume it. This, as I say, was a decision by Census, not by us.

Mr. HIGHTOWER. We will have to ask them that question then.

DOMESTIC COMMON CARRIER

Turning to page 14 of the justifications, under the domestic common carrier activity, what specific role did NTIA play in the

ENFIA negotiations? Was NTIA or the FCC the principal negotiator for those negotiations?

Mr. GELLER. We were the crucial catalyst. We wrote a letter suggesting the parties be brought together for informal negotiations to work out this letter. The Commission responded to this letter and called for meetings on this subject. We participated in these meetings, but then the Commission took over the major negotiating role. The negotiations were successful and have been instrumental in working out temporarily this difficult problem.

Mr. HIGHTOWER. Then, the FCC was the principal negotiator?

Mr. GELLER. Yes, they were, we were the catalyst for getting them started. During the negotiations, the FCC then took over and became the principal negotiator.

Mr. HIGHTOWER. Your statement on page 14 of the justifications indicates that the issues surrounding cost allocations have been resolved. However, did not the ENFIA negotiations deal with tariffs rather than with cost allocation methods?

Mr. GELLER. Yes. And it is not correct to state that all the issues regarding cost allocations have been resolved. We have made some progress, but a great deal more needs to be done. I am sorry if the statement implied we solved the problem. Work needs to be done; we made a contribution.

Mr. HIGHTOWER. Your justifications also indicate that NTIA made cost allocation recommendations on private-line long distance service. In what context did you make those recommendations and what was the impact of those recommendations?

Mr. GELLER. We have filed a number of Commission dockets, 78–72 and others, where we have urged certain positions. They are by no means finalized, and we have a great deal of work to be done. But we will give you the specific docket number where we have made significant progress.

[The following information was submitted subsequent to the hearings:]

COST ALLOCATION RECOMMENDATIONS ON PRIVATE-LINE LONG DISTANCE SERVICE

The original MTS-WATS Inquiry (Docket 78–72) was a broad inquiry into whether there should be competition in the provision of MTS-WATS services. This issue has been overtaken by events as a result of the D.C. court's decision in Execunet. For this reason the Commission has restructured the inquiry and broken it into a number of sub-proceedings. One of these sub-proceedings is directly responsive to NTIA's FX-CCSA petition and the Second Supplemental Notice of Inquiry and proposed rule making was issued on April 16, 1980.

Mr. HIGHTOWER. On page 14 of the justifications, you also indicate that in fiscal year 1980 NTIA will develop a first-phase analysis of the structural and regulatory conditions which are necessary to prevent telephone firms from using monopoly profits to subsidize competitive services. How will this project relate to the fiscal year 1981 proposal to revise the uniform system of accounts listed on page 15 of the justifications?

Mr. GELLER. They are related; we think both are needed. You need to have a uniform system of accounts, particularly in areas where the dominant carriers such as AT&T are engaged in competitive activity. At the same time we cannot rely simply on accounting. For that reason, we have attempted to develop structural conditions here, such as subsidiaries. The two dovetail together and

both are important pegs of the reform now going on both before the Commission and the Congress.

COMSAT

Mr. HIGHTOWER. With respect to international telecommunications policy, what coordination takes place between NTIA, the State Department, and the FCC on instructing COMSAT on its role with respect to INTELSAT?

Mr. GELLER. The actual instructions are given by the State Department, but the State Department always consults with the FCC and with NTIA. Meetings are held and a consensus is always reached. Once that consensus is reached, the State Department transmits it to COMSAT in order to give guidance as to how to vote in INTELSAT.

Mr. HIGHTOWER. On page 16 of the justifications, you also indicate that NTIA advocates allowing COMSAT to provide its services directly to end users. In addition, the justifications indicate that you would propose to study ways to prevent COMSAT from acting in an anti-competitive manner. How can NTIA support changing COMSAT's status without having determined the appropriate cost allocation methods for ensuring fair competition?

Mr. GELLER. This is a matter still to be worked out in further proceedings in the next fiscal year, as a condition of allowing COMSAT to operate on a retail basis, to abrogating what is called the authorized user provision, that in turn COMSAT's other competitors be allowed cost base access. By that act alone, we would insure, we believe, fair competition. This is a matter under a great deal of study. We hope it will be the subject of rulemaking before the FCC during the year and that it will be the subject of study by the Congress, but we think the answer lies in the access to cost base.

Mr. HIGHTOWER. Have you determined the amount for this segment?

Mr. GELLER. COMSAT has been known as a carrier's carrier. They have a monopoly and you must come to them except in unusual circumstances. We have suggested this be abrogated. Instead of being a carrier's carrier, they should come down into the market and compete and other people would be allowed to operate the system on a cost basis. It will be worked out, if at all, in further proceedings before the FCC; and because it represents a very large policy change, we think it should be appropriately studied by the Congress. It is our understanding that there will be legislation in the national field in the latter part of this year, not for passage but to begin this study.

BUDGET AMENDMENTS

Mr. HIGHTOWER. On page 4 of the justifications in support of the budget amendment, you show a decrease of $595,000 from the pending request for the information technology and policy program. What part of the program would be eliminated as a result of this amendment?

Mr. GELLER. No part of the program would be eliminated. We would have to slow down some activities, we would slow down some

technical inputs, the development of the national strategy, and there might be some slowing down of the surveys of agencies as to vulnerability and training. But we do not intend to eliminate anything, but just to have some stretching out of these assignments.

Mr. HIGHTOWER. The original justifications showed an increase of three positions for this program. Are you still requesting those positions and, if so, why, since you are requesting a total decrease of $795,000 for the program?

Mr. GELLER. The three positions I believe are in the area of privacy. As I stated, they really represent a cut in half of the staff in the privacy area. We are now operating with 12 full-time permanents, we would go down to 6, that is because the program will have become more stabilized. We would have a cut of $200,000 in that program.

SPECTRUM MANAGEMENT

Mr. HIGHTOWER. On page 31 of the justifications, you show an increase of 19 positions and $785,000. Did you have this item in your fiscal year 1980 budget request?

Mr. GELLER. We did ask for an increase; yes, sir. Very similar.

Mr. HIGHTOWER. Was that request not approved by the Congress?

Mr. GELLER. It was not.

Mr. HIGHTOWER. Why then are you requesting this same item again this year?

Mr. GELLER. We believe this is the lifeblood of telecommunications and we feel we need this increase in order to avoid the spectrum crisis I spoke about. These increases will prevent us from falling behind, from having great backlogs, and therefore will allow us to operate in a more efficient manner, which is extremely important in this vital area. That is why we returned again.

Mr. HIGHTOWER. After the request was denied, did you consider reprogramming?

Mr. GELLER. We had looked at it, but the difficulty is that there are many large claims upon our resources. It is difficult to reprogram to that extent; we therefore decided to return and convince the OMB that our case was a solid one and to come back to Congress.

Mr. HIGHTOWER. Will these additional resources be used for spectrum studies?

Mr. GELLER. For spectrum management, the assessment reviews, data base—these as I say are the backbone of what NTIA does. The Federal Government has 25 percent of the spectrum and shares 45 percent. Claims are going up at the rate of 7 percent a year. We believe without these increases we will fall further behind and then it becomes a snowball effect.

Mr. HIGHTOWER. Does the increase in the Federal agency requests account for the 7 percent?

Mr. GELLER. Yes; agencies are asking for frequencies at the rate of 7 percent each year and we have to assign them. We have the backlog of 25,000. Without the increase in the backlog it becomes 43,000. People try to avoid frequencies where there will be interference. With this increase, we would cut the backlog down to a more acceptable level of 23,000.

Mr. HIGHTOWER. Could you provide for the record a breakdown of the number of requests by each Federal agency?

Mr. GELLER. We can do that. The Department of Defense is the largest one, but there is also NOAA, and the Department of Transportation; we will give you that specifically.

[The information follows:]

LIST OF FREQUENCY ASSIGNMENTS PROCESSED BY AGENCY

Department or Agency	Number of Assignments Processed in FY 1979
Agriculture	3,181
Architect of the Capitol	1
Canada	5,000
Central Intelligence Agency	25
Commerce, Department of	953
Commodity Futures Trading Commission	8
Consumer Products Safety Commission	1
Defense, Department of	24,121
Air Force	(6,583)
Army	(5,037)
Navy	(12,501)
Energy, Department of	1,269
Environmental Protection Agency	81
Federal Communications Commission	79
Federal Mediation Conciliation Service	8
Federal Reserve System	15
Government Accounting Office	1
General Services Administration	556
Health, Education and Welfare, Department of	151
House of Representatives	3
Housing and Urban Development, Department of	2
Interior, Department of	6,210
International Boundary & Water Commission	118
International Communication Agency	899
Justice, Department of	4,217
Labor, Department of	56
Library of Congress	1
National Aeronautics and Space Administration	652
Nuclear Regulatory Commission	78
National Security Agency	44
National Science Foundation	75
Technology & Assessment, Office of	1
State, Department of	21
Smithsonian Institution	17
Treasury Department	1,436
Transportation, Department of	11,971
Coast Guard	(3,684)
Federal Aviation Administration	(5,847)
Non-Government (FAA)	(2,367)
Other than CG/FAA/NG	(73)
Tennessee Valley Authority	1,291
U.S. Capitol Police	8
U.S. Postal Service	153
Veterans Administration	1,735
Total Frequency Assignments	64,438

Mr. HIGHTOWER. What would be the consequences of not approving this request for additional resources?

Mr. GELLER. We would fall further behind and have backlogs in the neighborhood of 43,000 in frequency assignments. There would be backlogs in system review in the neighborhood of 135. The result is that some systems would be delayed or they might get into operation and need retrofitting which can be very expensive if you do that after going into operation. It can add 10 percent to the cost of a system. In some instances, the system has to be scrapped.

If we can do the band assessments, we can use it more efficiently. Sharing is really the name of the game here. By reviewing it at this rate of every 6 years, going through the whole band, we are much better off than going through it every 10 years.

BACKLOGS

Mr. HIGHTOWER. Do we have a backlog now?

Mr. GELLER. Oh, yes. We have a backlog in all these areas. We have a backlog of about 25,000 in frequency assignments, about 60 in system reviews and——

Mr. HIGHTOWER. How many years have you been carrying a backlog?

Mr. GELLER. I would think we have been having backlogs now for about—we can give you the exact figure, but I think it has been for the last 6 or 7 years.

What we are saying is, they are increasing because there are increasing demands on the spectrum. The backlog doubled from 1979 to 1980.

Mr. HIGHTOWER. To what can you attribute this increasing demand?

Mr. GELLER. I think it is a healthy sign in an energy-short world. The more spectrum is used, the better off we are. Spectrum is part of every defense operation, of airplanes, waterways, the open-and-shut valves in pipelines, it is used in industry, fire, police, used in emergencies, besides the uses that you are so familiar with in broadcasting and so forth. These uses are increasing. They are a very precious resource. People are finding more and more ways to use the spectrum to do things; that is good, but we have to be able to meet the demand.

As you know, this Nation has been falling behind in telecommunications. While it is not a panacea, we want to be able to improve.

Mr. HIGHTOWER. How does our handling of this matter compare with our European counterparts? Are they staying up-to-date with the allocation of the spectrum in Europe?

Mr. GELLER. It is allocated worldwide by the World Administrative Radio Conference, just completed in 1979; and that sets the allocations generally for the next 20 years.

I think we are ahead of the Europeans in that we do more sharing of the frequency bands between the Government and private sector. We have determined that sharing is absolutely crucial. I believe while we can do better in sharing, that we have led the world in sharing. One of our important assignments is to convince the rest of the world that sharing is feasible so we can make better use of the spectrum.

Mr. HIGHTOWER. Certainly the advanced stage of our technology is making greater demands in the United States than in other parts of the world.

Mr. GELLER. Yes, that is true. We have led in domestic satellites, for example. We are the originators of satellite communications. We have made the most use of it and have the most systems up. We are forging ahead, although there are rivals in fiber optics. The United States has been the leader in this area. We would hope it would continue to be so. Part of that leadership has to be promoted by the proper governmental talent, and that is what NTIA wants to foster. This is an area targeted by the Europeans and Japanese. We will suffer just as we did in TV sets. This budget is directed to maintaining our strength.

UHF/VHF COMPARABILITY STUDIES

Mr. HIGHTOWER. I would like to return to the policy area for just a moment. On page 13, you say that NTIA will develop policies and approaches leading to improvements in the quality of UHF television. This subcommittee also has jurisdiction over the Federal Communications Commission and has funded a UHF/VHF comparability study in that agency. What will NTIA do that will be different from the FCC's study in this area?

Mr. GELLER. The FCC welcomes our cooperation. We have a group of professionals in Boulder, Colorado, with great expertise in the area of spectrum. They have already supplied valuable data to the FCC in the area of UHF/VHF. They will continue to do so. Because they have the facility at Boulder and because they have been working on it, we feel they can make contributions to the Commission in this area. It is the Commission that must act, but our input will be helpful.

Mr. HIGHTOWER. How many positions and how many resources would you allocate to the development of such policies and approaches?

Mr. GELLER. We have eight positions and $838,000 for the entire broadcast area. For the amount devoted to the particular aspect, improving UHF service, could we supply that for the record?

Mr. HIGHTOWER. We would appreciate you supplying that information.

[The following information was submitted:]

RESOURCES FOR VHF/UHF COMPARABILITY

In fiscal year 1981, NTIA plans to apply $107,000 and one position to the VHF/UHF comparability question. NTIA's planned work concentrates on the technical factors which give rise to the disparity and the means by which they can be overcome. This differs from FCC's study in this area in that FCC is conducting a broad inquiry into many factors which may contribute to the VHF/UHF disparity with respect to economics, the nature of evolution of the service, and character of local markets.

FCC'S NETWORK INQUIRY

Mr. HIGHTOWER. On page 12 of the justifications, you indicate that one of NTIA's major efforts in 1981 in the broadcasting cable and special services area will be participation in the FCC's ongoing network inquiry. However, according to FCC's 1981 budget request, this inquiry will be completed with a final report issued during

fiscal year 1980. If the FCC report is issued as scheduled, why would there be a need for a major NTIA effort in this area during fiscal year 1981?

Mr. GELLER. I think our statement is inartfully drawn. The Commission's position is to call not for minor refinements within the network rules and regulations but for broad structural attack to, in other words open up this area. You now have three major networks dominating television; to move from that television of scarcity to abundance, as we understand it, the television inquiry sets forth a number of reforms. It is those areas we will followup on in fiscal year 1981. It is a followup of what has been set out in the Commission's network inquiry. I think we should have worded it better and I recognize our statements in here could have been phrased more felicitously.

Mr. HIGHTOWER. How many positions and how much money have you allocated to this project?

Mr. GELLER. Let us supply you the specific amounts for the record.

[The information follows:]

RESOURCES PLANNED FOR THE FCC NETWORK INQUIRY

Even though the Commission's Network Frequency Staff will complete their final report in fiscal year 1980, there will probably be significant follow-on activity by the Commission in the form of a rulemaking proceeding. NTIA plans to spend approximately $13,000 to participate in this rulemaking proceeding. This would be the most appropriate time to express administration views. We have not participated in the Inquiry to date but we have studied the reports issued and believe that the Commission will focus on efforts to increase diversity through structural change rather than pursuing new rules in an extended proceeding. If the Commission's views do not vary from the Administration's, we will probably focus our efforts on other proceedings where they do.

Mr. HIGHTOWER. Mr. O'Brien?

Mr. O'BRIEN. Thank you, Mr. Chairman.

PRIVACY LEGISLATION

On page 23, you make reference to responsibilities to draft legislative initiatives with respect to the protection of privacy of citizens. What are the areas where an individual's privacy could be invaded and what proposals have you developed in regard to this?

Mr. GELLER. The areas are based upon the fact that people have lost control over their privacy, particularly in this computer age. You go in for insurance or a hospital, you give all that information and it goes into a data bank and is spread around to be given to many people.

We have drafted legislation in the area of insurance, credit bureaus, credit grantees, we have participated in drafting medical records, drafted legislation in Federal research. This legislation is all based on certain principles, which are that an individual has a right to know what information will be collected and through what process. He should have access to that personal data, have a right to correct it, should know when an adverse decision is made as a result of it, and should be able to get the underlying data on which that is based.

The legislation also says the data can only be given out in certain ways. Before this legislation, the information belonged to

the bank or to the insurance company, and they could give it out to anybody. After this legislation, they would be restricted as to whom they could give it out to, including the Government, because the Government should have no right to get such information without going through the proper procedure.

These bills have been through various committees, and this is part of a strong Presidental commitment.

Mr. O'BRIEN. You mention medical records. It seems to me, one of the Federal agencies expressing an interest in PSROs and possibly HMOs, seeks information of a medical nature where the medical practitioners would probably release it but without releasing the hospital, the practitioner, or patient. Would that fall in line with your type of legislation?

Mr. GELLER. Absolutely. There are a number of provisions which allow normal flows within the industry. What we want to do is protect specific individuals. You allow audits, you allow Blue Cross to get information—we do not inhibit this, but it would prevent it from being given to the Government just because the Government walks in and says, "I would like to see that."

Mr. O'BRIEN. Are these bills substantially the same?

Mr. GELLER. The structures are the same, but it was very important to tailor them sector by sector. If not, we were afraid we would put inordinate costs on a particular industry. There was an effort to protect the individual's privacy without contributing to inflation by large costs.

In answer to your question, yes; there are similarities, but each is tailored to a particular sector.

Mr. O'BRIEN. Roughly, where are these bills in committee?

Mr. GELLER. Chairman Preyer has held hearings on medical records and is ready for markup.

Chairman Annunzio is about to schedule hearings on credit grantors, credit bureaus, depository institutions. Hearings will be held very soon.

On the Senate side, Senator Tsongas has held hearings and is ready to go to markup.

We think we stand a good chance of passage on a great portion of this legislation. But it is an election year and it is truncated.

Mr. O'BRIEN. The bill most near to mark-up is Congressman Preyer's?

Mr. GELLER. Yes; and on the Senate side, the one dealing with banking and credit.

More and more the Federal Government is becoming involved in electronic banking. If you buy something in Peoria, it can pop out of the switch at once because it is computerized.

We have put in a bill which says that Government access to such areas shall be as limited as in the wiretap area.

DEREGULATION IN THE RADIO INDUSTRY

Mr. O'BRIEN. Your agency has provided information to the Federal Communications Commission and the Congress to assist in the effort to deregulate the communications industry and rewrite the Communications Act of 1934. One form of that deregulation involves the radio industry. It is currently required to provide a

specific amount of on-air time to public service announcements and programs and other news and religious-type programs. The deregulation legislation would eliminate the specific time requirements. Although proponents of this deregulation assure us that radio stations will continue to provide sufficient time and may even provide greater time to public service programs, a number of my constituents have expressed concern that local stations will simply ignore these requests in favor of more time being purchased by paying customers. I would appreciate your comments on this fear. What, if any, assurances can you give me that my constituents' fears will not become reality?

Mr. GELLER. The Commission has no rules as to public service announcements. They do obtain information as to how many announcements are made between 6 p.m. and midnight. We have urged deregulation of the radio industry. We believe in the large markets, it would be worthwhile to try deregulation. There are 39 stations in the Washington area. The average amount of commercials appears to be below the amount permitted, 18 minutes.

We would like to try in major markets to see whether deregulation would free the industry, have first amendment benefits, and not result in a loss in public service.

Mr. O'BRIEN. Do you feel maybe this pastor in my district is more apprehensive than he should be, but he can go back——

Mr. GELLER. We think you can try this in the top 10 or 20 markets or more. If it did not work, Congress could say, "It has not worked, we have got 10 reports on it, we think there has been a diminution and we will assert our authority."

Mr. O'BRIEN. With respect to public service announcements, Mr. Geller, I think your answer suggested that this is an area wherein we ought to try deregulation. It may take care of itself and may prove successful, but if it does not prove to be successful and this special type of religious program does not get the attention it should, we could then quickly go back and make such a requirement law. Is that particular policy being made clear through the FCC in its efforts to deregulate?

Mr. GELLER. The Commission has a proceeding in which comments were just filed March 21, and reply comments are not yet due. In that proceeding, the Commission has put out a range of proposals, and I can only say to you that it has reached no final conclusion. There have been a number of proposals to deregulate along the lines you and I have been speaking of. Some do not deregulate at all, and still others deregulate entirely. So you have a wide range of proposals. But I am just speculating. I do not think the Commission will go all the way. I think the result would be somewhere in the middle. Our own proposal, I believe, was more this middle road we were talking about, but it is up to the Commission to make the decision initially, then it is up to Congress to review it. There are bills pending in the Congress. S. 622 deals with it, and there is another bill which is now being worked on between the minority and majority which deals with radio. That bill has not yet emerged. It is being put together by the staffs, then to be considered by the Full Committee. All I can say is these matters are under study.

Public Telecommunications Facilities, Planning, and Construction

Mr. Hightower. The second appropriation item for NTIA is entitled Public telecommunications facilities, planning, and construction. The amended budget request for this item is $21,705,000, a decrease of $2 million from the original request as well as from the appropriation for fiscal year 1980.

Last year during these appropriation hearings, we talked about the development of a plan for this program which I believe is required by the authorizing legislation. What is the status of the development of such a plan?

Mr. Geller. We have completed this in draft form, and it is now being circulated within the Department. We believe we will be able to deliver it by June.

GRANTS

Mr. Hightower. How many grants did you make during fiscal year 1979 when your appropriation totaled $18.4 million?

Mr. Geller. One hundred and forty-eight grants.

Mr. Hightower. How many grants will you make during fiscal year 1980 when your appropriation will total $23.7 million?

Mr. Geller. One hundred and seventy-five grants, we estimate.

Mr. Hightower. How much of the total project cost did your grants provide, on the average, in each of these years?

Mr. Geller. One hundred and twenty-four thousand dollars.

Mr. Hightower. What percentage is this?

Mr. Geller. 62 percent.

IMPACT OF BUDGET REDUCTIONS

Mr. Hightower. Your justifications indicate that you will not make 14 grants as a result of the proposed budget reduction of $2 million. Where will this reduction be applied?

Mr. Geller. In all three priorities. The first priority is to expand public telecommunications to unserved areas. There is a reduction of $750,000; that would be three grants, we estimate. The second priority, to expand telecommunications. There would be a reduction of $750,000 and seven grants. The third priority is to support the existing system through grants that replace equipment and so on. There we would have a reduction of $500,000 and 4 grants, we estimate, making the total 14.

Mr. Hightower. Did you list them in their priority order?

Mr. Geller. Yes, that order was specified by Congress in the Telecommunications Act of 1978.

Mr. Hightower. How many grants will you make during fiscal year 1981 assuming approval of this amended budget request?

Mr. Geller. One hundred and sixty-one grants.

Mr. Hightower. How many applications for grants would not be funded at this revised budget level?

Mr. Geller. We estimate we will get about 500 applications, so subtracting, it would be 339.

Mr. Hightower. In other words, you would have an unfunded backlog of about 339?

Mr. Geller. Yes.

Mr. HIGHTOWER. What is the estimated dollar value of these 339 applications?

Mr. GELLER. Seventy-three million dollars.

Mr. HIGHTOWER. You have stated that the average grant under this program funds about 62 percent of the total project cost. How many grants could you fund during fiscal year 1981 at the $21.7 million level if you reduced the average grant to 50 percent of the total project cost?

Mr. GELLER. We will furnish that. Obviously it will go up significantly.

[The information follows:]

NUMBER OF PROJECTS WITH THE 50 PERCENT FEDERAL GRANTS

If the average grant under the Facilities Programs were reduced to 50 percent of the total project cost, NTIA could fund an estimated 200 projects during fiscal year 1981.

Mr. HIGHTOWER. Mr. O'Brien?

Mr. O'BRIEN. I have nothing further.

Mr. HIGHTOWER. We appreciate your being here today and your good testimony.

We have questions from Mr. Andrews which will be inserted in the record at this point.

[The questions and responses submitted thereto follow:]

BROADCASTING, CABLE, AND SPECIAL SERVICES

COMMUNICATIONS PLANNING

As you are well aware, recent technological advances have brought us to the brink of a communications revolution, of which cable television promises to play a significant part.

What policy studies, if any, of cable television's role in our future communications mix have you budgeted for 1981?

In FY 1981, NTIA will study cable television industry structure and will analyze options for regulating the industry under various structural assumptions. This study will build upon information on the cable industry that is being developed in FY 1980. Areas of particular concern include: the jurisdictional division between state and federal regulation; the availability of access and the need for regulation of access; and the role of cable in the local distribution environment of the 1980's. NTIA will concentrate on bottlenecks, if any, to continued growth and increased competition in the cable industry.

MEDIA CONCENTRATION

The issue of media concentration has been raised recently. The implication has been that it is bad and getting worse. However, in the case of cable television the involvement of large companies has resulted in the accumulation of capital necessary to expand the industry and create wholly new services for consumers.

Has NTIA thought about the tradeoff between diversity of services for consumers and media concentration, and does it plan to take a closer look at concentration matters in the future?

Concentration in cable has not been a problem to date although the pay cable industry is dominated by one firm. The pay cable suppliers are, however in an entirely different business than the cable system operators. The pay cable industry is only a few years old and can be expected to change structurally as it matures. However, NTIA will continue to monitor cable concentration in connection with its industry structure study.

CONSUMER ACCESS

Technology has created significantly more access to the consumer through his home television set or home computer. However, while the number of messages a system such as cable television can deliver has increased, the access to that system is not necessarily enhanced.

Are you concerned about public, advertiser and consumer access to these new systems and do you have any policy response in mind to address the access problem if there is one?

Consumer access to new and varied services and access by entertainment/ information suppliers to the consumer has increased dramatically with the advent of the new multichannel systems. Systems having from 36 to 100 or more channels are able to support multiple pay services as well as access/public service channels. The latter are generally required by the city as part of the franchising process. The shortage of access is still a problem in the older, twelve channel systems which still constitute 75 percent of the industry. These systems will be rebuilding over the next several years. NTIA will also review the access issue as part of its cable industry structure study.

WEDNESDAY, APRIL 16, 1980.

ECONOMIC DEVELOPMENT ADMINISTRATION

WITNESSES

ROBERT T. HALL, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT
BRIAN B. WHALEN, BUDGET OFFICER
HAROLD W. WILLIAMS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT
GEORGE T. KARRAS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT OPERATIONS
VICTOR HAUSNER, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT POLICY AND PLANNING
EARL F. HORD, DEPUTY ASSISTANT SECRETARY FOR DEVELOPMENT FINANCE
EDWARD M. LEVIN, JR., CHIEF COUNSEL
ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION
NANCY A. RICHARDS, DEPUTY DIRECTOR FOR BUDGET, OFFICE OF BUDGET AND PROGRAM EVALUATION

Mr. ALEXANDER [presiding]. The subcommittee will come to order.

We are pleased to again welcome our friend, Mr. Hall, the Assistant Secretary of Commerce for Economic Development, who will appear today on behalf of that agency.

The amended fiscal year 1981 budget request for EDA totals $831,467,000. This amount represents a reduction of $409,082,000 from the original fiscal year 1981 budget, but is an increase of $123,684,000 above appropriations anticipated for EDA in fiscal year 1980.

At this point we will insert the original justifications in the record as well as the separate set of justifications in support of the budget amendment.

[The justifications follow:]

SUMMARY STATEMENT

The budget request for FY 1980, as amended, proposed a major new Development Finance initiative for EDA. That effort was to have been expanded in FY 1981. However, in order to combat the high rates of inflation which we are now experiencing, the President has recommended major budget reductions in many programs including this initiative. This amendment proposes reductions both to EDA's administrative request and to EDA's program request for FY 1981.

DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

Salaries and expenses

Revised Estimates
Fiscal Year 1981

Funding		Employment	Perm. Pos.	Average total Employment
Request Pending.....	$71,299,000	Request Pending.....	1,449	1,457
Proposed Amendment.....	-9,082,000	Proposed Amendment.....	-108	-108
Revised Request.....	62,217,000	Revised Request.....	1,341	1,349

STATEMENT OF PURPOSE AND NEED

As part of the Anti-Inflation Program, the President has proposed spending cuts and postponements of new initiatives. Accordingly, this amendment reduces the FY 1981 staff support related to the FY 1981 program reductions.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Budget Appendix Page	HEADING	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
220	Salaries and Expenses	$71,299,000	-$9,082,000	$62,217,000

Justification of Proposed Language Changes

1. Insertion "For necessary expenses of administering the economic development assistance programs as provided for by law, $62,217,000;"

The Economic Development Administration is operating under a continuing resolution in fiscal year 1980 (P.L. 96-123) because authorizing legislation is in conference; thus there is no appropriation language in the Department of Commerce Appropriation Act, 1980.

2. Insertion "Provided, That not to exceed $550,000 may be advanced to the Small Business Administration for processing of loan applications;"

Funds are requested to be advanced to the Small Business Administration to assist in the processing of EDA's business loan portfolio.

3. Insertion "Provided further, That these funds may also be used to monitor projects approved pursuant to Title I of the Public Works Employment Act of 1976." (Public Law 94-369; 42 U.S.C. 3218 (C), 3219, 6701)."

Funds are requested to monitor LPW (Local Public Works) projects because merging the accounts enables the Agency to have all its staffing and administrative funds in one appropriation and overall efficiency may be enhanced.

Revised 4-9-80

Appropriation: Salaries and expenses

Summary of Requirements
(dollar amounts in thousands)

Comparison by activities:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
Economic development assistance programs:						
Planning and technical assistance ..	189	$8,865	-4	-$354	185	$8,511
Public works and adjustment	263	12,631	-14	-1,180	249	11,451
Development financing	214	11,830	-34	-2,843	180	8,987
Research and evaluation	22	834	...	...	22	834
Direct supporting services	517	25,279	-56	-4,705	461	20,574
Executive direction.....	198	8,615	...	...	198	8,615
Subtotal, Administration of grants and loans	1,403	68,054	-108	-9,082	1,295	58,972
Local public works.....	46	3,245	...	...	46	3,245
Total requirements.....	1,449	71,229	-108	-9,082	1,341	62,217

Justification for Proposed Amendment

Subactivity: Planning and Technical Assistance

(dollar amount in thousands)

	FY 1981 Request Pending		FY 1981 Proposed Amendement		FY 1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Planning	118	$5,585	-3	-$266	115	$5,319
Technical Assistance	71	3,280	-1	-88	70	3,192
Total Requirements	189	8,865	-4	-354	185	8,511
Subactivity: Public Works and Adjustment						
Public Works and Adjustment	263	$12,631	-14	$-1,180	249	11,451
Subactivity: Development Financing						
Development Financing	214	$11,830	-34	$-2,843	180	$8,987
Subactivity: Research and Evaluation						
Research and Evaluation	22	$834	...	...	22	$834

Subactivity: Direct Supporting Services

	FY 1981 Request Pending		FY 1981 Proposed Amendement		FY 1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Field Direction	104	$5,737	-14	$-1,093	90	$4,644
Economic Development Reps	88	3,679	-9	-593	79	3,086
Legal	99	4,413	-10	-915	89	3,498
Enviroment	46	2,542	-5	-485	41	2,057
Civil Rights	62	3,137	-7	-668	55	2,469
Special Projects	12	500	...	...	12	500
Operational Planning & Control	37	1,758	-4	-401	33	1,357
Accounting	39	2,047	-4	-318	35	1,729
Industry Studies	30	1,466	-3	-232	27	1,234
Total Requirements	517	25,279	-56	-4,705	461	20,574

Subactivity: Executive Direction

(dollar amount in thousands)

	1981 Pending Request		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Assistant Secretary for Economic Development	15	$618	...	...	15	$618
Deputy Ass't Sec for Economic Development	14	716	...	...	14	716
Deputy Ass't Sec for Dev Grants	14	550	...	...	14	550
Deputy Ass't Sec. for Dev Policy	14	548	...	...	14	548
Administration	116	5,240	...	...	116	5,240
Public Affairs	19	694	...	...	19	694
Congressional Relations	6	249	...	...	6	249
Total Requirements	198	8,615	...	...	198	8,615
Activity: Local Public Works						
Local Public Works	46	$3,245	...	...	46	$3,245

The "Request Pending" is the level requested in the FY 1981 Budget as presented to Congress in January 1980. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

Appropriation: Salaries and expenses

Summary of Requirements by Object Class
(dollar amounts in thousands)

Object Class:	1981 Request Pending Pos.	1981 Request Pending Avg No.	1981 Request Pending Amount	1981 Revised Estimate Pos.	1981 Revised Estimate Avg No.	1981 Revised Estimate Amount	1981 Revised Request Pos.	1981 Revised Request Avg No.	1981 Revised Request Amount
11 Personnel compensation:									
11.1 Permanent positions	1,449	1,380	$38,053	-108	-108	$-2,979	1,341	1,272	35,074
11.3 Positions other than permanent	77	77	1,890	...	...	...	77	77	1,890
Other personnel compensation	...	...	300	...	...	...	...	...	300
Total	1,526	1,457	40,243	-108	-108	-2,979	1,418	1,349	37,264
Other Objects:									
12.1 Personnel benefits			3,550			-393			3,157
13 Benefits for former personnel			130			-14			116
21 Travel and transportation of persons			3,007			-316			2,691
22 Transportation of things			156			-16			140
Rent, communication and utilities:									
23.1 Standard level user charges			3,386			-356			3,030
23.2 Other rent, communication and utilities			6,606			-691			5,915
24 Printing and reproduction			1,140			-120			1,020
25 Other services			11,719			-4,053			7,666
26 Supplies and materials			820			-87			733
31 Equipment			542			-57			485
Total requirements			71,299			-9,082			62,217

Justification by Object Class
(Dollar amounts in thousands)

Object Class:	1981 Request Pending Pos.	Avg No.	Amount	1981 Revised Estimate Pos.	Avg No.	Amount	1981 Revised Request Pos.	Avg No.	Amount
11.1 Permanent positions									
General schedule	1,449	1,380	$38,053	-108	-108	-$2,979	1,341	1,272	$35,074
11.3 Positions other than permanent									
General schedule	77	77	1,890	...	...	...	77	77	1,890
11.5 Other personnel compensation									
Overtime.....			260			...			260
Other			40			...			40
Total, other personnel compensation			300			...			300
12.1 Personnel benefits									
Civil service retirement			2,034			-232			1,802
Federal Insurance Contributions Act (FICA) .			387			-46			341
Health Insurance			613			-74			539
Life Insurance			334			-41			293
Employees' compensation fund			137			...			137
Employee awards			45			...			45
Total, personnel benefits			3,550			-393			3,157
13.0 Benefits for former personnel									
Severance pay			130			-14			116

Object Class:	1981 Request Pending Pos.	Avg No.	Amount	1981 Proposed Amendment Pos.	Avg No.	Amount	1981 Revised Request Pos.	Avg No.	Amount
21.0 Travel and Transportation of persons									
Per diem			$983			-102			$881
Air fare			824			-87			737
Other common carrier			731			-77			654
Privately-owned automobiles			311			-33			278
GSA vehicles			158			-17			141
Total, travel and transportation of persons			3,007			-316			2,691
22.0 Transportation of things									
Household moves			117			-12			105
Other			39			-4			35
Total, transportation of things			156			-16			140
Rent, communication, and utilities:									
23.1 Standard level user charges: GSA space rental (SLUC)			3,386			-356			+3,303
23.2 Rent, communication, and utilities									
Federal telecommunication systems			1,199			-100			1,099
Other telephone, telegraph and teletype services			800			-55			745
Postal services by USPS			-450			-47			403
Rental of automatic data processing equipment			750			-79			671
Rental of office copying equipment			420			-44			376
Other equipment rental			300			-31			269
Other			2,687			-335			2,352
Total, rent, communication and utilities			6,606			-691			5,915

Object Class:	1981 Request Pending Pos.	Avg No.	Amount	1981 Proposed Amendment Pos.	Avg No.	Amount	1981 Revised Request Pos.	Avg No.	Amount
24.0 Printing and reproduction									
Publications			$350			-37			313
Public use forms			175			-18			157
Other printing and reproduction			615			-65			550
Total, printing and reproduction			1,140			-120			1,020
25.0 Other services									
Training:									
University			150			-38			112
Civil Service Commission			150			-38			112
Other			400			-100			300
Maintenance of equipment			190			-48			142
GSA alterations and repairs			400			-100			300
Centralized Department Services			850			-212			638
Other Federal Agencies:									
Department of Labor			2,500			...			2,500
Small Business Administration			550			...			550
Other			6,529			-3,517			3,012
Total			11,719			4,053			7,666
26.0 Supplies and materials									
ADP equipment			175			-21			154
Other supplies			645			-66			579
Total, supplies and materials			820			-87			733
31.0 Equipment									
Office machines and equipment			542			-57			485
Total, equipment			542			-57			485

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION
SALARIES AND EXPENSES

Program and Financing (in thousands of dollars)

Identification code 13-0125-0-1-452	19 actual	19 estimate	19 estimate
	FY 1981 Request Pending	FY 1981 Proposed Amendment	FY 1981 Revised Request
Program by activities			
Direct Program:			
1. Economic development assistance programs	68,054	-9,082	58,972
2. Local public works	3,245	...	3,245
Total direct program	71,299	-9,082	62,217
Reimbursable program	350	...	350
10.00 Total obligations	71,649	-9,082	62,567
Financing			
11.00 Offsetting Collections from Federal funds	-350	...	-350
40.00 Budget Authority (appropriation)	71,299	-9,082	62,217
Relations of obligations to outlays			
71.00 Obligations incurred, net	71,299	-9,082	62,217
72.40 Obligated balance, start of year	7,746	...	7,746
74.40 Obligated balance, end of year	-13,621	2,983	-10,638
90.00 Outlays excluding pay raise supplemental	65,387	-6,099	59,288
91.20 Outlays from civilian pay raise	37	...	37
Distribution of outlays by account: Salaries and expenses	65,424	-6,099	59,325
Local public works	...	...	...

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

Consolidated Schedule of Permanent Positions
Paid From Funds Available to the Economic
Development Administration

DETAIL OF PERMANENT POSITIONS

	19 actual	19 estimate	19 estimate
	FY 1981 Request Pending	FY 1981 Proposed Amendment	FY 1981 Revised Request
ES - 5	8	...	8
ES - 4	26	...	26
Subtotal	34	...	34
GS/GM-15	68	-5	63
GS/GM-14	174	-13	161
GS/GM-13	284	-22	262
GS-12	213	-16	197
GS-11	184	-14	170
GS-10	2	...	2
GS-9	78	-6	72
GS-8	38	-3	35
GS-7	141	-11	130
GS-6	90	- 7	83
GS-5	89	- 7	82
GS-4	45	- 3	42
GS-3	20	-1	19
Subtotal	1,426	-108	1,318
Total permanent positions	1,460	-108	1,352
Unfilled positions, end of year	-56	...	-56
Total permanent positions end of year	1,404	-108	1,296

DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

Economic Development Assistance Programs
Revised Estimates
Fiscal Year 1981

Funding

Request pending	$1,169,250,000
Proposed amendment	-400,000,000
Revised request	769,250,000

Statement of Purpose and Need

As part of the Anti-Inflation Program, the President has proposed spending cuts and postponements of new initiatives. Accordingly, this amendment reduces the FY 1981 request for the new Development Finance Program (technical assistance, development grants, direct loans, loan guarantee authority, loan guarantee payments and interest rate subsidies). The funding request for grants to States has been eliminated.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised
300-101

DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION
Economic Development Assistance Programs

A-11-39B

Identification code 13-2050-0-1-452		19 81 actual	19 81 estimate	19 81 estimate
Budget Appendix Page	Economic Development Assistance Programs	Request Pending	Proposed Amendment	Revised Request
221	Economic Development Assistance Programs	1,169,250	-400,000	769,250
	Proposed Provisions of Language			
	In the appropriation language under the above heading, delete "191,430,000" and insert in lieu thereof $141,430,000 and delete "$1,620,000,000" and insert in lieu thereof $810,000,000.			
	Statement of Purpose and Need			
	The proposed appropriation language change reflects reductions in the FY 1981 request for technical assistance, development grants, direct loans, loan guarantee payments, interest rate subsidies, loan guarantee authority and grants to States.			

Justification of Proposed Language Changes

1. "For economic development assistance, as authorized by the Public Works and Economic Development Act of 1965, as amended, $769,250,000."

The Economic Development Administration is operating under a continuing resolution in fiscal year 1980 (P.L. 96-123) because authorizing legislation is in conference; thus there is no appropriation language in the Department of Commerce Appropriation Act, 1980.

Upon passage of authorizing legislation, it may be necessary to change the appropriation language if the basic legislation is replaced rather than amended.

2. Insertion "Provided, That during 1981 and within the resources and authority available, gross obligations for the principal amount of direct loans shall not exceed $141,430,000;"

For 1981, appropriation language is proposed to establish an additional ceiling on this program in the form of an annual limitation on the aggregate amount of direct loans. This is consistent with the administration's broader objective of introducing budget control over Federal credit programs and limits obligations to funds appropriated to date.

3. Insertion "Provided further, That during 1981 total commitments to guarantee loans shall not exceed $810,000,000 of contingent liability for loan principal;"

For 1981, appropriation language is proposed to establish an additional ceiling on this program in the form of an annual limitation on the aggregate amount of loan guarantees. This is consistent with the administration's broader objective of introducing budget control over Federal credit programs and limits contingent liability to amounts specified in the appropriation language.

4. Insertion "Provided further, That there are hereby appropriated such sums as may be necessary for payment of principal and interest on loans in default and guaranteed pursuant to the Public Works and Economic Development Act of 1965, as amended."

Beginning in FY 1980, EDA will formally request direct appropriations to cover defaults on loan guarantees to be used in case of loan defaults.

Revised 4-9-80

Appropriation: Economic development assistance programs

Summary of Requirements
(Dollar amounts in thousands)

Comparison by activity:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	Revised Request Perm. Pos.	Revised Request Amount
1. Planning grants:						
(a) Districts	...	$14,900	...	...	...	$14,900
(b) States and territories	...	6,500	...	...	...	6,500
(c) Indian	...	3,800	...	...	...	3,800
(d) Urban	...	11,700	...	...	...	11,700
(e) Adjustment	...	2,300	...	...	...	2,300
Subtotal, Planning grants	...	39,200	...	...	...	39,200
2. Technical assistance grants:						
(a) Economic development:						
1. Districts	...	1,000	...	...	...	1,000
2. Urban	...	2,500	...	...	...	2,500
3. Indian	...	500	...	...	...	500
4. Other	...	6,500	...	...	...	6,500
Subtotal, Economic development	...	10,500	...	...	...	10,500
(b) Development financing	...	15,000	...	-4,000	...	11,000
(c) Trade adjustment assistance	...	18,000	...	...	...	18,000
Subtotal, T. A. grants	...	43,500	...	-4,000	...	39,500
3. Development grants:						
(a) Districts	...	195,000	...	-49,500	...	145,500
(b) Rural counties	...	64,525	...	-16,500	...	48,025
(c) Urban	...	259,000	...	-66,000	...	193,000
(d) States and territories	...	20,000	...	-20,000	...	...
(e) Indian	...	20,500	...	-5,500	...	15,000
Subtotal, Develop. grants	...	559,025	...	157,500	...	401,525

Comparison by activity:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
4. Economic adjustment grants.....	...	$36,175	...	...	...	$36,175
5. Direct loans:						
(a) Development loans:						
1. Rural	...	45,000	...	-14,000	...	31,000
2. Urban	...	105,000	...	-26,000	...	79,000
Subtotal, Dev. loans .	...	150,000	...	-40,000	...	110,000
(b) Trade adjustment	...	41,430	...	-10,000	...	31,430
Subtotal, Direct loans...	...	191,430	...	-50,000	...	141,430
6. Loan guarantee authority:						
(a) Development guarantees:						
1. Rural	...	(485,000)	...	(-240,000)	...	(245,000)
2. Urban	...	(1,135,000)	...	(-570,000)	...	(565,000)
Subtotal, Development guarantees	...	(1,620,000)	...	(-810,000)	...	(810,000)
(b) Trade adjustment	...	(180,000)	...	(-90,000)	...	(90,000)
Subtotal, Loan guarantee authority	...	(1,800,000)	...	(-900,000)	...	(900,000)
7. Loan guarantee payments	...	45,920	...	-13,500	...	32,420
8. Interest rate subsidies:						
(a) Development subsidies:						
1. Rural	...	67,500	...	-47,250	...	20,250
2. Urban	...	157,500	...	-110,250	...	47,250
Subtotal Dev. Subs.	...	225,000	...	-157,500	...	67,500
(b) Trade adjustment	...	25,000	...	-17,500	...	7,500
Subtotal, Interest rate subsidies	...	250,000	...	-175,000	...	75,000

Comparison by activity:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
9. Economic research	...	$2,500	...	...	...	$2,500
10. Program evaluation	...	1,500	...	...	...	-1,500
Increase						
Total requirements	...	1,169,250	...	-400,000	...	769,250

62-212 O - 80 - 19

Justification for Proposed Amendment

1. Activity: Technical Assistance

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm Pos.	Amount
Economic development:						
Districts	...	$1,000	...	...	...	$1,000
Urban	...	2,500	...	...	...	2,500
Indian	...	500	...	...	...	500
Other	...	6,500	...	...	...	6,500
Subtotal, Economic development	...	10,500	...	...	...	10,500
Development financing	...	15,000	...	-4,000	...	11,000
Trade adjustment assistance	...	18,000	...	...	...	18,000
Total requirements	...	43,500	...	-4,000	...	39,500

The "Request Pending" is the level requested in the FY 1981 Budget as presented to the Congress in January 1979. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

2. Activity: Development Grants

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm Pos.	Amount
Development grants:						
Districts	...	$195,000	...	-$49,500	...	$145,500
Rural counties	...	64,525	...	-16,500	...	48,025
Urban	...	259,000	...	-66,000	...	193,000
States and territories	...	20,000	...	-20,000	...	...
Indian	...	20,500	...	-5,500	...	15,000
Total requirements	...	559,025	...	-157,500	...	401,525

The "Request Pending" is the level requested in the FY 1981 Budget as presented to the Congress in January 1979. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

3. Activity: Direct loans

(Dollar amounts in thousands)

Amount	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
Development loans:						
Rural	...	$45,000	...	-$14,000	...	$31,000
Urban	...	105,000	...	-26,000	...	79,000
Subtotal, Development loans	...	150,000	...	-40,000	...	110,000
Trade adjustment	...	41,430	...	-10,000	...	31,430
Total requirements	...	191,430	...	-50,000	...	141,430

The "Request Pending" is the level requested in the FY 1981 Budget as presented to the Congress in January 1979. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

4. Activity: Loan guarantee authority

Development guarantees:						
Rural	...	(485,000)	...	(-240,000)	...	(245,000)
Urban	...	(1,135,000)	...	(-570,000)	...	(565,000)
Subtotal, Development guarantees	...	(1,620,000)	...	(-810,000)	...	(810,000)
Trade adjustment	...	(180,000)	...	(-90,000)	...	(90,000)
Total requirements	...	(1,800,000)	...	(-900,000)	...	(900,000)

The "Request Pending" is the level requested in the FY 1981 Budget as presented to the Congress in January 1979. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

5. Activity: Loan guarantee payments

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Loan guarantee payments.....	...	$45,920	...	-$13,500	...	$32,420

The "Request Pending" is the level requested in the FY 1981 Budget as presented to the Congress in January 1979. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

6. Activity: Interest rate subsidies

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development subsidies:						
Rural	...	$67,500	...	-$47,250	...	$20,250
Urban	...	157,500	...	-110,250	...	47,250
Subtotal, development subsidies	...	225,000	...	-157,500	...	67,500
Trade adjustment	...	25,000	...	-17,500	...	7,500
Total requirements	...	250,000	...	-175,000	...	75,000

The "Request Pending" is the level in the FY 1981 Budget as presented to the Congress in January 1979. The "Proposed Amendment" is a result of the President's Anti-Inflation Program.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Economic development assistance programs

Object class	1981 Request Pending Pos.	Av. No.	Amount	1981 Proposed Amendment Pos.	Av. No.	Amount	1981 Revised Request Pos.	Av. No.	Amount
Other objects:									
25.0 Other services			$2,000			...			$2,000
33.0 Investments and loans .			236,350			-63,500			172,850
41.0 Grants, subsidies and contributions			930,900			-336,500			594,400
Total requirements			1,169,250			-400,000			769,250

Justification by Object Class
(Dollar amounts in thousands)

25.0 Other Services			
Care and preservation of collateral (non-recoverable expenses)	1,000	...	1,000
Development research proposals and contracts	500	...	500
Program evaluation contracts	500	...	500
Total, other services	2,000	...	2,000

Object class	1981 Request Pending Pos.	Av. No.	Amount	1981 Proposed Amendment Pos.	Av. No.	Amount	1981 Revised Request Pos.	Av. No.	Amount
33.0 Investment and loans:									
Commercial and industrial development loans ..			$111,245			-$29,795			$81,450
Working capital loans .			68,185			-17,630			50,555
Working capital loan guarantees			8,495			-2,495			6,000
Fixed asset loan guarantees			37,425			-11,005			26,420
Purchase of senior liens and recoverable expenses for care and preservation of collateral			11,000			-2,575			8,425
Total, investments and loans			236,350			-63,500			172,850
41.0 Grants, subsidies and contributions:									
Planning:									
Administrative Support (Section 301)									
Planning grants to districts & areas			14,900			...			14,900
Indian			3,800			...			3,800
Economic development (Section 302)									
Planning grants									
States & territories			6,500			...			6,500
Urban			11,700			...			11,700
Adjustment planning grants			2,300			...			2,300
Technical assistance grants			43,500			-4,000			39,500
Direct public works grants			492,025			-138,685			353,340

Object class	1981 Request Pending Pos.	Av. No.	Amount	1981 Proposed Amendment Pos.	Av. No.	Amount	1981 Revised Request Pos.	Av. No.	Amount
Supplementary grants to EDA direct grants			40,000			-11,895			28,105
Supplementary grants to other Federal programs			15,000			-2,955			12,045
Bonus grants			12,000			-3,965			8,035
Economic adjustment grants			36,175			...			36,175
Interest rate subsidies			250,000			-175,000			75,000
Research grants			2,000			...			2,000
Program evaluation grants			1,000			...			1,000
Total grants, subsidies and contributions .			930,900			-336,500			594,400

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised
300-101

Department of Commerce A-11-39B
Economic Development Administration
Economic Development Assistance Programs

Program and Financing (in thousands of dollars)

Identification code 13-2050-0-1-452	1981 actual	1981 estimate	1981 estimate
	Request Pending	Proposed Amendment	Revised Request
Total capital investment, funded	100,000	-26,455	73,545
Total program costs, funded	406,072	-144,337	261,735
Change in selected resources (undisbursed loans and undelivered orders	763,178	-255,663	507,515
10.00 Total obligations	1,169,250	-400,000	769,250
Financing			
40.00 Budget authority (appropriation)	1,169,250	-400,000	769,250
Relation of obligations to outlays:			
71.00 Obligations incurred, net	1,169,250	-400,000	769,250
72.00 Obligated balance, start of year	1,495,667	+393,009	1,888,676
74.40 Obligated balance, end of year	-1,888,676	-224,622	-2,113,298
90.00 Outlays	776,241	-231,613	544,628

EDA-27

(Memo cost: 21.9) (Memo cost: 5) (Memo cost: 5) (Memo cost: 4.9)

82-212 2030

STANDARD FORM 300
July 1966, Bureau of the Budget
Circular No. A-11, Revised
300-101

DEPARTMENT OF COMMERCE A-11-39B
ECONOMIC DEVELOPMENT ADMINISTRATION
ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

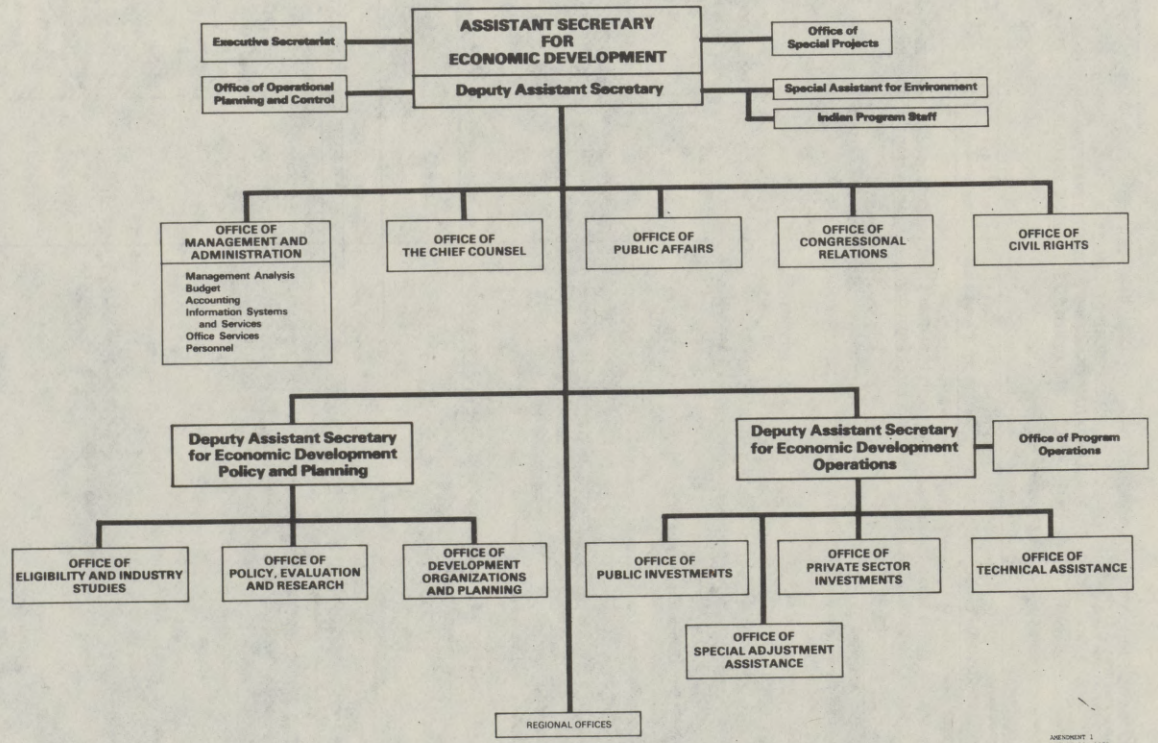
Identification code 13-2050-0-1-452	1981 actual	1981 estimate	1981 estimate
	Request Pending	Proposed Amendment	Revised Request
Program by Activities:			
Operating costs, funded:			
Direct program:			
1. Planning grants	11,000	...	11,000
2. Technical Assistance grants	14,700	-3,920	10,780
3. Development grants	176,172	-49,612	126,560
4. Economic adjustment grants	7,400	...	7,400
7. Interest rate subsidies	90,500	-63,350	27,150
8. Economic Research	1,800	...	1,800
9. Program evaluation	800	...	800
10. Collateral protection	3,700	-1,000	2,700
Total direct program	306,072	117,882	188,190
Reimbursable program	...	...	...
Total operating costs, funded	306,072	-117,882	188,190
Capital investment, funded:			
5. Direct Loans	89,000	-23,230	65,770
6. Loan guarantee payments	11,000	-3,225	7,775
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

EDA-28

62 212 2031

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

Exhibit 1 to DOO 45-1



AMENDMENT 1
AUGUST 12, 1979

EDA-1

General Statement

This budget presents the programs of the Economic Development Administration which are authorized by the Public Works and Economic Development Act of 1965, as amended, and the Trade Act of 1974. These programs provide grants, loans and loan guarantees to strengthen weak and deteriorating local economies. The Agency's programs are targeted to areas that are suffering from high unemployment, low average incomes, a concentration of poverty, slow job growth, or sudden economic dislocation. Addressing these factors assures a balanced response to urban and rural needs and to the distinctive problems of various regions. EDA is legislatively mandated to deliver its assistance through a system which promotes effective economic development processes that involve a partnership between the public and private sector.

The budget for Salaries and Expenses covers all administrative support for the Agency's activities, including the Local Public Works (LPW) program.

(Dollar amounts in thousands)

Programs	1980 Funding		1981 Estimate		Inc.(+) or Dec.(-)		Perm. Emp.
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	12/31
Salaries and Expenses	1,364	$63,438	1,449	$71,299	+85	+$7,861	799
Economic development assistance programs	...	1,074,333	...	1,169,250	...	+94,917	...
Total appropriations	1,364	1,137,771	1,449	1,240,549	+85	+102,778	799

The table includes the amount approved under the Continuing Resolution and all anticipated supplementals (Payraise, LPW, and the difference between the Continuing Resolution and the request for FY 1980).

Agency Program Goals and Objectives

EDA's mission is to promote the long-term recovery of economically depressed areas, including states, multi-county districts, metropolitan areas, counties, cities, towns, special areas, and Indian Reservations by achieving the following primary goals:

- o reducing unemployment and underemployment;
- o increasing the income of residents;
- o strengthening the tax base of local communities and enhancing their overall fiscal capacity;
- o fostering the capacity for planning and carrying out economic development programs; and
- o assisting economically depressed areas to construct facilities which provide essential services to low income groups.

This has been EDA's mission since it was first established; but the Agency's strategy for addressing its mission has been refined to meet changing economic conditions. The current strategy emphasizes the promotion of economic development by stimulating private sector investment. However, the basic EDA concept remains intact. The Agency will continue to promote the capacity for State and local governments to do economic development planning and will facilitate the execution of local plans through the tailored use of EDA's several flexible funding authorities. EDA will also continue to foster a balanced approach to subnational growth and economic development by making such assistance available to all geographic areas of the country which are experiencing economic distress--whether they are rural areas, large or medium sized cities, small towns, suburban communities, states, or Indian reservations.

Program Overview

More than 45 percent of the nation's population (102 million persons) live in areas in which unemployment has been above the national average for more than five years. About 15 percent live in areas with average incomes of less than 80 percent of the national average. Numerous urban and rural areas still have high unemployment, low average incomes, substantial poverty, and special economic adjustment problems. They cannot attract enough private investment to provide jobs to their residents, nor do they have the private sector tax base needed to support essential public services. These communities require special targeted aid to bring in new permanent private sector jobs and investment.

The Administration has responded to this need. On April 4, 1979, a Presidential message on economic development, together with a major legislative proposal was submitted to the Congress. Congressional action is expected to produce new legislation in the form of amendments to the Public Works and Economic Development Act of 1965. Such legislation, backed by the funding requested in the FY 1980 amendment and this proposal, will help strengthen the economic development of distressed rural and urban communities across the Nation. It will provide new private sector jobs and badly-needed income to the citizens of these communities. It will strengthen the tax base, attract new private investment, and thereby help communities support essential public services without imposing high property taxes on their citizens. The expanded EDA programs will help both communities and their citizens become more economically self-sufficient in the future.

Imperfections in the market place often lead entrepreneurs to over-invest in the more "attractive" areas and under-invest in less "attractive" places. Such over-investment causes inflationary pressures and ultimately leads to other economic inefficiencies. The EDA Development Financing Program will focus on the credit availability and credit cost problems of firms in places where there are underutilized labor, land, and facilities. It therefore can increase net new investment and jobs without adding to inflation.

The new legislation will build on EDA's successful experience service 1965 while establishing the structure of a new economic development program which is appropriate for a period when inflationary and budget pressures are intense.

The large increase in loan guarantee authority, which does not require direct appropriations, and the expansion of the other Development Finance activities are key parts of the Administration's strategy. These programs provide targeted, private sector oriented development efforts as a solution to local and regional economic distress that cannot effectively be addressed through natural economic or fiscal policy.

Similarly, the use of EDA incentives to influence the locational decisions of firms allows the same underutilized resources to be put back to work in places where spontaneous private investment probably would not have occurred. EDA's eligibility system supports this targeting and also enables the Agency to address the credit needs in both urban and rural areas i.e. all sections of the country where there is legitimate economic distress. Over the long run, EDA's geographically balanced development approach can compensate for excesses in the market place and result in overall growth for the National economy.

EDA's major approach will be to use the business financing tools--direct loans, loan guarantee authority, interest rate subsidies, and grants--strategically so as to lever larger amounts of private capital. However, by themselves, these tools will not reverse the economic decline of urban and rural areas. Their effectiveness in stabilizing and improving local economies will depend in large degree upon the capacity of localities to coordinate business finance assistance with the other components of EDA's comprehensive economic development program and with other federal, state, and local programs. Planning and technical assistance programs can provide critical support for the EDA investment tools.

In order to focus resources on projects which will best promote the Agency's goals, EDA has instituted a new management system. The full development of this system is one of the Agency's highest priorities. Implementation of this Operational Planning and Control System (OPCS) includes the formal establishment of several Agency "Output Objectives." These are quantifiable objectives which the Agency plans to achieve through those projects funded within a given fiscal year. The objectives provide specific targets for the level of economic development impact to be achieved. As would be expected, based on EDA's mission and goals, they typically establish targets for creating and saving jobs and for the amount of private investment which will be "leveraged" with program funds.

EDA's quantifiable objectives for FY 1981 provide considerable insight into the Agency's policies and management approach. However, these quantifiable objectives which are at this stage a "first cut" have analytical limitations which should be noted. The quantifiable objectives cannot incorporate all of EDA's objectives and policies as set forth in the Agency's many program policy papers which deal with the when, where, and how of project development in different regions and subregions as well as nationally. Quantifiable objectives can be misleading if they are analyzed out of the context of these other Agency objectives. For instance, if a program is to be judged strictly by the job/cost ratio it achieves, few projects would be funded in areas with the most severe economic development problems, and projects designed to achieve longer-range economic development impact would be discouraged. It would also be an analytical mistake to treat the quantifiable objectives as mutually exclusive. If the program's objective of increasing planning capacity is achieved, this accomplishment will promote emloyment opportunities because good economic development plans improve an area's ability to select effective job creating projects.

It's particularly important to note that it would not be valid to compare the relative merits of different types of programs strictly on the basis of the cost for every job which the program assists in creating or saving. A technical assistance type program may assist in creating and saving far more jobs per million dollars of program budget than a business loan program. However, the technical assistance program provides a much smaller fraction of the financial resources which will be required in total to create or save each job, e.g. technical assistance must be following with addional financial resources before a job is saved where as a business loan may be all that is necessary to prevent a job layoff.

In addition to the output objectives, there are several FY 1981 initiatives which will focus Agency resources on particular types of projects, (e.g., energy conservation projects). To the extent possible, these objectives have also been quantified; for instance, several programs have an objective of expending a specified percent of their budget for minority economic development projects. The "Major Objectives" also incorporate the Agency's objective of maintaining a reasonable balance between urban and rural projects.

There are certain analytical limitations to the use of these quantifiable objectives in that they cannot give full recognition to all the policies of the Agency and the Administration. EDA's quantifiable objectives are useful management tools which are being used to help gauge progress, but they can be misleading if analyzed out of the context of other Agency objectives and policies. For instance, if a program is to be judged strictly by the job/cost ratio it achieves, few projects could be funded in areas with the most severe economic development problems. Projects designed to achieve longer-range economic development impact would also tend to be discouraged. It would also be an analytical mistake to treat the quantifiable objectives as mutually exclusive. If the program's objective of increasing planning capacity is achieved, this accomplishment will promote employment opportunities because good economic development plans improve an area's ability to select effective job creating projects.

Another methodological problem is that of "double counting," i.e., attributing the same impact (e.g., job) to more than one Agency program. This problem will probably persist because EDA often brings more than one of its programs to bear on a particular economic development problem (e.g., both a business loan and a technical assistance project may have contributed to saving the same job). Crediting only one program with helping to solve the development problems of an area does not give reasonable recognition to the contribution made by the other programs, and understates the other programs' cost effectiveness. The "EDA Objectives" chart which follows attempts to eliminate double counting, e.g. it sets forth the Agency's objectives for the total number of discrete jobs which EDA will assist in creating or saving through one or more type of assistance. However, the objectives for the individual programs include all jobs, investments, etc., which a program tool will assist in producing, regardless of whether another program tool has also assisted in achieving the intended economic impact.

Although estimating program impacts is still an imprecise science, the first cut objectives provide the Agency with tangible performance targets. This management tool with be continuously improved. EDA is using operating experience and available evaluation studies to refine formulas for deriving quantifiable objectives. As part of the OPCS reporting system, actual project performance is being compared to objectives. Through this feedback from line management and the analysis of forthcoming evaluations, the formulas for deriving objectives will be reviewed and refined annually.

The OPCS also provides projections of the number of projects which will be processed in each of the respective program areas. These figures were used in developing the administrative budget, primarily as indicators of probable project processing and monitoring workload. A minor shortcoming of using this data for workload analysis is that a given number of projects may require more or less time to process and monitor, depending on the complexities of the projects and the problems they address. Thus, the project count could stay the same over several years and yet workload could be increasing or decreasing. Based on operating experience and current and proposed policies, we have factored probable project complexity into our staffing request. We have also factored in data on the work required to monitor those projects which will have been funded before FY 1981 but which will have not yet been completed and closed out.

As EDA continues to operate through OPCS, the Agency will be able to provide increasingly useful information on the correlation among: (1) the degree to which objectives and performance measures are met; (2) project activity, and (3) program funding levels. The EDA Objectives Chart which follows provides an example of the type of analysis which can be done with this data. To help perform that analysis, the chart compares the national need for jobs, investments, and planning assistance to EDA objectives. This view of the budget helps to clarify what degree of economic development impact can be achieved at any level of funding . The analysis also provides a rough measurement of national demand for EDA assistance.

OPCS will also permit EDA to further analyze how the relative size of funding levels among EDA programs affects program impact. It is clear that these relationships are vital to the effectiveness of the respective Agency program tools, e.g., Technical assistance funding permits EDA to back-up financial assistance to a business with information which will increase the probability of a business success; Technical assistance funds are also used to obtain expert assistance for EDA and applicants in developing business assistance packages which will serve both the business and the objectives of economic development. Thus, increased Technical assistance funding can be used to increase the impact of the Development Finance program.

Part of the management philosophy incorporated in OPCS is that how EDA delivers its assistance is as central to the Agency's effectiveness as the nature and amount of the assistance. The EDA "delivery system" implicit in the new legislation recognizes that the national need for economic development cannot be successfully addressed without coordinated efforts by all levels of government, or without strong participation by private industry. Coordinated multi-jurisdictional/multi-sector planning is a prerequisite for most forms of EDA assistance; a major Agency objective is to assist communities to develop plans and projects which not only produce the best synthesis of EDA program tools but also utilize the best combination of all economic development resources available to them. The growing economic development sophistication of other levels of government has produced great support and demand for this type of Federal approach.

Another key to the continued and increasing effectiveness of all of EDA's programs is the Agency's research and evaluation effort. The Research program provides us with information on economic trends and the feasibility and probable impact of different economic development approaches. This information is necessary for the development of EDA's strategy and is the basis for the Agency budget. The evaluation program provides EDA with in-depth analyses of actual Agency impacts. These data are used to improve our ability to predict impact, develop objectives and performance measures, and to develop the policies that guide investment decisions. Research and Evaluation close the OPCS "loop". OPCS prescribes goals, objectives and performance measures and its reports monitor compliance with Agency objectives and standards. Through research and evaluation, EDA obtains the information necessary to analyze and, as appropriate, revise its goals and objectives.

EDA Objectives

Performance Measures	National Need	EDA Target	% of Nat'l Need
Jobs created or saved 1/	715,180	440,950	62%
Private investment Leveraged 2/	$6.71 to $16.81 billion	$4.4 billion	26% to 66%
Places needing capacity building assistance 3/	1,295	521	40%

1/ The number of jobs which would be needed to bring employment down to the national average in the 1,061 counties eligible for assistance because of long-term unemployment. Includes only full time permanent jobs.

2/ Need for external investment dollars in depressed areas--The size of credit gaps in areas eligible for NPWEDA was obtained by multiplying all manufacturing and selected services expenditures on new plant and equipment in the third quarter of 1979 ($91.28 billion annualized) times a factor adjusting for working capital investments (1.36), multiplying the result times the proportion of the nation eligible for NPWEDA (0.67), multiplying that result by the proportion of all fixed investment financed externally (most estimates fall between 0.40 and 0.50), and multiplying that result by the proportion of businesses unable to obtain credit on acceptable terms from private sources (most surveys place the proportion between 0.20 and 0.40).

3/ Total number of districts, areas, States, Territories, cities and Indian reservations which are eligible for planning assistance or would be eligible if they had an OEDP.

62-212 O - 80 - 20

Activity/Subactivity Change Crosswalk

(Dollar amounts in thousands)

Format of Fiscal 1980 Congressional Budget Submission		Format of Fiscal 1981 Congressional Budget Submission	
Appropriation/Activity/Subactivity	Amount (1981 Request)	Appropriation/Activity/Subactivity	Amount (1981 Request)
Salaries and Expenses	$71,299	Salaries and Expenses	$71,299
Economic development assistance programs		Economic development assistance programs	
Planning and technical assistance	8,865	Planning and technical assistance	8,865
Public works and adjustment assistance	12,631	Development and adjustment grants	12,631
Development financing	11,830	Development financing	11,830
Research, evaluation and demonstration	834	Research and evaluation	834
Direct supporting services	25,279	Direct supporting services	25,279
Executive direction and administration	8,615	Executive direction and administration	8,615
Local public works program	3,245	Local public works	3,245

Format of Fiscal 1980 Congressional Budget Submission

Appropriation/Activity/Subactivity	Amount (1981 Request)
Economic development assistance programs:	$1,169,250
Economic Development and Adjustment Planning Assistance and Technical Assistance (Title I)	82,700
Planning	39,200
District	14,500
Counties	400
State	6,500
Indian	3,800
Urban	11,700
Adjustment	2,300 1/
Technical Assistance	43,500
Districts	5,000
Counties	800
Cities	5,000
Indian	1,200
Professional services	500
Trade adjustment assistance	8,000
Development financing, technical assistance	23,000 1/
Grants for Public Works and Other Economic Development and Adjustment Assistance Purposes (Title II)	595,200
Public Works	559,025
District	195,000
Counties	64,525
Cities	259,000
States	20,000
Indian	20,500
Development financing grants	... 2/

Format of Fiscal 1981 Congressional Budget Submission

Appropriation/Activity/Subactivity	Amount (1981 Request)
Economic development assistance programs:	$1,169,250
1. Planning grants	39,200
a. Districts	14,900
b. States and territories	6,500
c. Indian	3,800
d. Urban	11,700
e. Adjustment	2,300
2. Technical assistance grants	43,500
a. Economic development	10,500
b. Development financing	15,000
c. Trade adjustment assistance	18,000
3. Development grants	559,025
a. Districts	195,000
b. Rural counties	64,525
c. Urban	259,000
d. States and territories	20,000
e. Indian	20,500
4. Economic adjustment grants	36,175
5. Direct loans	191,430
a. Development loans	153,230
1. Rural	46,230
2. Urban	107,000
b. Trade adjustment	38,200
6. Loan guarantee authority	(1,800,000)
a. Development guarantees	(1,620,000)
1. Rural	(485,000)
2. Urban	(1,135,000)
b. Trade adjustment	(180,000)

Format of Fiscal 1980 Congressional Budget Submission Appropriation/Activity/Subactivity	Amount (1981 Request)
Economic adjustment grants	$36,175
Long-term economic deterioration	... 3/
Sudden and severe dislocation	36,175
Development Financing Loans, Loan Guarantees and Interest Subsidies (Title III)	487,350
Direct loans	191,430
Development loans	153,230
Trade adjustment assistance	38,200
Loan Guarantees	45,920
Development loans	32,400
Trade adjustment assistance	13,520
Interest rate subsidies	250,000
Research, Evaluation and Demonstration (Title IV)	4,000
Research	2,500
Program evaluation	1,500
Demonstration	...
Inland Energy Impact Assistance	...
Grants	...
Loan Guarantees	...
Total	$1,240,549

Format of Fiscal 1981 Congressional Budget Submission Appropriation/Activity/Subactivity	Amount (1981 Request)
7. Loan guarantee payments	45,920
a. Development guarantees	32,400
1. Rural	9,400
2. Urban	23,000
b. Trade adjustment	13,520
8. Interest rate subsidies	250,000
a. Development subsidies	225,000
1. Rural	67,500
2. Urban	157,500
b. Trade adjustment	25,000
9. Economic research	2,500
10. Program evaluation	1,500
Total	$1,240,549

1/ New program initiative in 1981 budget.
2/ Geographic breakdowns for the Public works "development financing grants" have been provided in this account.
3/ For FY 1981, this account is incorporated under "development grants" and distributed among the districts, rural counties, urban and Indian subactivities.

Appropriation Summary Statement

Appropriation: Salaries and expenses

The Salaries and expenses appropriation finances salaries, wages and other expenses for personnel engaged in the administration of economic development programs authorized by the Public Works and Economic Development Act of 1965 as amended; Title II of the Trade Act of 1974; and the Local Public Works Employment Act of 1976 (LPW). This appropriation also finances the costs of services provided to EDA by other Federal and non-federal sources, and for other related direct and indirect administrative costs incurred in operating the Agency. The budget request of $71,299,000 is an increase of $7,640,000 above the 1981 base level of $63,659,000.

All of EDA's administrative support requirements have been requested in a single "Salaries and Expenses" appropriation since FY 1980. Separate program appropriations for Local Public Works, Drought Assistance, and Job Opportunities have been made to EDA over the past several years. However, it is intended that administrative expenses for all EDA programs be part of one account in order to assure smooth management coordination of all the activities assigned to the agency.

The funds requested support an economic development program which includes: (1) planning assistance to local communities; (2) technical assistance in the formulation and coordination of economic development proposals and applications; (3) financing of those grant and loan projects with the greatest program pay-offs which meet the technical, financial and statutory requirements of the legislation; (4) project surveillance and implementation assistance to assure effectiveness in project execution; (5) evaluation of EDA projects to develop more effective ways to provide assistance; and (6) internal and external economic research designed to meet both planning and operating needs related to economic development.

The administrative budget proposal for FY 1981 ties directly to the proposed program funding levels and builds on the methodology developed in the preparation of the FY 1980 Budget Amendment. That methodology consists of the following steps:

- Program funding levels are translated into numbers of projects; separate project counts are developed for processing of current year projects and monitoring for all active projects regardless of year of approval. This second consideration is of particular significance since the major monitoring workload for the greatly expanded FY 1980 program will be felt not in FY 1980 but in FY 1981. This means that while a current level of program funding would generally mean a repeat of the FY 1980 program funding level, the level staffing requirements related to that program are clearly greater than the staffing levels required for FY 1980. The FY 1981 proposals provide for this increased monitoring workload.

- To determine the professional staff required, "projects per person" ratios were established. These ratios remain the same for FY 1981 as for the FY 1980 Budget Amendment. It is important to note that the FY 1980 Amendment reflects very significant increases in productivity; it is not reasonable to forecast further increases in productivity for FY 1981 without having gained experience in operating the new programs.

- Staffing for "Direct Supporting Services" is based on project processing workload for some functions (e.g. Accounting) but the rate at which they are increased is markedly lower than for the line function themselves.

- The "Executive Direction" category is held at the FY 1980 level except for the Personnel function, which will experience a greater workload as the number of total staff of the Agency increases.

- Clerical support varies from function to function, but averages about twenty percent of professional staff levels. The proposal for FY 1981 continues this support ratio that the Agency has held to over the past several years.

- Staff years allow for a twenty five percent lapse between the FY 1980 end of year level and each of the FY 1981 end of year staffing levels.

- Other-than permanent staff are reduced by 3 to a level of 77.

- Cost per staff year in the FY 1981 proposals is at the FY 1980 level with minor additions for the routine "adjustments-to-base" for within grade increases and annualization of an FY 1980 pay raise. There is no increase for:

  - Inflation
  - Possible FY 1981 pay raises
  - Increased avarage grade (there will be no such escalation)

- Non-personnel costs were forecast primarily by utilizing factors derived from the FY 1980 budget; for the "Other Services" object class separate detailed estimates were made. Such items as travel and supplies were based on a cost-per-staff-year factor; for costs for space and Working Capital Fund were based on cost-per-position factors.

- FY 1980 start-up costs related to the major staff increase and the opening of four new Regional Offices are not extended in the FY 1981 calculations.

Justification of Proposed Language Changes

1. Insertion "For necessary expenses of administering the economic development assistance programs as provided for by law, $71,299,000:"

The Economic Development Administration is operating under a continuing resolution in fiscal year 1980 (P.L. 96-123) because authorizing legislation is in conference; thus there is no appropriation language in the Department of Commerce Appropriation Act, 1980.

Upon passage of authorizing legislation, it may be necessary to change the appropriation language if the basic legislation is replaced rather than amended.

2. Insertion "Provided, That not to exceed $550,000 may be advanced to the Small Business Administration for processing of loan applications;"

Funds are requested to be advanced to the Small Business Administration to assist in the processing of EDA's business loan portfolio.

3. Insertion "Provided further, That these funds may also be used to monitor projects approved pursuant to Title I of the Public Works Employment Act of 1976."

Funds are requested to monitor LPW (Local Public Works) projects because merging the accounts enables the Agency to have all its staffing and administrative funds in one appropriation and overall efficiency may be enhanced.

EDA - 12a
Revised 2-21-80

Summary of Requirements
(Dollars amounts in thousands)

Appropriation: Salaries and Expenses

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			1,000	$41,504
	Adjustments to base and built-in changes:				
	Anticipated 1980 Supplemental	+364	+20,713		
	Adjustment for 1980 pay increase	...	+1,221		
	Other increases	...	+332		
	Other decreases	...	-111		
	Subtotal, adjustments to base and built-in changes			364	+22,155
	1981 base			1,364	63,659

Comparision by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) Dec.(-) Over 1981 Base Perm. Pos.	Inc.(+) Dec.(-) Over 1981 Base Amount
Economic development assistance programs										
Planning and Technical Assistance	136	$4,116	136	$4,116	180	$8,037	189	$8,865	+9	+$828
Public Works and Adjustment	185	6,978	185	6,978	253	11,726	263	12,631	+10	+905
Development Financing	88	2,720	88	2,720	169	7,832	214	11,830	+45	+3,998
Research and Evaluation	19	846	19	846	22	834	22	834	...	...
Direct Supporting Services	277	9,163	277	9,163	481	22,106	517	25,279	+36	+3,173
Executive Direction	151	6,713	151	6,713	195	8,342	198	8,615	+3	+273
Subtotal, Economic development assistance programs	856	30,536	856	30,536	1,300	58,877	1,403	68,054	+103	+9,177
Local Public Works	144	10,968	144	10,968	64	4,782	46	3,245	-18	-1,537
Increase									+85	+7,640
Total Requirements	1,000	41,504	1,000	41,504	1,364	63,659	1,449	71,299		

Justification of Adjustment to Base and Built-in Changes
(Dollar amounts in thousands)

	Perm. Pos.	Amount
Adjustment for FY 1980 pay increase and related costs		
Total cost in FY 1980 pay increase/anticipated FY 1980 pay increase supplemental ..	...	+$1,237
Less - Amount absorbed	...	-16
Anticipated 1980 pay increase supplemental	...	+1,221

The anticipated supplemental in 1980 of $1,221,000 is for the general schedule pay increase effective October 1, 1979.

Other increases		
Within-grade step increases	...	+212
Employees Compensation Fund	...	+38
Federal Telecommunications System	...	+82
Subtotal, other increases	...	+332

An increase of $212,000 is requested to cover the cost of within-grade step increases for 1981 based on the following computation.

Estimated number of within-grades	598	
Estimated number of separations	88	
Estimated average step above base per separation	3	
Average cost of within grade promotions	635	
Average savings per step per separation	301	
Gross cost of within-grade promotions (598 x 635)		$379,730
Less: Savings due to separations (88 x 3 x 635)		-167,640
Net cost estimated		212,090

The increase in the repayment to the Employees' Compensation Fund is the result of higher costs in the year ending September 30, 1979 than in the year ending June 30, 1978. The 1979 charges will be reimbursed to the Department of Labor, Employees' Compensation Fund in 1980 pursuant to Public Law 86-767.

The increase in Federal Telecommunications System charges is based on a distribution of rate and usage changes as determined by the General Services Administration.

Other decreases	Perm. Pos.	Amount
One less compensable day	...	-$111

The cost of the one less compensable day in 1981 compared to 1980 was calculated by dividing the 1980 estimate for personnel compensation and benefits by 262 compensable days.

Justification of Program and Performance

Activity: Economic development assistance programs

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) Dec(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Economic development assistance programs:										
Planning and technical assistance	136	$4,116	136	$4,116	180	$8,037	189	$8,865	+9	+$828
Public Works and adjustment	185	6,978	185	6,978	253	11,726	263	12,631	+10	+905
Development financing	88	2,720	88	2,720	169	7,832	214	11,830	+45	+3,998
Research and evaluation	19	846	19	846	22	834	22	834	...	...
Direct supporting services	277	9,163	277	9,163	481	22,106	517	25,279	+36	+3,173
Executive direction and administration	151	6,713	151	6,713	195	8,342	198	8,615	+3	+273
Local public works	144	10,968	144	10,968	64	4,782	46	3,245	-18	-1,537
Total requirements	1,000	41,504	1,000	41,504	1,364	63,659	1,449	71,299	+85	+7,640

Goals and Objectives

Goals: To provide for effective administration of all programs of the Economic Development Administration.

Objectives: To provide funding for salaries, support services, and other related administrative costs involved in administering the Planning, technical assistance, development grants, adjustment grants, development financing, research, program evaluation, and LPW activities.

Planning and Technical Assistance

(Dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc. (+) Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Planning	113	$5,063	118	$5,585	+5	+$522
Technical assistance	67	2,974	71	3,280	+4	306
Total requirements	180	8,037	189	8,865	+9	+828

Base Program

Funds appropriated for this activity cover the administrative cost of implementing programs under the planning and technical assistance portion of the economic development assistance program appropriation as described below:

Planning

The Planning staffs in Washington and the Regional Offices are responsible for program development and execution of EDA's economic development planning program. This staff manages the administration of all EDA planning grant programs including: implementation of policies and procedures for developing, processing and monitoring planning grants to states, cities, districts, counties, and Indian tribes. In addition, the staff is responsible for: (1) assembling, analyzing, evaluating and maintaining statistical data on unemployment, income, migration and other criteria for determining eligibility of geographic areas and private businesses for EDA assistance; (2) collecting and analyzing data necessary for effective EDA policy/program development and resource allocation, and providing general statistical support for EDA program management activities; and (3) undertaking all activities assigned to EDA that pertain to the certification of firms and communities under the Trade Act of 1974, including interagency coordination activities necessary to fulfill EDA's eligibility determination.

Technical Assistance

The EDA technical assistance staff reviews applications from communities, non-profit organizations, State and local governments and other eligible applicants who are seeking to overcome specific economic development problems and are in need of technical assistance . Their administrative functions include: (1) developing, reviewing, and evaluating applications; (2) coordinating the technical assistance program throughout the Economic Development Administration and with other Federal agencies; (3) improving applications to meet EDA standards and enhance project benefits; (4) assisting in the development and promotion of manpower and on-the-job training programs in Redevelopment Areas; (5) monitoring and evaluating grantee performance; and (6) appraising the implementation of technical assistance projects.

Increases for 1981

(Dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Planning	113	$5,063	118	$5,585	+5	+$522
Technical assistance	67	2,974	71	3,280	+4	306
Total requirements	180	8,037	189	8,865	+9	+828

The positions requested will enable us to increase our direct assistance to grantees, expand the project monitoring activities and insure effective utilization of funds provided to district and other planning organizations. Additional Planning staff is also required to insure that all Overall Economic Development Programs are adequately reviewed and annually updated. The additional positions are required even though the absolute number of grantees will remain at approximately the FY 1980 level. For Technical assistance, the additional positions are required to handle the increased monitoring workload which results from the expanded FY 1980 program for DFP support. The positions requested are detailed below:

Position Title	GS Grade	Number	Annual Salary
Program Specialist	13	5	$146,925
Community Planner	12	1	24,703
Technical Assistance Specialist	11	2	41,222
Secretary Steno.	5	1	11,243
Total Salaries		9	224,093
Less lapse		2.25	-50,421
Total permanent positions		6.75	173,672
Positions Other than permanent			18,000
Total compensation			+191,672
Benefits			+17,825
Travel and transportation of persons			+86,000
Transportation of things			-38,000
Rent, communications and utilities			+443,193
Printing and reproduction			+31,000
Other services			+140,310
Supplies and materials			+53,000
Equipment			-97,000
Total			828,000

Base Program

The Public Works grants and adjustment staff recommends and uniformly implements policies, standards and procedures for accepting, processing, reviewing, approving and carrying out grant projects consistent with the procedures contained in the Public Works and Economic Development Act of 1965, as amended, Office of Management and Budget directives, Executive orders, and pertinent laws, and maintains operating liasion with other Federal agencies having programs which may supplement EDA projects and with those agencies delegated responsibility for administering or servicing EDA projects. This staff assures that approved projects support local development objectives and that they are implemented locally through effective management procedures.

The three work phases of the development grants and adjustment program are: pre-application counseling, direct processing of applications, and project surveillance and implementation. Direct professional services are supported by technical supervision, program coordination and clerical services. These functions are described below: (dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Pre-application counseling	28	$1,290	28	$1,290	...	...
Direct processing	51	2,345	51	2,345	...	...
Project surveillance and implementation	91	4,221	99	5,091	+8	+870
Supervision, program and clerical support	83	3,870	85	3,905	+2	+35
Total requirements	253	11,726	263	12,631	+10	+905

Pre-application counseling --Applicants are advised of what EDA expects from them and what they can expect from EDA. Staff services furnished applicants include preliminary advice on project scope, engineering feasibility, program and statutory requirements, and financial considerations.

Direct processing--This activity is carried out principally by the Regional Offices. It is comprised of the three processing functions, listed below:

1. Program review--Each project is reviewed in terms of its expected economic impact on the area relative to the amount of Federal investment, the priority of the project relative to other specific needs of the community, and the willingness of local officials to organize the community for economic development.

2. Technical review--Projects are reviewed for financing and engineering feasibility. Engineers examine all projects to insure that they meet engineering standards, and are technically compatible with existing or planning public facilities.

3. Requirements and certification--Projects are reviewed for compliance with statutory requirements and Department of Commerce and EDA policies and regulations.

Project surveillance and implementation--These activities begin when the applicant has accepted the approved project and continue until the warranty on construction has expired. They are designed to protect the Federal and local governments' investments and interest in the project and to assure that economic development goals are met as soon as is practical. EDA field staff monitors the construction, financial, administrative, and statutory aspects of each project on a continuing basis.

Supervision, program and clerical support--Support to the public works program involves secretarial, typing, filing, and general clerical duties, along with technical supervision and program coordination.

Increases for 1981

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Public works and adjustment	253	$11,726	263	$12,631	+10	+$905

The 10 positions requested include increases necessary to adequately support the development grants and adjustment program, which has been increasing in dollar size and importance over the past several years. Extra staff is also needed to adequately monitor the large number of projects. The number of project to monitor has increased due to expanded program levels in FY 1980. The FY 1980 program was increased by $275 million for support of the DFP; that program level is continued in FY 1981; combined impact results in a greatly increased monitoring workload in FY 1981. The positions requested are detailed below:

Position Title	GS Grade	Number	Annual Salary
Civil Engineer	14	1	$34,713
Civil Engineer	13	2	58,750
Civil Engineer	12	3	74,108
Construction Management Specialist	11	2	41,222
Secretary (Steno)	7	1	13,925
Secretary (Typing)	5	1	11,243
Total Salaries		10	233,961
Less Lapse		-2.50	-58,490
Total permanent positions		7.50	175,471
Other than permanent			+16,000
Benefits			+17,825
Travel and transportation of people			+95,000
Transportation of things			-41,000
Rent, Communication and Utilities			+489,269
Printing			+28,000
Other services			+153,435
Supplies and materials			+59,000
Equipment			-88,000
Total			905,000

Development Financing

(Dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	169	$7,832	214	$11,830	+45	+$3,998

Base Program

This major program was significantly expanded in FY 1980 under the authority of EDA's new legislation. This activity is composed of the staff which has conducted the Agency's traditional Business Development program plus those staffs which were requested in the FY 1980 Budget Amendment to carry out the new Development Finance program. This program consists of an expanded direct loan program, a greatly increased loan guarantee program, and new interest rate subsidy and private sector grant programs.

The new program provides EDA staff with a wider range of tools to deal with development finance problems. It also requires EDA staff to select the most appropriate approaches for a broad range of complex business ventures. For example, EDA staff must be qualified to deal with complex leverage situations such as direct loan and loan guarantee packages that may involve a large number of different funding institutions.

This activity provides a full range of support for the program, including application development, project processing and loan closing (application evaluation), plus all necessary loan administration or post-approval monitoring, to assure that funds are being used in such a way as to meet the economic development objectives of the project and to protect the federal investment. The following tabulation shows the distribution of manpower required for these functions:

Application development	55	$2,193	55	$2,193	...	...
Application evaluation	31	934	31	934	...	...
Loan administration	36	2,747	71	5,857	+35	3,110
Supervision, program and clerical support	47	1,958	57	2,846	+10	888
Total requirements	169	7,832	214	11,830	+45	+3,998

Application development -- The responsibilities of the development financing staffs in the Regional Offices include the development of new prospects for business loans and guarantees, conducting meetings with prospective applicants, and assisting in completing applications for business development loans. Applicants and prospective applicants for business loans and guarantees are informed of the financial, statutory, and policy requirements of the program and are provided overall assistance in developing an application which will be acceptable under the EDA loan and loan guarantee program.

62-212 O - 80 - 21

Application evaluation -- Loan and guarantee applications are evaluated and necessary investigations and analyses are conducted to determine the reasonableness of the applicant's repayment ability and the permanency of the new employment to be created with the loan funds. The evaluation includes a thorough study of the management ability, market feasibility, technical feasibility, collateral values, availability of raw material, operating history, and overall financial considerations. The terms and conditions of the loan offer and the other forms of development financing assistance are established and applied according to the findings and determinations made in the credit evaluation.

Loan administration -- Loan administration involves monitoring repayment of the loans and assuring that the borrower is complying with the loan agreement. Effective loan servicing requires the early recognition of problems that exist with borrowers, the identification of the underlying causes of the problems, and the determination of appropriate solutions. Loan administration personnel, through field visits, monitoring of borrowers' repayment records, analyses of financial statements, discussions with borrowers, and evaluation of operating or financial problems, seek to protect the Government's, community's, and investors' interests in the projects.

Supervision, program and clerical support -- Support to the business development program involves secretarial, typing, filing and general clerical duties, along with technical supervision and program coordination.

Increases for 1981

(Dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development Financing	169	$7,832	214	$11,830	+45	$+3,998

The 45 additional positions requested are required to carry out the Agency's monitoring responsibilities. Even though the program funding level requested to be appropriated for Development Finance in FY 1981 is essentially the same as for FY 1980, there is a tremendous increase in the overall workload by virtue of the fact that all the projects approved under the greatly expanded FY 1980 program will need to be monitored in FY 1981. Because the program was initiated in mid FY 1980, the major workload in that year was associated with selecting, processing and approving projects. This effort will of course be repeated for new FY 1981 projects but, in addition, there will exist a new portfolio of FY 1980 projects to be monitored; the monitoring workload will continue to grow as FY 1981 projects are approved and added to the portfolio. The positions requested are detailed below:

Position Title	GS Grade	Number	Annual Salary
Development Financing Specialist	14	3	$104,139
Development Financing Specialist	13	9	264,375
Development Financing Specialist	12	5	123,515
Development Financing Specialist	11	10	206,110
Development Financing Specialist	9	10	170,350
Secretary Steno.	7	3	41,775
Secretary Steno.	5	5	56,215
Total Salaries		45	966,479
Less lapse		-11.25	-241,619
Total permanent positions		33.75	724,860
Positions Other than permanent			+63,000
Total compensation			787,860
Benefits			+73,270
Travel and transportation of people			+378,000
Transportation of things			-130,000
Rent, communications and utilities			+1,813,730
Printing			+139,000
Other services			+1,165,140
Supplies and materials			+252,000
Equipment			-481,000
Total			3,998,000

Research and evaluation

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	22	$834	22	$834	...	...

Base Program

Funds are provided for this activity to conduct external and in-house research and analysis to be used for the following purposes: (1) assist the Economic Development Administration to meet its operational and planning responsibilities, (2) increase the general understanding of regional and local development problems, and (3) promote the development of more effective programs and policies to deal with these programs. The external program consists of grants or contracts with educational and other non-profit institutions, and contracts with private businesses, other Government agencies, and private individuals. In-house activities include research review and dissemination, analyses conducted in conjunction with the contractual research program, and work performed to meet other agency analytic needs. The program evaluation staff conducts activities which measure the performance of EDA's programs and provide a basis for the formulation of new policies and programs to increase the agency's overall effectiveness in delivering economic development assistance to distressed areas. The staff also provides public decision makers with information on EDA's programs in order to increase their overall understanding of economic development programs.

Direct Supporting Services

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Field Direction	104	$5,737	104	$5,737	...	...
Economic Development Representatives	88	3,679	88	3,679	...	...
Legal	90	3,521	99	4,413	+9	+$892
Environment	39	1,868	46	2,542	+7	+674
Civil Rights	53	2,260	62	3,137	+9	+877
Special Projects	12	500	12	500	...	...
Operational Planning and Control	37	1,758	37	1,758	...	...
Accounting	30	1,402	39	2,047	+9	+645
Industry Studies	28	1,381	30	1,466	+2	+85
Total requirements	481	22,106	517	25,279	+36	3,173

Base Program

This activity includes the overall administration of EDA including such activities as the Agency's relationship with the Congress and the public, the administrative support of Washington and Regional Offices, and guidance to the staff of the planning and technical assistance, public works and adjustment grants, development financing, research and evaluation, and local public works programs.

1. Field Direction and Administration includes the Regional Office Directors their deputies, and their supporting administrative and clerical personnel. The Regional Directors are responsible for the implementation of EDA's program within specific geographical areas and assist in the management of resources and the processing, monitoring and servicing of projects.

2. Economic Development Representatives provide liaison between applicants, and local government officials, local officials, local planning organizations, State agencies, and regional offices of other Federal agencies. Principal services provided by the Economic Development Representatives are: (1) informational assistance and preliminary technical support to the applicants in the preparation and submission of project applications, (2) assistance to local citizens and officials in the planning of economic development programs, and (3) establishment of, and continuing services to Area and District planning organizations.

3. The Office of the Chief Counsel renders legal services to the Assistant Secretary and staff of EDA. It also has primary responsibility for the preparation, coordination and clearance of all legislation, regulations and external orders. Attorneys in the Office of the Chief Counsel and in the EDA Regional Offices review all projects for legal sufficiency and compliance with statutory requirements.

4. Office of Environment conducts environmental impact analyses for grants and loan guarantees and also conducts environmental reviews for a variety of public works and industrial/commercial projects to identify and resolve potential adverse environmental impacts. This activity also includes the work of the environmental staff in the Regional Offices.

5. The Office of Civil Rights is responsible for the implementation of programs and activities developed by EDA to insure non-discrimination and equality of opportunity in EDA's economic development programs. Civil Rights Specialists in this Office and in the Regional Offices conduct Title VI pre-approval reviews, construction pre-award determinations, post approval compliance reviews to monitor the employment practices of EDA's recipients and substantial beneficiaries, and investigates potential civil rights violations.

6. The Office of Special Projects is responsible for the implementation of special programs and activities developed by EDA to benefit the disadvantaged residents of selected urban and rural areas: These programs and projects are sponsored and implemented by community-based economic development organizations whose activities are consistent with the plans and activities of the local private and public sections. The Office develops necessary implementation plans, strategies and procedures; reviews Regional Special Projects Plans; conducts pre-approval project reviews; and monitors the general progress of approved special projects.

7 Operational Planning and Control establishes goals, objectives and performance standards for carrying out the Agency's mission. It tracts special agency employment initiatives such as minority economic development and linking job opportunities with the long-term unemployed, as well as other Agency objectives. OPCS enables EDA to develop, establish and monitor individual Regional Office investment strategies within the framework of a coordinated and integrated system. Individual program operations can then be monitored by managers at every level through the system to determine whether approved investment plans are actually guiding the project selection processes and to determine if Agency policies, practices and/or the distribution of resources should be adjusted to accommodate changing economic conditions.

8. Accounting provides accounting support to all phases of the Economic Development Administration's program.

9. Industry studies staff handle unfair competition responsibilities and related industry matters. They also assist in the development of all regional financial assistance projects advising as to the applicability of unfair competition provisions, of the legislation, assisting in the preparation of application documents to assure the quality of the market information provided, and recommending at the outset whether certain industries would present potential problems under the unfair competition provisions of the legislation.

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	481	$21,106	517	$25,279	+36	+$3,173

The additional positions requested are for the Legal, Environmental, Civil Rights and Accounting, and Industry Studies activities. These positions will be utilized to handle the increased workload generated by the program. The positions requested are detail below:

Position Title	GS Grade	Number	Annual Salary
Attorney Adviser	13	4	117,500
Environments protection Specialist	13	4	117,500
Civil Rights Specialist	13	4	117,500
Industry Studies Specialist	12	2	49,406
Attorney Adviser	11	2	41,222
Environmental protection Specialist	11	2	41,222
Civil Rights Specialist	11	2	41,222
Accountant	11	3	61,833
Accountant	9	3	51,105
Secretary (Steno.)	5	6	67,458
Secretary (Typing)	4	4	40,196
Total Salaries		36	746,164
Less Lapse		-9.00	-186,541
Total permanent positions		27.00	559,623
Positions other than permanent			+68,000
Benefits			+58,369
Travel and transportation of persons			+300,141
Transportation of things			-80,000
Rent, Communications and Utilities			+1,423,487
Printing and reproduction			+84,000
Other services			+842,380
Supplies			+152,000
Equipment			-235,000
Total			3,173,000

Executive direction

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Assistant Secretary for Economic Development	15	$618	15	$618	...	...
Deputy Assistant Secretary for Economic Development	14	716	14	716	...	...
Deputy Assistant Secretary for Development Grants	14	550	14	550	...	...
Deputy Assistant Secretary for Development Policy	14	548	14	548	...	...
Administration	113	4,967	116	5,240	+3	+$273
Public Affairs	19	694	19	694	...	...
Congressional Relations	6	249	6	249	...	...
Total requirements	195	8,342	198	8,615	+3	+273

Base Program

This activity includes the overall administration of EDA including such activities as the Agency's relationship with the Congress and the public, the administrative support of Washington and Regional Offices, and guidance to the staff of the planning and technical assistance, public works and adjustment grants, development financing, research and evaluation, and local public works programs.

1. The Assistant Secretary for Economic Development directs the EDA programs and is responsible for the conduct of all activities of EDA subject to the policies and directives prescribed by the Secretary. This activity also includes the staff of the Executive Secretariat.

2. The Deputy Assistant Secretary for Economic Development performs the duties of the Assistant Secretary in the latter's absence. This activity includes the Indian Desk.

3. The Deputy Assistant Secretary for Development Grants directs and supervises the Office of Public Investment, and Office of Technical Assistance, the Office of Special Adjustment Assistance, and the Office of Program Operations. He coordinates EDA financial assistance activities to local areas in the form of development facilities grants and loans, Grants to States program, Technical assistance and economic adjustment.

4. The Deputy Assistant Secretary for Development Policy directs the Office of Development Organizations and Planning, the Office of Eligibility and Industry Studies, and the Office of Policy Evaluation and Research. He acts as the advisor to the Assistant Secretary on matters of policy development and planning, and coordinates and directs EDA economic development planning programs for Economic Development Districts, Redevelopment Areas, cities, and States and Indian areas in conjunction with the Indian Desk.

5. The Office of Management and Administration includes the following divisions: accounting, budget, management analysis, information systems and services, office services and personnel. The Office also coordinates the accounting and other administrative services furnished by the Office of the Secretary. Positions for the accounting functions are included in the Direct Supporting functions.

7. The Office of Public Affairs advises the Assistant Secretary and other EDA staff on all public information matters. The Office conducts a public information program under the guidance of the Assistant Secretary and provides assistance in the editing, printing, and distribution of technical materials and publications.

8. The Office of Congressional Relations advises the Assistant Secretary on all congressional matters and serves as the primary coordinator for continuing liaison with the Congress.

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	195	$8,342	198	$8,615	+3	+$273

This increase is for three additional personnel specialists to service the requested increase in staff.

Position Title	GS Grade	Number	Annual Salary
Personnel Specialist	12	3	74,109
Less Lapse		-.75	-18,527
Total permanent positions		2.25	55,582
Positions other than permanent			9,000
Total Compensation			+64,582
Benefits			+4,443
Travel and transportation of people			+27,000
Transportation of things			-4,000
Rent, Communications and Utilities			+99,000
Printing and reproduction			+5,000
Other services			+70,975
Supplies and materials			+10,000
Equipment			-4,000
Total			273,000

Activity: Local public works program

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	64	$4,782	46	$3,245	-18	$1,537

Goals and Objectives

Goals: The Local public works program was authorized by Title I of the Local Public Works Capital Development and Investment Act of 1976 and Public Works Employment Act of 1977 to provide grants to State and Local governments to provide jobs for the unemployed and construct public facilities which would be of lasting benefit to the local citizens.

Objectives: To provide staff support and defray other administrative expenses needed to complete the implementation of the local public works program (LPW).

Base Program

The Local Public Works program was funded in two stages. In 1976, Round I was funded for $2 billion; 2,062 projects were approved. In 1977, a second round was funded for $4 billion providing 8,554 projects for a total of 10,616 LPW grants. The program was directed at providing a fiscal stimulus to the economy, increasing job opportunities, and providing needed public facilities.

Decrease for FY 1981

Total requirements	64	4,782	46	3,245	-18	-1,537

The decrease for FY 1981 is due to the decrease in program monitoring and evaluation activities. It should be noted that there will continue to be a requirement for staff beyond FY 1981 to successfully closeout the program.

The Position and object class detail for the decrease follows:

Position Title	GS Grade	Number	Annual Salary
Public Works Specialist	13	-1	-29,375
Civil Engineer	12	-2	-49,406
Public Works Specialist	11	-5	-103,055
Public Works Program Specialist	9	-7	-102,210
Public Works Specialist	7	-3	-55,700
Total Salaries		-18	-339,746
Personnel benefits			-77,000
Travel and transportation of persons			-158,000
Transportation of things			-77,000
Rent Communication and Utilities			-460,000
Printing and reproduction			-50,000
Other services			-121,254
Supplies and materials			-97,000
Equipment			-157,000
Total			-1,537,000

Summary of Requirements by Object Class
(Dollars amounts in thousands)

Appropriation: Salaries and Expenses

		1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
		Pos.	Av.No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
11	Personnel compensation:									
11.1	Permanent positions	1,364	1,297	$36,222	1,449	1,380	$38,053	+85	+83	+1,831
11.3	Positions other than permanent	80	80	1,716	77	77	1,890	-3	-3	+174
11.5	Other personnel compensation	...	...	300	...	...	300	...	...	...
	Total	1,444	1,377	38,238	1,526	1,457	40,243	+82	+80	+2,005
12	Personnel benefits: Civilian			3,351			3,550			+199
13	Benefits for former personnel			64			130			+66
21	Travel and transportation of persons			2,386			3,007			+621
22	Transportation of things			526			156			-370
23.1	Standard level user charges			2,931			3,386			+455
23.2	Communication, utilities, and other rent			3,721			6,606			+2,885
24	Printing and reproduction			903			1,140			+237
25	Other services			9,858			11,719			+1,861
26	Supplies and materials			391			820			+429
31	Equipment			1,290			542			-748
	Total requirements			63,659			71,299			+7,640

Justification by Object Class
(Dollar amounts in thousands)

Object class	1981 Base Pos.	1981 Base Av.No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount	Emp. 12/30
11.1 Permanent positions										
General schedule	1,364	1,297	$36,222	1,449	1,380	$38,053	+85	+83	+$1,831	799
11.3 Positions other than permanent										
General schedule	80	80	1,716	77	77	1,890	-3	-3	+174	
Hourly and Intermittent	...	...	...	...	...	...	...	...	...	
Total	80	80	1,716	77	77	1,890	-3	-3	+174	
11.5 Other personnel compensation										
Overtime			260			260			...	
Other			40			40			...	
Total, other personnel compensation			300			300			...	
12.1 Personnel benefits										
Civil service retirement			1,957			2,034			+77	
Federal Insurance Contributions Act (FICA)			363			387			+24	
Health Insurance			581			613			+32	
Life Insurance			310			334			+24	
Employees' compensation fund			99			137			+38	
Employees' award			41			45			+4	
Total, personnel benefits			3,351			3,550			+199	
13.0 Benefits for former personnel										
Severance pay			64			130			+66	

Object class	1981 Base Pos.	1981 Base Av.No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount
21.0 Travel and transportation of persons									
Per diem			$800			$983			+$183
Air fare			640			824			+184
Other common carrier			540			731			+191
Privately-owned automobiles			287			311			+24
GSA vehicles			119			158			+39
Total, travel and transportation of persons			2,386			3,007			+621
22.0 Transportation of things									
Household moves			394			117			-277
Other			132			39			-93
Total, transportation of things			526			156			-370
23.0 Rent, communication, and utilities									
Federal telecommunication systems			800			1,199			+399
Other telephone, telegraph and teletype services			500			800			+300
Postal services by USPS			300			450			+150
GSA space rental (SLUC)			3,386			4,000			+614
Rental of automatic data processing equipment			550			750			+200
Rental of office copying equipment			300			420			+120
Other equipment rental			120			300			+180
Other			696			2,073			+1,377
Total, rent, communication and utilities			6,652			9,992			+3,340

Object class	1981 Base Pos.	1981 Base Av.No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount
24.0 Printing and reproduction									
Publications			$200			$350			+150
Public use forms			150			175			+25
Other printing and reproduction			553			615			+62
Total, printing and reproduction			903			1,140			+237
25.0 Other services									
Training:									
University			70			150			+80
Office of Personnel Management			70			150			+80
Other			135			400			+265
Maintenance of equipment			130			190			+60
GSA alterations and repairs			903			400			-503
Centralized Department Services			735			850			+115
Other Federal Agencies:									
Department of Labor			1,900			2,500			+600
Small Business Administration			550			550			...
Other			5,365			6,529			1,164
Total, other services			9,858			11,719			+1,861
26.0 Supplies and materials									
ADP equipment			80			175			+96
Other supplies			311			645			+333
Total, supplies and materials			391			820			429
31.0 Equipment									
Office machines and equipment			1,290			542			-748
Total, equipment			1,290			542			-748

Appropriation Summary Statement

Appropriation: Economic development assistance programs

EDA provides a broad range of economic development assistance to a variety of geographical areas which it designates. These criteria for eligibility relate to such general types of distress as substantial and persistent unemployment levels, low incomes, and slow job growth. A number of additional, more specialized criteria may also qualify an area for assistance.

Unlike EDA's public and private sector investment programs, Technical assistance and Research projects are not limited to designated areas. Uses of funds provided under the Grants to States program are subject to the various restrictions of other Titles of the Act, even though the grants are made to the State governments without being earmarked for any particular purpose. Eligibililty for Economic Adjustment funds is based on a determination by the Secretary that a special need for adjustment assistance exists; this can result from sudden and severe economic dislocation or from a long term loss of economic activity. Trade adjustment assistance can be given to firms or communities that are adversely affected by import competition.

The basic purpose of the programs of the Economic Development Administration is to stimulate employment and increase incomes in subnational areas which are characterized by underutilized resources which, if put to productive use, can contribute to greater national productivity and balanced national economic growth. The structural economic problems of various geographic areas, though having distinct characteristics, are interrelated, and thus an effective Federal economic development program must transcend the conventional conceptions of urban and rural development by addressing all geographic areas within a framework of national priorities and resources.

The amended legislation is expected to provide for a broad range of specific program tools which the Agency can utilize individually or in combination to meet the specific needs of individual distressed communities. EDA provides public works grants and business development loans and guarantees, interest rate subsidies and development finance grants in particular areas to leverage investments that will create new permanent jobs in distressed areas. EDA also provides grants for economic development planning purposes and technical assistance, and supports a range of evaluation and research activities aimed at increasing public understanding of the processes of economic growth and development. Within the areas it serves, EDA strives to meet its program objectives through the use of a broad range of activities:

1. Planning grants encourage and support local development organizations by providing funding for professional planning staff and related services. The planning grants programs include Section 301 administrative support for Districts and individual distressed areas, including Indian Reservations, and Section 302 grants which support the economic development programs of States and cities.

2. Technical assistance grants provide appropriate, specific management and operational technical expertise to help assure the success of grant and loan projects; support institutional projects that directly benefit a number of local and regional economic development groups and organizations; support feasibility studies and other site-related projects; and provide for expert assistance to potential grantees and borrowers.

3. Development grants provide funds for the construction or expansion of community facilities conducive to the location of industrial and commercial enterprises and the creation of additional long-term employment opportunities. Typical projects include water and sewer systems which support economic growth, industrial parks, access roads and expansion of harbor and airport facilities.

   In addition to the public works program objective of stimulating long-term economic development, EDA also conducts a Public Works Impact Program. The primary objective of public works grants funded under this program is to generate immediate construction employment for unemployed and underemployed persons in particularly economically distressed areas.

4. Economic adjustment grants help areas resolve problems related to actual or threatened sudden and severe disruption of a local economy. Assistance is provided to facilitate community adjustments to such situations as the closing of a major employer in the area. Under this program activity, States, cities, counties, Indian tribes and other combinations of areas can receive grant assistance to assess the dislocation and to develop and implement economic adjustment plans. The assistance can be used for public facilities, public services, business development, planning, rent supplements, technical assistance and a variety of other types of aid.

5. Direct loans reduce unemployment and raise income levels in distressed areas by making low cost credit available for retaining, constructing, expanding or improving facilities in job-producing manufacturing, commercial, or service industries in areas that are experiencing economic distress or where such activity will benefit target populations.

6. Loan guarantee payments provide coverage of government liability on loan guarantees which default. To the extent that funds appropriated in a given year are not sufficient to cover such costs, the Treasury is authorized to make payments, assuring the full faith and credit of the government.

7. Interest rate subsidies are offered to make particularly distressed locations more competitive in the attraction of credit-worthy firms.

8. Economic research assists in the development of improved EDA programs and also provides research and information useful to others in the economic development field.

9. Program evaluation assists agency management, Congress and others in making policy and management judgments. Through the use of EDA program analysis staff or outside contractors, EDA periodically evaluates the impacts of its various programs as a means of identifying policy and program modifications that will increase the Agency's effectiveness.

10. Loan guarantee authority makes it possible for private lenders to make loans to reasonably creditworthy firms on favorable terms for fixed assets and working capital and thereby provides for the retention, expansion and new location of permanent employment opportunities. In FY 1981, loan guarantee authority of $1.8 billion is proposed.

62-212 O - 80 - 22

In FY 1981, EDA will continue to concentrate its resources in areas characterized by high unemployment, low growth rate, loss of jobs, outmigration, and physical deterioration. EDA will concentrate on projects which can be expected to lead to substantial private investment and permanent employment opportunities, especially for residents of the target areas.

Areas of concentration will include rural places that have not shared in the country's growth, as well as cities which are experiencing long-term economic deterioration. In some cases, we will focus on pockets of distress--for example, minority neighborhoods that are stagnating within cities that are economically stable--but only if there is a local development institution with the capacity to carry out the redevelopment plan consistent with the economic development efforts of the city.

In the development of funding packages and in monitoring performance, EDA will consider local planning and the use of local and State government funds, private investment and other Federal funds as well as the use of EDA funds. The EDA goal is economic development or adjustment--measured by new private investment, new and saved jobs, reduction in unemployment (particularly among minorities and youth) and increased income levels.

Justification of Proposed Language Changes

1. "For economic development assistance, as authorized by the Public Works and Economic Development Act of 1965, as amended, $1,169,250,000;"

The Economic Development Administration is operating under a continuing resolution in fiscal year 1980 (P.L. 96-123) because authorizing legislation is in conference; thus there is no appropriation language in the Department of Commerce Appropriation Act, 1980.

Upon passage of authorizing legislation, it may be necessary to change the appropriation language if the basic legislation is replaced rather than amended.

2. Insertion "Provided, That during 1981 and within the resources and authority available, gross obligations for the principal amount of direct loans shall not exceed $191,430,000;"

For 1981, appropriation language is proposed to establilsh an additional ceiling on this program in the form of an annual limitation on the aggregate amount of direct loans. This is consistent with the administration's broader objective of introducing budget control over Federal credit programs and limits obligations to funds appropriated to date.

3. Insertion "Provided further, That during 1981 total commitments to guarantee loans shall not exceed $1,620,000,000 of contingent liabililty for loan principal;"

For 1981, appropriation language is proposed to establish an additional ceiling on this program in the form of an annual limitation on the aggregate amount of loan guarantees. This is consistent with the administration's broader objective of introducing budget control over Federal credit programs and limits contingent liability to amounts specified in the appropriation language.

4. Insertion "Provided further, That there are hereby appropriated such sums as may be necessary for payment of principal and interest on loans in default and guaranteed pursuant to the Public Works and Economic Development Act of 1965, as amended."

Beginning in FY 1980, EDA will formally request direct appropriations to cover defaults on loan guarantees to be used in case of loan defaults.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Economic development assistance programs

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980 (represents continuing resolution authority for balance of FY 1980)			...	$507,525
	Adjustments to base and built-in changes:				
	Other increases (supplemental now requested)	...	$566,808	...	566,808
	1981 Base			...	1,074,333

Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) Dec.(-) Over 1981 Base Perm. Pos.	Inc.(+) Dec.(-) Over 1981 Base Amount
1. Planning grants:										
(a) Districts	...	$17,245	...	$17,245	...	$12,980	...	$14,900	...	$+1,920
(b) States and territories	...	6,500	...	6,500	...	6,500	...	6,500	...	...
(c) Indian	...	4,000	...	4,000	...	3,800	...	3,800	...	...
(d) Urban	...	10,500	...	10,500	...	11,700	...	11,700	...	...
(e) Adjustment	...	...	...	...	...	2,300	...	2,300	...	...
Subtotal-Planning	...	38,245	...	38,245	...	37,280	...	39,200	...	+1,920
2. Technical assistance grants:										
(a) Economic development:										
1. Districts	...	4,240	...	4,240	...	1,000	...	1,000	...	...
2. Urban	...	5,840	...	5,840	...	2,500	...	2,500	...	...
3. Indian	...	1,600	...	1,600	...	500	...	500	...	...
4. Other	...	3,500	...	3,500	...	6,500	...	6,500	...	...
Subtotal-Economic development	...	15,180	...	15,180	...	10,500	...	10,500	...	...
(b) Development financing	...	...	...	...	...	15,000	...	15,000	...	...
(c) Trade adjustment assistance	...	19,400	...	19,400	...	18,000	...	18,000	...	...
Subtotal-Technical assistance	...	34,580	...	34,580	...	43,500	...	43,500	...	...

Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc. (+) Dec. (-) Over 1981 Base Perm. Pos.	Inc. (+) Dec. (-) Over 1981 Base Amount
3. Development grants:										
(a) Districts	...	$93,950	...	$93,950	...	$195,000	...	$195,000	...	...
(b) Rural counties	...	27,315	...	27,315	...	64,525	...	64,525	...	...
(c) Urban	...	86,735	...	86,735	...	259,000	...	259,000	...	...
(d) States and territories	...	20,000	...	20,000	...	20,000	...	20,000	...	...
(e) Indian	...	20,500	...	20,500	...	20,500	...	20,500	...	...
Subtotal-Development grants	...	248,500	...	248,500	...	559,025	...	559,025	...	...
4. Economic adjustment grants	...	85,500	...	88,500	...	36,175	...	36,175	...	...
5. Direct loans:										
(a) Development loans:										
1. Rural	...	12,973	...	12,973	...	45,000	...	45,000	...	...
2. Urban	...	30,271	...	30,271	...	105,000	...	105,000	...	...
Subtotal-Development loans	...	43,244	...	43,244	...	150,000	...	150,000	...	...
(b) Trade adjustment	...	18,533	...	18,533	...	41,430	...	41,430	...	...
Subtotal-Direct loans	...	61,777	...	61,777	...	191,430	...	191,430	...	...
6. Loan guarantee authority:										
(a) Development guarantees:										
1. Rural	...	(114,750)	...	(114,750)	...	(270,000)	...	(485,000)	...	(+215,000)
2. Urban	...	(267,750)	...	(267,750)	...	(630,000)	...	(1,135,000)	...	(+505,000)
Subtotal-Development guarantees	...	(382,500)	...	(382,500)	...	(900,000)	...	(1,620,000)	...	(+720,000)
(b) Trade adjustment	...	(42,500)	...	(42,500)	...	(100,000)	...	(180,000)	...	(+80,000)
Subtotal-Loan guarantee authority	...	(425,000)	...	(425,000)	...	(1,000,000)	...	(1,800,000)	...	(+800,000)
7. Loan guarantee payments	...	27,923	...	27,923	...	27,923	...	45,920	...	+17,997

Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc. (+) Dec. (-) Over 1981 Base Perm. Pos.	Inc. (+) Dec. (-) Over 1981 Base Amount
8. Interest rate subsidies:										
(a) Development subsidies:										
1. Rural	...	...	...	...	...	$47,250	...	$67,500	...	+$20,250
2. Urban	...	...	...	...	...	110,250	...	157,500	...	+47,250
Subtotal-Development subsidies	...	...	...	...	...	157,500	...	225,000	...	+67,500
(b) Trade adjustment	...	...	...	...	...	17,500	...	25,000	...	+7,500
Subtotal-Interest rate subsidies	...	...	...	...	...	175,000	...	250,000	...	+75,000
9. Economic research	...	$8,500	...	$5,500	...	2,500	...	2,500	...	...
10. Program evaluation	...	2,500	...	2,500	...	1,500	...	1,500	...	...
Increase										+94,917
Total requirements	...	507,525 1/	...	507,525	...	1,074,333	...	1,169,250	...	

1/ The actual program funding level was $588,183,000 because $75,000,000 was available from the revolving fund and $5,658,000 was available from carry over.

Justification of Adjustments to Base and Built-in Changes
(Dollar amounts in thousands)

Other increases	Perm. Pos.	Amount
Supplemental now requested	...	+$566,808

At the present time EDA is operating under Continuing Resolution Authority (P.L. 96-86 and P.L. 96-123) for the remainder of FY 1980. Until EDA's authorization and appropriation legislation is enacted for FY 1980, there is currently available for the "Economic development assistance programs" account $507,525,000 which represents the amount necessary to fund continuing projects or activities at the same level as were conducted in FY 1979.

An increase in the form of a supplemental appropriation, for $566,808,000 is required to realign to the FY 1980 revised requested total of $1,074,333,000.

Justification of Program and Performance

Activity: Planning grants

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc. (+) Dec. (-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Districts	...	$17,245	...	$17,245	...	$12,980	...	$14,900	...	+$1,920
States and territories	...	6,500	...	6,500	...	6,500	...	6,500	...	...
Indian	...	4,000	...	4,000	...	3,800	...	3,800	...	...
Urban	...	10,500	...	10,500	...	11,700	...	11,700	...	...
Adjustment	...	...	...	...	...	2,300	...	2,300	...	...
Total requirements	...	38,245	...	38,245	...	37,280	...	39,200	...	+1,920

Goals and Objectives

Goal: To develop a capacity for economic development planning at the state, multicounty, and local levels, and for Indian tribes, that is comprehensive in scope, is coordinated with other private sector programs and other levels of government, and looks toward the effective use of public and private resources in creating full-time permanent jobs for the unemployed and underemployed, especially in economically distressed areas.

EDA is also able to assist areas faced with major abrupt changes in their economic conditions, through its planning adjustment assistance program. This aid enables communities to develop plans and strategies that identify adjustment assistance needs, and to provide a comprehensive framework for Federal adjustment assistance requests.

Objectives: EDA's planning programs will assist 270 districts, 9 areas, 51 States and territories, 87 Indian reservations and 104 Urban communities to establish, maintain and develop the capacity to identify economic problems in the context of national and subnational trends, assess the availability of local and non-local resources, and formulate and implement realistic development strategies at all levels of government.

Another objective of this program is to assist in planning for adjustment to DOD realignments, environmental regulations, disasters, and disruptions caused by other factors including import competition, individual corporate decisions, and product or process obsolescences.

Base Program

Planning programs are a key element in achieving EDA's long-term goals. Planning involves the assessment of the local economic situation, the development of policies and goals and the preparation of local investment strategies that guide resource allocation and project development. From such planning efforts flow technical assistance, public works, private sector business loans/guarantees, and other investment proposals for job creation and retention. Planning grantees develop the capability to use more effectively these investment tools, available both from EDA and other Federal Agencies, and to coordinate their delivery at the State, areawide and local levels.

Through EDA's institutional capacity building programs, planning capabilities are established, maintained or improved for States, Economic Development Districts, Cities, counties, areas and Indian reservations. EDA rates the planning capacity of each of the places receiving planning assistance and sets objectives for improving the ratings of its grantees. It should be noted that a significant portion of the Agency planning budget is needed to maintain areas at their current level of institutional capacity. The following are the five stages of planning through which a grantee advances: (1) establishment of the organization (2) establishment of the technical base (3) formulation of an economic development strategy (4) management of an economic development strategy (5) expansion and refinement of the strategy. EDA is continuing to refine this rating system, so we can better measure the impact of the planning program.

EDA's Section 301 (b) administrative support planning grants assist local planning organizations by funding professional staffs which carry out the following major activities: (1) preparation of Overall Economic Development Programs (OEDPs); (2) implementation of the development programs after adoption by the community, Indian or District organization; (3) coordination of Federal, state, and private development; and (4) assistance to local governments and individuals involved in local development. The organizations are composed of local leaders representing the economic, political, civic, and social interests of the area served. In addition to actual implementation of their development plans, they serve as coordinating mechanisms for public and private resource agencies operating in their areas.

The Section 302 program provides direct grants to States, cities, and other political subdivisions of a State, which fund up to 80 percent of the cost of comprehensive economic development planning. State planning grants increase State participation in setting and implementing economic development goals and promote the integration of the Federal-State-local efforts for planning and developing projects.

Districts: ($14,900,000)

Economic Development Districts are multicounty development organizations composed of local government, private sector and minority representatives. Districts have been established to design area-wide, long-term economic development programs which address common economic problems, to assist local units of government in implementing their economic development programs, and to obtain the involvement of principal economic interests and economically distressed citizens in public economic development decision-making.

EDA's District program is among the most sophisticated and effective Federal-local delivery systems in the nation. The Economic Development Districts, operating nation-wide and covering over two-thirds of the U.S. counties, form a crucial link in the Federal-local relationship, matching the needs of local areas to available State and Federal programs and private resources. Although the District program was originated by the Agency, EDA funding is used primarily to leverage other Federal and State monies, resulting in the generation of effective and broad-based institutional capabilities for local economic development.

The total level of funding of $14,900,000 in FY 1981 consists of $14,500,000 to continue to support the FY 1979 and 1980 level of 270 District planning grants at a maintenance level. Also, this total includes $400,000 for the Area planning grant program which will continue to support 9 area planning grantees. This level of funding will stabilize the area program so that it can continue to serve its intended purpose of supporting non-District counties and other areas for economic development.

States/Territories: ($6,500,000)

This program covers fifty-six geopolitical jurisdictions, including the territories as well as the States. EDA administers a program of planning grants in order to help the States in attaining the capacity to plan and coordinate economic development activities at the State and sub-state level.

Many economic problems cross local political boundaries and can encompass state-wide areas. Moreover, local governments do not always have the legal authority or the financial resources necessary to undertake effective economic development or adjustment programs. To meet these problems, EDA's State program has the following as its major objectives: to provide States with the institutional capacity to respond to State and substate economic changes associated with diverse development trends affecting the location and relocation of industry; to establish coordinating mechanisms with and between States and thereby insure multi-jurisdictional cooperation at the substate, State, and regional levels; and to identify development objectives, provide strategies and plan implementation methods to leverage public and private sector capital that will result in long term employment opportunities.

States can play a critical role in assuring State/substate coordination of planning and investment activities; assisting in influencing or eliminating jurisdictional impediments to economic development activities at the substate level; and providing supplemental assistance to leverage other Federal, local and private resources. The EDA program is designed to assist the States in playing this role as effectively as possible.

Indian: ($3,800,000)

EDA's Indian planning program has as its major objective the promotion of economic self-determination and growth by developing the institutional capacity required by Indian reservations to formulate and carry out realistic development objectives and plans. The EDA Indian program serves numerous reservations, many of which lack the basic public facilities and services essential to raising their standard of living, by supporting professional planners who direct their efforts to the development of solutions to those

problems. Planning can be expected to lead to the basic infrastructure necessary for subsequent economic development. Further efforts are intended to expand and diversify existing economic activity by preserving or creating jobs and removing impediments to continued economic development on the reservations. A funding level of $3.8 million will enable continuation of the program at the FY 1980 level.

Urban: ($11,700,000)

The urban planning program focuses on those cities and urban counties which comprise the core of metropolitan areas and are characterized by high population densities and complex economies. EDA also provides assistance to non-governmental organizations within urban areas and supports metropolitan economic development planning needed to manage economic problems on a wider scale. The goal of this program is to generate economic improvements in cities and other urban entities by providing them with the capacity to overcome their economic development problems.

EDA's objectives with cities and urban counties are to diversify and strengthen the economic base; contribute to the creation of permanent employment opportunities for central city unemployed; and augment the planning and implementation capacities of city and county governments to integrate local and Federal resources so that they can (1) generate commercial and industrial enterprises; (2) provide necessary assistance to leverage private sector investment capital and facilitate business development; and (3) adjust to changing regional and national market forces. In recognition of the complexity of the economic and social fabric of cities, EDA also assists non-governmental institutions having the capacity to integrate neighborhood developmental activities within the scope of city-wide planning. Under its urban program, EDA also is testing methods of developing multi-jurisdictional economic development planning capacity and strategies through which central city/suburban planning and development activities can be coordinated.

Adjustment: ($2,300,000)

In FY 1980, we will continue to identify communities which are feeling the impact of various types of economic disruption particularly as a result of environmental compliance, trade adjustment, and other dislocations (adequate outreach already exists for the defense and disaster categories) through the use of computerized information systems.

In FY 1981, as the 1983 clean air and water deadline approaches, an increase in the number of environmental compliance related grants is expected. A growing interest in adjustment planning grants for use in disaster recovery is also expected to result in a continuing demand for grants in this category by FY 1981. Trade related dislocations are also expected to continue at the FY 1979 level or at a greater rate. In FY 1981, the average cost of implementing adjustment planning grants is estimated at $75,000 each.

Increase for 1981

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Districts	...	$12,980	...	$14,900	...	+$1,920

The FY 1981 requested level of $14,900,000 is an increase of $1,920,000 over the FY 1980 level. This total level of $14,900,000 in FY 1981 consists of $14,500,000 to continue the support of 270 Districts.

The FY 1981 District planning grant program consists of:

200	old districts from start of FY 1979 (which includes a 10% cost of living increase)	$11,000,000	(at $55,000 average)
31	new districts in FY 1979	1,550,000	(at $50,000 average)
14	new districts approved in FY 1979 but not funded until early FY 1980	700,000	(at $50,000 average)
25	new districts in FY 1980	1,250,000	(at $50,000 average)
270		$14,500,000	

It also includes in FY 1981 $400,000 for the Area/County planning grant program which continues to support from 8 to 9 area planning grantees at an average cost of $44,444.

Activity: Technical Assistance Grants

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Economic development:										
Districts	...	$4,240	...	$4,240	...	$1,000	...	$1,000	...	...
Urban	...	5,840	...	5,840	...	2,500	...	2,500	...	...
Indian	...	1,600	...	1,600	...	500	...	500	...	...
Other	...	3,500	...	3,500	...	6,500	...	6,500	...	...
Subtotal, Economic development	...	15,180	...	15,180	...	10,500	...	10,500	...	...

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm, Pos.	Amount	Perm. Pos.	Amount
Development financing	...	...	...	...	...	15,000	...	15,000	...	...
Trade adjustment assistance .	...	19,400	...	19,400	...	18,000	...	18,000	...	...
Total requirements	...	34,580	...	34,580	...	43,500	...	43,500	...	...

Goals and Objectives

Goals: To provide technical assistance to increase the quality of decisions regarding proposed economic development projects and to increase the effectiveness of funded projects thereby reducing unemployment and raising incomes in distressed areas.

Objectives: To provide site assembly, market feasibility, and other economic investigations that will improve and expedite local investment decisions and increase the effectiveness of other types of EDA assistance. To fund national organizations enabling them to deliver training to benefit local economic development staffs, operate information exchange, and design and manage site and area specific economic development investment projects involving resources from other EDA programs, other Federal Agencies, and local and public or private funds. To establish and monitor a national network of Assistance Centers capable of facilitating technical assistance in direct support of business development loans, loan guarantees, and interest subsidies from public and private sources. Through these various mechanisms to assist in creating and/or saving 29,000 jobs and leverage $217,500,000 in private investment.

Base Program

The key to finding new sources of jobs and income in a lagging area often lies in furnishing missing know-how, technical information, expert opinion, and counseling. To meet this need, EDA offers a broad range of technical assistance to communities and organizations so they will be able to evaluate the resources at hand and make the best use of them, thereby laying the foundation for economic development. Technical assistance provides information, data, and know-how for evaluating and/or shaping specific projects and programs in economic development, and can be used to evaluate the feasibility of potential development grants and development finance investments.

A key feature of EDA's technical assistance program is that it may be applied in any area of the Nation, and does not require that an area be qualified or designated. This flexibility enables a variety of local governments to receive needed advice upon which to base their economic development efforts.

The technical assistance request for FY 1981 is distributed as follows:

Economic Development Program: The Economic Development Technical Assistance Program focuses on providing funds to support problem solving efforts by Economic Development Districts, State and Local governments, Indian Tribes and local non-profit development organizations. Technical Assistance funds are also used to support economic development information dissemination and problem solving efforts of certain National organizations that represent State and Local governments, and also assist other public and private economic development practitioners.

Although public sector entities are the recipients of the major portion of funds under this program, the ultimate beneficiary is the private sector. This is true because technical assistance funds enhance the capacity of the public sector to create an environment in which the private sector can successfully operate.

The major components of this program are:

Districts ($1,000,000)

The District technical assistance program is designed to stimulate area responses to economic development problems by providing information and other assistance necessary to expand infrastructure, strengthen local leadership, bring about desired local economic changes and assist the business community in the decision making process related to capital investment and new business ventures.

Urban ($2,500,000)

Technical assistance activities in cities and urban counties will be directed primarily toward gaining the knowledge needed to carry out specific projects which are a part of comprehensive development strategies. This program provides assistance in developing specific industry and site analyses for public/private investments; market analyses; strategies for obtaining financial resources necessary to support specific development projects and similar knowledge - seeking projects.

Indian ($500,000)

The Indian technical assistance program will promote economic development by creating jobs and economic opportunities for American Indians and Alaskan Natives through the development of native owned and/or controlled enterprises. The assistance will be rendered through feasibility studies, management and operational assistance, on-site technical expertise and training, marketing assistance, demonstration programs, and technology transfer. EDA will provide assistance in commerical, industrial and tourism-recreational development. The Agency may also support non-profit local development organizations and management and training groups whose programs focus on improving the economic conditions of American Indians and Alaskan Natives.

Professional Services ($500,000)

The Professional Services grant program enables Economic Development Districts to provide specific economic development services to local governments within the District Program. These services include support to local officials in such areas as capital budgeting, revenue sharing fund use, program management, delivery of services, engineering, industrial development, and energy conservation and analysis.

Counties ($800,000)

The County technical assistance program is designed to stimulate rural responses to economic development problems in counties which are not a part of an economic development district by providing funds to acquire information and data essential to carrying out county's development plan.

National Organizations Projects ($2,200,000)

National associations such as the Council of State Governments, the National Association of Development Organizations, the National League of Cities, and the Council for Urban Economic Development, are used to provide links between themselves and their counterparts in state and local governments. These organizations act as information exchange media among their membership and are responsible for developing national economic development priorities. It is expected that these trade associations will continue to be important factors in the area of economic adjustment. By supporting these national organizations, the technical assistance program utilizes their capabilities and thereby enhances the effectiveness of agency funds.

University Centers ($3,000,000)

The University Centers provide assistance primarily to the private sector to promote business expansion, business stabilization, and new venture development. Assistance is provided to small and medium-sized businesses to assist them in resolving particular problems such as those related to management, financing and marketing. By doing so, the centers aid businesses in their attempts to establish, stabilize, or expand production or commercial operations. In addition, the centers provide job saving technical support at the local level by providing professional expertise or special studies which are beyond the capacity of the local staff.

Development Finance Support Program: This program will provide support to implement the expanded direct loan, loan guarantee, interest subsidies, and private sector development grant programs. Assistance will be provided to assist firms in preparing applications for assistance. Firms will also be able to obtain management, and marketing, assistance and support for productivity and feasibility studies. Expert assistance will be provided to solve particular problems of private firms in both rural and urban areas.

The size and complexity of the Development Finance Program requires the support of a network or system of entities to help provide the required technical assistance to private sector participants in the Development Finance Program. This network will be supported with technical assistance funds available in this program.

Trade Adjustment Assistance: EDA's Trade Adjustment Technical Assistance program offers appropriate adjustment assistance to trade-impacted firms and industries. Trade-impacted firms can be assisted in preparation of certification petitions, general diagnosis of their problems and opportunities, and solution of specific problems in implementing their plans for economic recovery. Firms can be assisted either directly by EDA through grants to qualified industry experts (consultants), or through the Trade Adjustment Assistance Center (TAAC) program.

During FY 1978 and FY 1979, EDA established and funded ten Trade Adjustment Assistance Centers to provide outreach and technical assistance services to trade-impacted firms. Each TAAC conducts an active outreach program to inform potentially trade-impacted firms in their areas of the assistance which is available through EDA's Trade Adjustment Assistance program. In addition, the Trade Adjustment Assistance program will also assist trade impacted industries recover from the adverse effects of foreign trade by improving the utilization and transferability of already existing technologies, improving management and marketing strategies, and improving export promotion potential for trade-impacted products.

Activity: Development Grants

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development grants										
Districts	...	$93,950	...	$93,950	...	$195,000	...	$195,000	...	...
Rural counties	...	27,315	...	27,315	...	64,525	...	64,525	...	...
Urban	...	86,735	...	86,735	...	259,000	...	259,000	...	...
States and territories	...	20,000	...	20,000	...	20,000	...	20,000	...	...
Indian	...	20,500	...	20,500	...	20,500	...	20,500	...	...
Total requirements	...	248,500	...	248,500	...	559,025	...	559,025	...	...

Goals and Objectives

Goals: To promote economic development through grants to public entities for public works projects, revolving loan funds (RLF), and other activities which will facilitate the creation or retention of private sector employment opportunities and increase income levels, and in addition, promote short-term job creation activities through the Public Works Impact Program.

Objectives: To move toward the stated goal by providing grants for the construction or expansion of public works projects which will assist in creating and or/saving 34,400 permanent jobs and 7,000 construction jobs, and will assist in leveraging over one billion dollars in private investments. Assistance is provided to develop a structure conducive to the locations of commercial and industrial enterprises thereby stablizing and diversifying local economies, to initiate development in certain communities or parts thereof and to provide essential services to communities with highly depressed economies.

To provide private sector grants for incentives to business to attract them to distressed communities of the country, thereby assisting in conjunction with development finance assistance to create or save 81,000 jobs and to leverage $739 million in private investment.

To create Revolving Loan Funds in distressed communities so they can provide debt financing for the recycling of land and facilities thereby creating and/or saving 7,800 jobs and leverage $115,500,000 in private investments.

Base Program

The public works program provides grants for the construction or expansion of projects which (1) offer substantial employment potential, (2) improve the capacity for economic growth through the development of a structure conducive to the location of industrial and commercial enterprises, or (3) provide essential public services necessary as an economic base in distressed areas. The program helps finance the construction of such projects as water and sewer systems which permit economic expansion industrial parks, access roads, the expansion of harbor and airport facilities, and other essential community facilities designed to improve the economic opportunities in distressed areas by encouraging related private sector investment.

- Direct grants -- Direct grants for redevelopment areas (including areas within Districts) are authorized under the Public Works and Economic Development Act for up to 80 percent (100 percent for Indian tribes) of a project's cost. Direct grants for economic development centers are also authorized. Direct grants may be used to acquire, construct, rehabilitate, alter, expand, or improve public facilities, and may include the acquisition of machinery and equipment.

- Bonus grants -- Bonus grants permit Federal participation in the amount of an additional 10 percent, but not more than a total of 80 percent, of the total project cost of selected projects located in Redevelopment Areas within multi-county development districts. Bonus grants provide an additional stimulus for Redevelopment Areas to participate in EDA's District economic development programs.

- Public Works Impact Grants (PWIP) -- This program provides immediate useful work for the unemployed of the project areas, basically through construction jobs. The Public Works and Economic Development Act has required that not less than 15 nor more than 35 percent of the funds appropriated under Title I shall be used for PWIP projects. The grant rate ranges from 80 percent to 100 percent on PWIP projects.

- The Development Finance grant program provides grants to public works applicants for up to 15 percent of the private sector costs of a project, but no more than $3 million. These costs are restricted to the fixed asset costs of the project and can include land, buildings, equipment and machinery. These grants are a deep form of subsidy and will be used when business loans or guarantees and interest subsidies are not sufficient or appropriate financial incentives to complete the project.

- The Revolving Loan Fund (RLF) program provides grants to eligible public works applicants to capitalize revolving loan funds. Grants can be for up to 100 percent of a project's costs, but priority is placed on projects that include funds from other sources. Revolving Loan Funds provide debt financing for the redevelopment and recycling of land and facilities. Loans can be made to finance small businesses, for land banking, building acquisition, etc. Assistance can include both working capital and fixed asset financing.

62-212 O - 80 - 23

Districts ($195,000,000)

Funds will be utilized throughout the Nation to foster multi-county economic development. Public works grants will be used in Districts to provide water and sewer systems for economic growth, industrial and commercial sites, access roads, public buildings, and tourism facilities. Thus, by improving the physical environment of the locality, industry will be ecouraged to locate or expand in the assisted area resulting in new jobs and increased income for residents of the Districts. District public works projects should be the outcome and implementation of a pragmatic development strategy. The funds requested will be utilized throughout the Nation to foster multi-county economic development. The number of designated Economic Development Districts will be 270 in FY 1980 and 1981.

The District program also includes projects in economic development centers, projects in redevelopment areas within Districts and 10% bonuses for the latter. Projects may be approved in non-designated portions of designated Districts if such projects will directly benefit the residents of the redevelopment areas.

Economic Development Districts will be eligible to receive RLF program funds to capitalize regional loan pools to carry out Distict strategies, and Private Investment grants will be available for the most distressed districts.

Rural Counties ($64,525,000)

The funds requested will provide financial aid to discressed counties outside District boundaries for the construction of development facilities which will promote economic development, provide substantial employment opportunities, or otherwise benefit the members of low-income families. Such projects serve to strengthen the economic bases of depressed areas and provide needed assistance to redevelopment areas in their efforts to diversify their economies.

Urban ($259,000,000)

Urban areas are an important area for public investment grants. There is a great need in urban areas for a large number of projects but also for larger size projects needed to produce a significant economic development impact. It is expected that the extremely high unemployment experienced in large urban areas, particularly among minorities, will continue for some time. Special attention will be given to developing projects which are lasting jobs requiring skills available in the local labor force or requiring skills which can be developed through local training programs.

A large part of the amount requested will support projects for distressed inner city areas. Dilapidated buildings, high percentages of welfare recipients, and a general low level of education are some of the characteristics of the target urban areas. EDA has assisted urban redevelopment efforts by providing financial assistance to develop industrial parks, construct water and sewer facilities which support economic growth, pave access roads to industrial sites, and construct job generating public facilities that will aid the economic recovery of inner city areas. Assistance has also included funds for the expansion and revitalization of commercial, service and office areas. All program tools of the private investment program will also be available for commercial and industrial development in downtown and neighborhood areas. The strategies of the cities will guide the use of these tools and where they are needed.

States ($20,000,000)

Section 304 grants have been made directly to the states since FY 1975. The states may use these funds for supplementing or making basic grants and loans for activities authorized under other Titles of the Act provided that the state contributes an amount equal to or greater than 25 percent of the funds being made available under Section 304. Grant supplements may be used to reduce or waive the non-Federal share of project funding, subject to the special matching requirements of the program, i.e. Section 304 funds must be matched on a 25 percent basis by the State; local funds may not be used to meet this requirement. Funds may also be used for projects in whole or in part on a "first dollar" basis, if the State certifies that each project meets all applicable requirements and could be approved for Federal funding under PWEDA if funds were available and the Secretary approved. This program is carried out in consonance with plans developed under Section 302 of PWEDA.

The budget request of $20,000,000 will allow the States to fund projects and implement strategies developed under the Section 302 planning process for overcoming State or substate economic development problems. This level would provide the funds for the States to continue the task of addressing their economic development needs.

Indian ($20,500,000)

The demand for public works projects on Indian Reservations remains high. There is a continuing need for many basic public facilities such as water, sewer, streets, and community buildings on Indian Reservations; such facilities are pre-requisities for any further community and economic development. However, because Indian Reservations recently received many LPW projects for community facilities more emphasis will be placed on projects with economic development potential.

Activity: Economic adjustment

(dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Economic adjustment	...	$44,700	...	$44,700	...	...	...	...	...	...
Sudden and severe	...	40,800	...	43,800	...	$36,175	...	$36,175	...	...
Total requirements	...	85,500	...	88,500	...	36,175	...	36,175	...	...

Goals and Objectives

Goals: To provide special economic development and adjustment assistance to help State and local areas meet special needs arising from actual or threatened severe unemployment as a result of economic dislocation, including unemployment from actions of the Federal Government and from compliance with environmental requirements which remove economic activities from a locality, and economic adjustment problems resulting from severe changes in economic conditions and to encourage cooperative intergovernmental action to prevent or solve economic adjustment problems.

Objectives: The major objectives of this program are to assist communities in adjustment to Department of Defense realignment actions, dislocations resulting from the enforcement of environmental regulations, import competition, natural disasters, judicial or legislative decisions, and individual corporate decisions. Most important will be the provision of assistance to communities affected by Federal actions, i.e., DOD realignments, environmental enforcement, and import competition. Available resources will generally be used to meet all such demand before dislocations in other categories are addressed. An attempt will then be made to respond to severe dislocations in each of the other categories. Projects in these categories will be chosen on the basis of severity of distress and quality of the project, rather than a formal allocation. In FY 1981, a program objective is to create or save 3,100 jobs and to leverage $109 million in private investment.

Base Program

The economic adjustment assistance program is authorized by Title IX of PWEDA. The purpose of the program is to help local areas develop and/or implement comprehensive adjustment strategies designed either to anticipate and prevent economic dislocation or to reestablish employment opportunities and economic stability as soon as possible after dislocation occurs; or to adjust to problems resulting from severe long-term economic deterioration.

Redevelopment areas and Economic Development Districts established under the authority of Title IV of PWEDA, Indian tribes, States, cities or other political subdivisions of a state or a combination of such political subdivisions are eligible to receive assistance under this program.

The Title IX program is used to address a broad range of economic adjustment problems. Grants may be made directly to eligible recipients who have a special need relating to an actual or expected rise in unemployment or other economic adjustment problems. Grants approved under this title may be used in direct expenditures by the applicant or through redistribution to public and private groups through loans, loan guarantees, or other assistance. Recipients must submit annual reports on their progress against their plans. Applicants must submit plans for approval in order to use grant funds for any of the following: public facilities, public services, business development, planning, rent supplements, mortgage payment assistance, research, technical assistance, training, relocation of individuals, and other appropriate assistance.

Sudden and Severe Economic Dislocation (SSED):

A. Defense Economic Adjustment: Defense-related dislocations which have already occurred will require economic adjustment implementation assistance totaling approximately $20 million in FY 1981. (The Department of Defense, Office of Economic Adjustment, has estimated an FY 1981 demand of $25 million. This includes identified projects and an anticipated/unidentified reserve.) In a typical year, approximately 150 new Defense realignments are announced about 12 of which are of a magnitude that requires adjustment assistance. Final decisions are usually made by DOD one year after candidate realignments are announced. Thus, FY 1981 demand for up to 12 new adjustment grants can be expected, in addition to realignments already announced and underway.

B. Community Trade Adjustment Assistance: Five outstanding planning grants in trade impacted communities are likely to result in requests for further assistance to implement those plans. Some of these will not be completed until FY 1981. The impact of foreign trade continues: In FY 1979 approximately 30 firms have been certified by EDA each month as trade impacted. This is considerably higher than demand in 1977 or 1978. This level is expected to continue or increase in the next year. Large shutdowns and cutbacks in the steel industry, for example, have created serious adjustment problems in many communities.

EDA anticipates an FY 1981 demand for approximately $7.5 million.

C. Disasters: Title IX plays an important role in the Federal response to disasters, in concert with FDAA and other agencies, to the specific end of helping an area restore its local economy as quickly as possible after a disaster has occurred.

Title IX assistance is the only Federal tool available to fill certain gaps in disaster recovery efforts, especially those related to the restoration of previous levels of local economic activity. Although disaster, by definition, cannot truly be anticipated, the need for two implementation grants averaging $2.5 million (or $5 million) can be expected in 1981.

D. Other Adjustment Assistance: Other adjustment problems will probably have a significant effect on many local economies especially where marginal firms provide a large percentage of local employment. The restructuring of the steel industry will have serious consequences for a number of communities. Some steel closures will be trade-related; others will not. Environmental compliance problems will be a factor in many of the dislocations involving marginal firms. As the 1983 clean air and water deadline approaches, an increase in the number of grants involving environmental compliance problems is expected. Up to 30 dislocations can be expected, based on experience during the past few years. At a minimum two implementation grants of $1.9 million will be required.

Activity: Direct loans

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development loans:										
Rural	...	$12,973	...	$12,973	...	$45,000	...	$45,000	...	...
Urban	...	30,271	...	30,271	...	105,000	...	105,000	...	...
Subtotal-development loans	...	43,244	...	43,244	...	150,000	...	150,000	...	...
Trade adjustment	...	18,533	...	18,533	...	41,430	...	41,430	...	...
Total requirements	...	61,777	...	61,777	...	191,430	...	191,430	...	...

Goals and Objectives

Goals: Development Finance Program: To reduce unemployment, raise income levels and stimulate investment in distressed areas by providing for retaining, constructing, expanding or improving facilities of firms which could not otherwise obtain reasonably priced credit.

Trade Adjustment Assistance Program: To assist trade impacted firms in adjusting to import competition. Assistance will provide direct loans, on reasonable terms, to firms which could not otherwise receive private assistance due to their weakened financial condition.

Objectives: Development Finance Program: In FY 1980, EDA will make direct loans to at least 136 firms to save and create 33,300 permanent jobs in distressed urban and rural places and leverage $278,600,000 in private investment. Eighty percent of the jobs (26,600) will be created or saved by the end of FY 1982.

Trade Adjustment Assistance Program: To provide assistance to at least 56 firms with viable recovery plans in order to help save or create over 9,200 jobs. About 75 percent of these firms receiving direct Trade Adjustment Assistance will recover sufficiently from the effects of import competition within three years to remain viable. Due to the precarious financial situation of these firms, EDA expects to be able to leverage private investment of only about 5 percent of the total EDA funding for this program ($2,100,000).

Base Program

Development Finance Program: Direct loans are extended to firms that are unable to secure debt financing from private lenders. Those firms may lack a relationship with a lender or the lending capacity of the local financial institutions may be limited. The firms may also have problems gaining access to private credit due to financial or nonfinancial factors. For instance, lenders may be unwilling to participate in new ventures or new products development, or extend credit to firms with a higher-than-average debt service. Nonfinancial characterisitic such as firm size, ownership and location may also limit credit availability. Direct loans are particularly essential to small and moderate-sized firms during periods of "tight money."

Direct loans may be used to finance either fixed asset or working capital needs. Direct fixed asset loans are provided for land acquisition and improvements, purchase of machinery and equipment, construction costs for new buildings, rehabilitation costs for abandoned or unoccupied buildings, and alteration, conversion and engagement costs for existing buildings. Working capital loans may be used to finance needs such as start-up costs, market and personnel expansion, and normal operating costs. These loans are offered at moderate rates and with maturities extending for as long as 30 years or the life of the assets.

The impact of the EDA direct loan program as a tool for creating jobs in distressed areas is enhanced by the "leveraging" effect of EDA assistance. In FY 1979, EDA approved 46 direct loans totaling over $50 million. However, the EDA commitment of $50 million generated private investment of over $93.3 million. It is estimated that 11,172 private sector jobs in distressed areas will result from EDA direct loan assistance.

Trade Adjustment Assistance: Direct loans for trade impacted firms are authorized by the Trade Act of 1974. Direct fixed asset loans are provided for remodeling existing facilities and for replacing obsolete machinery and equipment to make trade impacted firms more competitive. Direct working capital loans may be used for finance costs of current operations and to readjust debt burden.

Activity: Loan guarantee authority

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development guarantees:										
Rural	...	($114,750)	...	($114,750)	...	($270,000)	...	($485,000)	...	(+$215,000)
Urban	...	(267,750)	...	(267,750)	...	(630,000)	...	(1,135,000)	...	(+505,000)
Subtotal-development guarantees	...	(382,500)	...	(382,500)	...	(900,000)	...	(1,620,000	...	(+720,000)
Trade adjustment	...	(42,500)	...	(42,500)	...	(100,000)	...	(180,000)	...	(+80,000)
Total requirements	...	(425,000)	...	(425,000)	...	(1,000,000)	...	(1,800,000)	...	(+800,000)

Goals and Objectives

Goals: Development Finance Program: To reduce unemployment, raise incomes, and stabilize, strengthen, and diversify the economic and fiscal bases of distressed areas by leveraging private investment for the retention, expansion, and attraction of permanent employment opportunities. To make credit available to reasonably creditworthy firms that nonetheless have difficulty obtaining private financing for fixed assets and working capital. To use the guarantee to improve the terms and conditions of credit extended to firms located or desiring to locate in distressed areas. To facilitate the creation of a secondary market for economic development-oriented business finance paper, and, thus provide liquidity to banks.

Trade Adjustment Assistance Program: To maintain the solvency of trade impacted firms with attendant employment by providing 90% guarantees of loans to these firms from private lending institutions. Trade impacted firms generally cannot obtain loans from the private sector without government guarantees.

Objectives: Development Finance Program: In FY 1981, EDA will increase the availability of long-term credit and provide working capital to 648 firms in distressed locations in order to save and create 324,000 permanent jobs and leverage $2,955,000,000 in private investments. Eighty percent of these jobs (259,200) will be created by the end of FY 1982.

Trade Adjustment Assistance Program: To guarantee 108 loans which will create or save over 36,000 jobs. This assistance will leverage private investment of at least $22,680,000.

Base Program

Development Finance Program: Loan guarantees reduce the risk of loss to private lenders, allowing firms to gain access to conventional credit markets enhancing the terms of financing. EDA loan guarantees allow firms to arrange for private financing at a lower cost and at longer maturities. The presence of a secondary market for EDA guaranteed loans provides lenders with additional liquidity, encouraging greater participation in the EDA loan guarantee program and providing an important new source of loanable funds for commercial and industrial development.

Guaranteed loans may finance either fixed asset or working capital needs. Guaranteed fixed asset loans may be used for acquisition and development of land, the purchase of machinery and equipment, and the purchase, acquisition and rehabilitation of buildings. Guaranteed working capital loans are provided to finance needs such as start-up costs, market and personnel expansion, and normal operating costs. EDA may guarantee up to 90 percent of a loan made by a private lending institution. The maturity of the guarantee may not exceed 30 years.

EDA extended loan guarantees to 109 projects in FY 1979. The guaranteed loans having a face value of $240 million, stimulated private capital investment of $480 million. The "leverage" effect of guarantees is, in fact, even more significant as this tool involves no disbursement of Federal funds (except in case of default). Projects financed with loan guarantees will result in the preservation and creation of 48,000 direct, permanent private sector jobs.

Trade Adjustment Assistance: Guaranteed loans for trade impacted firms are authorized by the Trade Act of 1974. Guaranteed fixed asset loans are provided for remodeling existing facilities and for replaceing obsolete machinery and equipment to make trade impacted firms more competitive. Guaranteed working capital loans may be used to finance costs of current operations and to pay certain current liabilities.

Increases in FY 1981

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development guarantees:						
Rural	...	($270,000)	...	($485,000)	...	($215,000)
Urban	...	(630,000)	...	(1,135,000)	...	(+505,000)
Subtotal-development guarantees	...	(900,000)	...	(1,620,000)	...	(+720,000)
Trade adjustment	...	(100,000)	...	(180,000)	...	(+80,000)
Total requirements	...	(1,000,000)	...	(1,800,000)	...	(+800,000)

The increase in FY 1981 under the Loan guarantee authority of $800,000,000 represents a re-adjustment from the FY 1980 level which was reduced to compensate for the delay in passage of EDA's authorizing legislation for FY 1980; the request for FY 1981 simply reflects what had been considered a full year of program operations.

Activity: Loan guarantee payments

Goals and Objectives

Goal: To retain the confidence of private lenders in the Agency's ablity to honor its loan guarantees.

Objective: To fulfill the Agency's obligations on loan guarantees for economic development and trade adjustment purposes.

Base Program

Beginning in FY 1980, EDA will formally request direct appropriations to cover defaults on loan guarantees to be used in case of loan defaults. The estimated requirements are based on past experience.

Increases in FY 1981

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Loan guarantee payments	...	$27,923	...	$45,920	...	+$17,997

The obligation and cash disbursement (payment) of defaults which is anticipated to occur in EDA's loan guarantees is estimated to increase in FY 1981 because there will be a considerably larger guarantee portfolio. The increase does not anticipate an increase in the rate of defaults.

Activity: Interest rate subsidies

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development subsidies:										
Rural	...	...	...	...	...	$47,250	...	$67,500	...	+20,250
Urban	...	...	...	...	...	110,250	...	157,500	...	+47,250
Subtotal-development subsidies	...	...	...	...	...	157,500	...	225,000	...	+67,500
Trade adjustment	...	...	...	...	...	17,500	...	25,000	...	+7,500
Total requirements	...	...	...	...	...	175,000	...	250,000	...	+75,000

Goals and Objectives

Goals: Development Finance Program: To reduce unemployment, raise income levels, and stabilize and improve the economic and fiscal bases of very distressed areas by influencing job-generating firms to remain, expand, and locate through the provision of low cost credit. To make particularly distressed locations more competitive in the attraction of credit-worthly firms by using lower priced credit to offset the higher cost of doing business in such places; to retain and expand existing jobs in particularly distressed areas by placing a marginally profitable firm in a stronger cash-flow position; to lever private sector investment for jobs for particular target populations.

Trade Adjustment Assistance Program: To stabilize and improve the economic and fiscal bases of communties by helping trade impacted firms to remain viable through the provision of lower cost credit. To save and create jobs through favorable financing to trade impacted firms.

Objectives: Development Finance Program: In fiscal year 1981, interest rate subsidies will be applied to 160 guaranteed loans in order to induce firms to start operations or expand operations in the most distressed of EDA's eligible areas. Seventy percent of these firms will be in urban areas and thirty percent in rural areas. The interest rate subsidies program, in conjunction with other forms of Development Finance assistance will help to create and/or save 81,000 jobs and leverage $739,000,000 in private investment.

Trade Adjustment Assistance Program: To provide trade impacted firms with access to private credit at a reasonable rate of interest. This will strengthen impacted companies by reducing the cost of operations and thereby provide sufficient income to become viable. This in turn will induce the firm to remain in business generating employment and tax revenues. Interest rate subsidies in conjunction with the other types of trade adjustment assistance will help to create and/or save 11,900 jobs and leverage $7,484,000 in private investment.

Base Program

Development Finance Program: Interest subsidies would be funded in an amount sufficient to reduce the effective rate of interest payable by up to 5 percentage points, as long as the rate is not lower than 5 percent per annum. The subsidy would not extend beyond 10 years on any single loan.

Interest rate subsidies act directly on the cost of capital. Distressed locations tend to be more costly places in which to operate a business. They often have high land assembly, energy, or labor costs and have other disincentives, such as poor quality public services, that make competing sites more attractive. Lower priced credit will not cancel out these disincentives to investment in economically troubled areas but it can offset some of the higher costs of doing business and, thus, make them more competitive.

Interest rate subsidies are a locational incentive tool. They will permit EDA to promote private investment in distressed areas that would not otherwise occur: either because the borrower could not afford the debt service without the subsidy or because the subsidy, by offsetting other business costs, makes the places desirable compared to other locations.

Because the interest rate subsidy program has the special purpose of being a locational incentive tool, it will be used selectively: interest rate subsidies will be targeted to approximately 25 percent of EDA guaranteed loans i.e. projects in the most distressed areas and those that contribute a significant number of jobs which are targeted to the long-term unemployed.

Although the Public Works and Economic Development Act of 1965 authorized a limited interest subsidy program (restricted to fixed asset guarantees), EDA received no applications for assistance. However, interest subsidies may be attached to both direct and guaranteed loans for fixed asset and working capital needs. This additional flexibility will allow EDA to effectively use the tool to promote economic development in distressed areas.

Trade Adjustment Assistance: EDA will also have an interest subsidy program for trade adjustment loans and guarantees. The appropriation is expected to be approximately $17.5 million. This new form of assistance will enhance EDA's efforts to aid trade impacted firms.

Increases in FY 1981

(dollar amounts in thousands)

	1981 Base		1981 Estimate		Inc.(+) Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Development subsidies:						
Rural	...	$47,250	...	$67,500	...	+$20,000
Urban	...	110,250	...	157,500	...	+47,250
Subtotal-development subsidies	...	157,500	...	225,000	...	+67,500
Trade adjustment	...	17,500	...	25,000	...	+7,500
Total	...	175,000	...	250,000	...	+75,000

In FY 1981 the increase of $75,000,000 in the interest rate subsidy program represents full year funding of the level of activity initiated in FY 1980; the FY 1980 amount has been reduced from the amount originally requested, because of the delay in enactment of the authorizing legislation.

Activity: Economic research

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	...	$8,500	...	$5,500	...	$2,500	...	$2,500	...	...

Goals and Objectives

Goals: To elicit the maximum employment and economic development impact from its programs, through new knowledge, analysis, and data presentation that ensure a realistic assessment of economic development problems and potential solutions. To aid EDA, other development organizations, States and communities in understanding economic development problems and issues, designing economic development programs, and making policy decisions.

Objectives: To conduct appropriate research (basic, applied or State of the art) in pre-established high priority areas. This research will serve as a baseline in support of agency policy formulation and decisions and for the identification of new research hypotheses.

To conduct policy relevant applied research in several priority problem areas.

To undertake state-of-the-art research which brings together existing research in a format which is usable at the regional, State and local levels.

To fully implement, assess and revise the research dissemination strategy designed in 1979 to assure the broad dissemination of useful research information through publications; policy seminars, and other dissemination techniques.

Base Program

The assurance of a continuing successful EDA program lies in a reliable and thorough research program capable of furnishing accurate and timely information upon which program and policy decisions can be based. The EDA research program is carried out through external research undertaken through contract, grant or transfer arrangements, and in-house studies and analyses. Specific research areas will continue to reflect emerging and anticipated economic development problems and will seek to identify programs and policies suitable for providing the long-term economic vitality and stability of local and regional economies, both rural and urban.

The review and dissemination of available research results, appropriate analytical tools and data are an important part of the EDA research program. Too often important research information is written in a manner intelligible only to a select few or is buried in lengthy reports. Too often the practitioner and policymaker are confounded by data which is totally inadequate to describe, let alone analyze local economies. In FY 1981, increased emphasis will be placed on research synthesis and dissemination as well as on an increase in internally generated research papers.

Through its program of basic and applied economic research, EDA will continue to provide a broad range of information to guide its own programs and those of State and local economic development agencies.

To meet these responsibilities, the economic research program will focus on three basic concerns.

Program Category	$ in thousands FY 1981 Funding
1. Previously emphasized research subjects	$750
2. Current priority subjects	1,250
3. Professional training programs	500
Total	2,500

Previously emphasized subjects: The following areas of research, which have been given emphasis in past budgetary allocations, would be reduced to $750,000, or approximately 35 percent of their previous annual funding level: (1) Urban, (2) Regional and (3) Development Planning.

Current priority subjects: The following areas of research are of growing relevance to EDA's mission and have not been adequately funded in the past. More than half ($1,150,000) of the FY 1981 will be set aside for the following research areas: (1) Development Financing, (2) Regulatory Practices, (3) Rural Development, (4) Sectoral Analysis, (5) The Economic Problems of Disadvantaged Population Groups, and (6) Structural and Cyclical Unemployment.

Professional training programs: The following program areas have been adequately funded in the past, but should retain the same or slightly reduced levels of funding ($600,000): (1) Internships, and (2) Other (e.g. dissertation support).

Activity: Program evaluation

(dollar amounts in thousands)

	1979 Actual		1980 Currently available		1981 Base		1981 Estimate		Inc.(+) Dec.(-) Over 1981 Base	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Total requirements	...	$2,500	...	$2,500	...	$1,500	...	$1,500	...	...

Goals and Objectives

Goals: To provide essential support for the design, development, and implementation of Agency policies and programs supplying on-going and retrospective feedback to management on the cost effectiveness of Agency projects and programs, their institutional and economic impacts, and the causes of their success or failure in implementing Agency goals and objectives. To provide information about the effectiveness of EDA activities to OMB, the Congress, and other interested parties.

Objectives: To continue and conclude the impact evaluations begun in FY 1980 and begin two new impact evaluations (CEDS/Metro and Trade Adjustment Assistance), three process/demonstration evaluations (Business Finance, Revolving Loan Funds, Sectoral Targeting), and the inclusion of two additional evaluation components within the Operational Planning and Control System.

To utilize the results of the OPCS evaluations in four ways:

- o dissemination of final reports to other agencies, OMB Congress and other interested public and private groups,
- o preparation of issue papers based on evaluation results for dissemination to the Evaluation Liaison Committee which is chaired by the Program Evaluation Division with representation from each EDA program area and to the EDA Policy Council which is chaired by the Assistant Secretary,
- o inclusion of survey data from major impact evaluations into an in-house crosscutting evaluation system on an ongoing basis, and
- o continuing revision of the output/performance measures within OPCS as dictated by new impact evaluation findings.

Base Program

EDA's program evaluation activities have provided much valuable information to Agency decision makers about the effectiveness of EDA programs and the cost of obtaining desired economic development results. Such studies are made available to the Department of Commerce, the OMB, and the Congress so that they may use the information to arrive at rational decisions regarding EDA's economic development programs.

During FY 1981, EDA will consider the following areas for evaluation:

- The effectiveness of new Agency business finance programs and tools;
- The linking of the Operational Planning and Control System and longitudinal evaluations of EDA projects;
- The effectiveness of EDA's trade adjustment assistance programs;
- The effectiveness of EDA's assistance to distressed urban and rural areas; and
- The potential of EDA export development programs.

The evaluations considered for FY 1981 cover a wide range of activities and focus both on process and impact evaluation. Process evaluations are studies which provide feedback on new and ongoing programs before full scale implementation and before the full program impacts can be measured. They will be especially important with respect to new Agency programs. Specific evaluation topics will be selected on a highest priority basis within the total level requested. At this point it is not practical to identify which evaluation topics will be done in-house and which will require grantee support. EDA utilizes a combination of in-house and outside expertise as appropriate to ensure the quality and objectivity of its evaluation studies.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Economic development assistance programs

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. (+) or Dec. (-) Pos.	Inc. (+) or Dec. (-) Av. No.	Inc. (+) or Dec. (-) Amount	Emp. 12/31
Other objects:										
25.0 Other services			$2,500			$2,000			$-500	
33.0 Investments and loans			218,353			236,350			+17,997	
41.0 Grants, subsidies and contributions			853,480			930,900			+77,420	
Total requirements			1,074,333			1,169,250			+94,917	

Justification by Object Class
(Dollar amounts in thousands)

25.0 Other Services			
Care and preservation of collateral (non-recoverable expenses)	1,000	1,000	...
Development research proposals and contracts	500	500	...
Program evaluation contracts	1,000	500	-500
Total, other services	2,500	2,000	-500

Object class		1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. (+) or Dec. (-) Pos.	Inc. (+) or Dec. (-) Av. No.	Inc. (+) or Dec. (-) Amount	Emp. 12/31
33.0	Investment and loans:										
	Commercial and industrial development loans			111,245			111,245			...	
	Working capital loans			68,185			68,185			...	
	Working capital loan guarantees			5,165			8,495			+3,330	
	Fixed asset loan guarantees			22,758			37,425			+14,667	
	Purchase of senior liens and recoverable expenses for care and preservation of collateral			11,000			11,000			...	
	Total, investments and loans			218,353			236,350			+17,997	
41.0	Grants, subsidies and contributions:										
	Planning:										
	Administrative Support (Section 301):										
	Planning grants to districts and areas			12,980			14,900			+1,920	
	Indian			3,800			3,800			...	
	Economic development (Section 302):										
	Planning grants										
	States and territories			6,500			6,500			...	
	Urban			11,700			11,700			...	
	Adjustment planning grants			2,300			2,300			...	
	Technical assistance grants			43,500			43,500			...	
	Direct public works grants			492,025			492,025			...	
	Supplementary grants to EDA direct grants			40,000			40,000			...	
	Supplementary grants to other Federal programs ..			15,000			15,000			...	
	Bonus grants			12,000			12,000			...	

62-212 O - 80 - 24

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. (+) or Dec. (-) Pos.	Inc. (+) or Dec. (-) Av. No.	Inc. (+) or Dec. (-) Amount	Emp. 12/31
Economic adjustment grants			36,175			36,175			...	
Interest rate subsides			175,000			250,000			+75,000	
Research grants			2,000			2,000			...	
Program evaluation grants .			500			1,000			+500	
Total grants, subsidies and contributions			853,480			930,900			+77,420	

GENERAL STATEMENT

Mr. ALEXANDER. We will be pleased to accept the statement of Mr. Hall in its entirety as a part of the record after which, Mr. Hall, you are invited to refer to it at will.

[Mr. Hall's prepared statement follows:]

STATEMENT OF ROBERT T. HALL
ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT
BEFORE THE
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
STATE, JUSTICE, COMMERCE, THE JUDICIARY AND RELATED AGENCIES

APRIL 16, 1980

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THANK YOU FOR GIVING ME THE OPPORTUNITY TO APPEAR TODAY TO DISCUSS THE PRESIDENT'S BUDGET PROPOSALS FOR FY 1980 AND 1981.

AS YOU ARE WELL AWARE, PRESIDENT CARTER HAS MADE SOME VERY DIFFICULT BUDGET DECISIONS IN THE PAST FEW WEEKS WHICH ARE NECESSARY IN ORDER TO COMBAT THE HIGH RATES OF INFLATION WHICH WE ARE NOW EXPERIENCING AS A RESULT OF THOSE DECISIONS, THE BUDGET WE ARE PRESENTING TODAY IS CONSIDERABLY LOWER THAN THE PROPOSALS WHICH WERE TRANSMITTED LAST JANUARY.

FOR FY 1980, OUR TOTAL REQUEST FOR PROGRAM APPROPRIATION IS NOW $660,583,000, A REDUCTION OF $413,750,000 FROM THE JANUARY BUDGET OF $1,074,333,000. THE REQUEST FOR LOAN GUARANTEE AUTHORITY HAS BEEN REDUCED FROM $1,000,000,000 TO $450,000,000, A REDUCTION OF $550,000,000.

THE TOTAL PROGRAM LEVEL INCLUDING BOTH APPROPRIATIONS AND GUARANTEE AUTHORITY IS REDUCED FROM $2,074,333,000 TO $1,110,583,000, A TOTAL REDUCTION OF $963,750,000.

THE REDUCTIONS TO THE APPROPRIATION REQUEST ARE:

- o Business development programs - We propose a revised funding level of $116,430,000 for direct loans; this level is $75,000,000 below the pending request, but is $54,653,000 above the amount provided in the FY 1979 appropriation. We have also reduced the request for interest rate subsidies from $175,000,000 to $50,000,000; this amount still represents an increase over the FY 1979 appropriation, since this is a new program for FY 1980.

- o Other programs - Our request for technical assistance for support of the Development Finance Program (DFP) has been reduced from $15,000,000 to $7,500,000. The Development Grants program has been reduced by $206,250,000 to a level of $352,775,000; this is still $59,575,000 higher than the FY 1979 appropriation.

In the salaries and expenses appropriation, we are requesting $47,200,000. While this amount is considerably lower than the $63,438,000 in the pending request, it will provide sufficient resources for us to achieve a normal level of activities and to move forward with the implementation of the DFP. You will recall that when I appeared before this committee last spring to present the budget request for FY 1980, I noted that our administrative funding situation for FY 1979 was extremely tight. In fact, toward the end of the year we

WERE FORCED TO CURTAIL HIRING AND TO IMPOSE VERY STRINGENT RESTRICTIONS ON ALL ADMINISTRATIVE EXPENSES. IN POINTING OUT THOSE PROBLEMS, I HAPPILY INFORMED THE COMMITTEE THAT FOR FY 1980 THE OMB HAD SUPPORTED OUR REQUEST FOR A SUBSTANTIAL INCREASE IN ADMINISTRATIVE FUNDING AND THAT UNLIKE FY 1979, EDA WOULD BE ABLE TO CONDUCT A FULL RANGE OF ACTIVITIES IN FY 1980 AT THE REQUESTED STAFFING AND FUNDING LEVEL.

MR. CHAIRMAN, YOU CAN WELL IMAGINE THE IMPACT ON THE AGENCY OF HAVING TO OPERATE UNDER A CONTINUING RESOLUTION. AT A TIME WHEN WE SHOULD BE GEARING UP FOR NEW PROGRAMS, WE HAVE BEEN FORCED TO RESTRICT HIRING AND SEVERLY LIMIT SPENDING. I CANNOT OVERSTATE THE URGENCY OF HAVING AN APPROPRIATION FOR SALARIES AND EXPENSES AS SOON AS POSSIBLE. ALTHOUGH THE AUTHORIZATION FOR APPROPRIATIONS FOR THE PROGRAMS OF THE AGENCY EXPIRED LAST SEPTEMBER, THE PORTION OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 WHICH AUTHORIZES FUNDING FOR ADMINISTRATIVE EXPENSES HAS NOT EXPIRED.

FOR FY 1981, THE REVISED REQUEST FOR THE PROGRAM APPROPRIATION IS $769,250,000. THIS IS $400,000,000 BELOW THE $1,169,250,000 PROPOSED IN THE JANUARY BUDGET. THE REVISED REQUEST FOR GUARANTEE AUTHORITY IS $900,000,000, A REDUCTION OF $900,000,000 FROM THE AMOUNT IN THE CURRENT REQUEST.

THE TOTAL PROGRAM REQUEST INCLUDING APPROPRIATIONS AND GUARANTEE AUTHORITY IS REDUCED FROM $2,969,250,000 TO $1,669,250,000, A TOTAL REDUCTION OF $1,300,000,000.

THE REDUCTIONS TO THE APPROPRIATION REQUEST ARE:

- o BUSINESS DEVELOPMENT PROGRAMS - WE PROPOSE A REDUCTION OF $50,000,000 TO THE REQUEST FOR DIRECT LOANS. THE $141,430,000 NOW PROPOSED IS $25,000,000 ABOVE THE FY 1980 LEVEL. WE ALSO PROPOSE A REDUCTION OF $175,000,000 TO THE REQUEST FOR INTEREST RATE SUBSIDIES. THE $75,000,000 REQUEST WILL PROVIDE AN INCREASE OF $25,000,000 ABOVE THE REVISED LEVEL FOR FY 1980. THERE IS A REDUCTION OF $13,500,000 FOR PAYMENTS ON GUARANTEES; THIS AMOUNT IS COMMENSURATE WITH THE REDUCED LEVELS PROPOSED FOR GUARANTEE AUTHORITY.

- o OTHER PROGRAMS - WE PROPOSE A REDUCTION OF $4,000,000 FROM THE PENDING REQUEST FOR TECHNICAL ASSISTANCE SUPPORT OF THE DFP; THE REVISED REQUEST OF $11,000,000 PROVIDES FOR AN INCREASE OF $3,500,000 ABOVE THE LEVEL PROPOSED FOR FY 1980. WE ALSO PROPOSE A REDUCTION OF $157,500,000 IN THE REQUEST FOR DEVELOPMENT GRANTS. THE REQUESTED LEVEL OF $401,525,000 PROVIDES AN INCREASE OF $48,750,000 ABOVE THE REVISED REQUEST FOR FY 1980.

For salaries and expenses, we are requesting $62,217,000. This is a reduction of $9,082,000 from the amount proposed in the January budget, but this level will provide full support for the proposed EDA programs for FY 1981.

Although the reductions we are proposing are indeed substantial, it is necessary and appropriate that the EDA budget request be cut back in light of current economic conditions and the need to balance the Federal Budget. The revised proposals for FY 1980 still represent a substantial increase above the FY 1979 appropriation; in FY 1980 the appropriation request is $660,583,000, which is $153,058,000 higher than the FY 1979 level. In FY 1981 we are requesting an increase of $108,667,000 above the revised FY 1980 level. The total proposed increase over the two years is $261,725,000. In addition, the request for guarantee authority for FY 1981 is double the revised request for FY 1980.

Mr. Chairman, President Carter remains committed to Economic Development as indicated by the preceeding figures on absolute budget increases. However, it is clearly not possible to move forward at the rapid rate proposed originally. For the time being,

WE WILL CONCENTRATE OUR EFFORTS ON BUILDING THE INSTITUTIONAL CAPACITY FOR IMPLEMENTING THE NEW PROGRAMS; AND WILL DEVELOP OUR EDA STAFF AND OUR MANAGEMENT CAPABILITIES IN SUCH A MANNER THAT WE WILL BE ABLE TO MOVE AHEAD AND DELIVER THE ECONOMIC DEVELOPMENT PROGRAMS NEEDED FOR THE 1980's.

THANK YOU, MR. CHAIRMAN, THAT CONCLUDES MY SUMMARY OF THE REVISED BUDGET. I WILL BE HAPPY TO ADDRESS ANY QUESTIONS YOU AND THE MEMBERS OF THE COMMITTEE MAY HAVE.

###

Mr. HALL. Let me quickly hit the highlights in the prepared statement, Mr. Chairman.

Certainly, it is a pleasure to be before the committee again. As you are well aware, President Carter has made some very difficult budget decisions in the past weeks which are necessary to combat inflation.

As a result of those decisions, we are presenting a budget today which is considerably lower than the proposals which were transmitted in January.

For fiscal year 1980 our total request for program appropriations is now $660 million, a reduction of $414 million from the January budget of a little over $1 billion. The request for Loan Guarantee Authority has been reduced from $1 billion to $450 million, a reduction of $550 million.

The total reduction including both the appropriations and the guarantee authority is a little under $1 billion. The reductions are indicated in my statement and they extend pretty much throughout the program areas.

In the 1980 appropriation request for Salaries and Expenses, we are requesting $47.2 million. While this amount is considerably lower than the $63.4 million in the pending request, it will provide sufficient resources for us to achieve a normal level of activities and to move forward with the new EDA program, particularly the DFP.

You may recall, Congressman, when I appeared before this committee last spring to present the budget request for fiscal year 1980 I noted that our administrative funding situation for fiscal year 1979 was extremely tight. In fact, toward the end of last year we were forced to put a freeze on hiring and to impose some very stringent restrictions on all administrative expenses and right across the board.

In pointing out these problems, I happily informed the committee that the fiscal year 1980 request did provide a for substantial increase in administrative funding and, unlike fiscal year 1979, we would be in a position to do the full range of activities to effectively carry out the EDA program.

Mr. Chairman, the impact of not having legislation, hence no appropriation for this year, puts us in the same box we were in last year. Indeed the problem has been compounded, because there has been a natural rise in certain cost items.

Off the top of my head, I think such items amount to almost a million dollars more to do the same things as we did last year, increases in FTS, rents, et cetera, these sorts of things, so we are in a pretty stringent situation.

For fiscal year 1981 the revised request for the program appropriation is $769,250,000. This is $400 million below the $1.2 billion proposed in the January budget. The revised request for Guarantee Authority is $900 million or one-half of the $1.8 billion originally proposed.

The total program request, including appropriations and guarantee authority, is reduced from a little under $3 billion to about $1.7 billion, a total reduction of $1.3 billion.

For fiscal years 1980 and 1981 the total reductions from the President's revised budget for EDA, represent $2.3 billion in reduced program levels, appropriations and guarantee authority.

I would like to say at this point that although there have been pretty significant cuts in the request for EDA, the cuts have not wiped out the expansion in the program. There is still a presidential commitment for economic development in EDA, the Nation's economic development agency and; indeed, even with the contribution to the inflation fight in fiscal year 1980, including the loan guarantees, we are talking about a 20 percent increase in overall program level of activity in fiscal year 1980 and an 80 percent increase in fiscal year 1981, compared to the fiscal year 1979 level.

We still have before the House a significant expansion in the program and we hope that the committee will see fit to support the request.

I believe that concludes my informal remarks on my opening statement.

Our effort now is to get the legislation passed and then obtain appropriations, as the committee sees fit. This will enable us to build the institutional base for the remainder of this fiscal year; to carry out the increased level of programs for fiscal year 1980; and in fiscal year 1981 to move on to a major expansion of the Agency's activities.

Mr. Chairman, that concludes my general remarks. My colleagues and I will be glad to try to answer any questions you may have.

Mr. ALEXANDER. Thank you very much, Mr. Secretary.

I appreciate your presentation and the good work that you have done as head of the Economic Development Administration. I think it is an outstanding agency, one that provides a stimulus that is needed in our economy for economic development, the creation of jobs and economic expansion.

I regret that cuts are necessary in the budget, but we will all have to do our part to combat inflation. Hopefully, we will come to grips with it and we will move on to bigger and better things when that reality is realized.

STATUS OF PENDING LEGISLATION

You mentioned that you were in the same box that you were in last year because of the operation of your agency under a continuing resolution for fiscal year 1980, pending enactment of the authorization bill.

What is the status of that bill now?

Mr. HALL. As you know, conference was started on the bill before the Christmas recess. Some difficulties had developed. However, there has been a recent exchange of correspondence between the Senate and the House Conference Chairmen indicating that they would reconvene the conference after the Easter recess and upon receipt of the President's amended budget.

The amended budget is now in the Congress, and we have briefed the respective staffs on the amended request. It is our hope that the conference will resume in the very near future. There are, I understand, staff level discussions going on.

Mr. ALEXANDER. What are the major issues remaining to be resolved?

Mr. HALL. As I understand them, the major issues involve the eligibility question. A second area of some concern between the two parties involves the length of authorization for the interest subsidy program and the level of authorization for the interest subsidy program.

COUNTER-CYCLICAL PUBLIC WORKS

Another area of concern involves the question of project criteria for the Development Finance Program, whether that should be statutorily set or administratively set. Last but not least there is a difference between the House and the Senate on the provision for a Round III Standby Counter-cyclical Public Works Program.

Mr. ALEXANDER. That authorization contained in the House bill for this program is $2 billion; is that correct?

Mr. HALL. Yes, sir.

Mr. ALEXANDER. This amount would be available only when the national unemployment rate for the most recent calendar quarter would be above 6.5 percent. Can you tell us if the Administration is prepared to offer a compromise on this issue so that we can resolve it in the conference and enact an authorization bill within the near future?

Mr. HALL. Let me respond in this manner: The Administration's initial objection to the inclusion of a Round III Standby Counter-cyclical Program was based on the view, given the state of the economy and the very high rate of inflation, that such a program at this time would be inappropriate.

I think, given the rate of inflation that is now before us, and the kinds of budgetary cuts that have been proposed, that the situation at this time would not warrant any change in the view of the Administration as to the efficacy of a Round III Counter-cyclical Public Works Program.

I should note that the President in his January budget did indicate that were the economic circumstances to change in material ways—I am paraphrasing—that indeed consideration would be given to an economic employment stiumulus program. One of the programs that was mentioned in the President's budget was a public works program.

Mr. SMITH. Will the gentleman yield?

That position would necessarily assume that unemployment will rise to about 6.5 percent. Is that the assumption you are using?

Mr. HALL. I don't think there was any set percent anticipated when the Administration made that statement.

Mr. SMITH. It wouldn't be triggered unless you get up to higher unemployment, so if you are opposed to it because it will be inflationary, you must be assuming it is going to be triggered.

Mr. HALL. Well, the legislative bill requires a 6½ percent trigger. At this point such a program is not deemed to be appropriate in terms of the inflation fight.

Mr. ALEXANDER. Is the gentleman saying it would be inflationary if it were triggered?

Mr. HALL. It's the question of what is happening to the economy on the inflation front. Right now we are talking about a prime rate

of 19, 20, 21 percent; with the inflation pressures, any additional Government expenditures, whether it is for a public works program or for an X Program or a Y Program, would defeat the effort to have a balanced budget, and hence would be counterproductive to the inflation fight.

Economic Assistance Development Programs

Mr. Alexander. The amended fiscal year 1981 budget request for the Economic Assistance Development Programs is $769,250,000. This amount is a decrease of $400 million from the original request, but an increase of $108,667,000 above appropriations anticipated for fiscal year 1980.

LIMITATION ON OBLIGATIONS FOR DIRECT LOANS

The appropriation language proposed for this item includes several provisos that have not been carried in the language in previous years. These provisos are discussed in the revised justifications. The first proviso would limit obligations for the principal amount of direct loans to an amount not in excess of $141,430,000. Could you tell us why you are proposing this particular limitation?

Mr. Hall. In terms of the direct loans?

Mr. Alexander. Yes.

Mr. Hall. Well, the particular language is a requirement, as I understand it, by OMB that there be a cap put on the amount of the loans; the $142 million, rounding it, is the amount we think would be appropriate for the direct loan program.

The language is in effect OMB "boiler-plate" language to help get some cap on the amount of loan money and the impact on the financial markets of loan and guarantee programs across the entire budget.

LIMITATION ON TOTAL COMMITMENTS TO GUARANTEE LOANS

Mr. Alexander. The second proviso is a limitation on total commitments to guarantee loans which under this proposal could not exceed $810 million of contingent liability for loan principal. Would the pending legislation which is in conference authorize such a limitation on the total commitments to guarantee loans?

Mr. Hall. It is our hope that the conference would in its statutory language authorize the use of guarantee authority, and would adopt the President's recommendation as to the level.

Here again, and I think this is even more important than the cap on the direct loan side which you control through the appropriation process. I think it is important that you have some sort of cap on the Federal guarantee loan programs so that the Congress and the Executive Branch can have a better feel for what it is doing in terms of the financial markets.

Mr. Alexander. Are you, as a matter of routine, trying to get a handle on the amount of guarantees that you have out for loans and is that information pooled within the Administration in a form that would give you a basis for estimating the impact on the total markets?

Mr. HALL. It is my understanding that indeed the process is under way whereby OMB is in effect trying to do that. I don't think they have been able to accomplish in the January budget the kinds of languague we are talking about in the EDA legislation, because the other programs involving guarantee loans may not be up for reauthorization.

It is my understanding when they come up for reauthorization they will put those kinds of caps, if you will, on all such programs. There is an attempt at OMB to get a more precise picture of the amount of guarantee authority for all Federal programs.

I should point out that the volume is quite large. Most of it, however, would be in the housing area and the education area; our kind of activity is really quite small relative to the total volume.

PROVISION FOR COVERING DEFAULTS

Mr. ALEXANDER. The final provision would appropriate such sums as may be necessary for payment of principal and interest on loans in default and guaranteed pursuant to the Public Works and Economic Development Act of 1965 as amended. I have a question about a statement on page 39-a of your justifications in support of this request. It says that, "Beginning in fiscal 1980, EDA will formally request direct appropriations to cover defaults on loan guarantees to be used in case of loan defaults."

If that is the case, why are you requesting this indefinite appropriation language which would make the necessary funds available automatically to pay principal and interest on loans that were in default and were guaranteed?

Mr. HALL. We are trying to go to a new system. As you are aware, we have used a system in which a certain percentage of our appropriations were in effect set aside to cover potential losses in our guarantee loan program.

The new legislation would wipe that out. The new mode we are going to require us to make estimates each fiscal year of what the loss rates would be and the volume of loss, and then get those funds directly appropriated by the Congress for that fiscal year.

I should point out the losses we are talking about in our request are all the loans made in prior years, not the loans for that particular year. The request for fiscal year 1980 will cover guarantees made in fisal year 1979 and prior years; the request for fiscal year 1981 will cover guarantees made in fiscal year 1980 and prior years. We have estimated that in 1980 we would have a loss of a little over $27 million.

Now, that the economy and the financial situation have become more volatile than normal, with all candor, coming up with an estimate of $27,923, is more of an art than a science; we need elbow room in the event we go over that number. Will enable us to make good on the guarantees. It would be inappropriate for a lender in good faith to work with the government in a guarantee program and perhaps find that the money isn't there to pay the guarantee.

Mr. ALEXANDER. Overall, Mr. Secretary, I have not heard any profound complaints about the number or the amount of defaults in your program overall. Is this a subject I am unaware of—are

people clamoring at the door because you have got excessive defaults?

Mr. HALL. No; we could have an extended dialogue on defaults. There are many different ways of measuring it.

Our overall loss, defined as a percentage of moneys we have had to pay out as opposed to the total face value of our portfolio to date is averaging about 7.1 percent.

For the regular program it is about 8 percent. For the Trade Adjustment Program, I think it is presently about 2.2 percent, but I must hasten to add we have been expanding the Trade Adjustment Program at a pretty steep rate.

In the trade adjustment program, sometimes we are really dealing with the basket case situation and we certainly anticipate that that 2.2 percent on the trade program experience heretofore will rise quite appreciably. In fact, we believe it will exceed our experience under the regular program.

The compounding factor, Mr. Chairman, is the fact that over the last couple of years, given the inching up of the interest rate structure, many of our guaranteed loans are now based on variable rates. We may have engaged in a loan with a lender one or two years ago saying that a firm can use so much in the way of fixed asset, or working capital assistance, based on the judgment that the borrower could carry a debt service of 10, 11, 12 percent.

With the variable rate structure that paper is being transformed into loans with a rate of 21 or 22 percent. It was a good loan two years ago on the financial analysis and the circumstances, but it is not today, so we are experiencing tremendous pressure, and many of our borrowers are under tremendous financial pressure as regards their ability to service the debts.

We anticipate that we will have serious difficulty this year with many of our existing loans.

Mr. ALEXANDER. I have additional questions for both the 1981 request and the 1980 supplemental which we will come to in a little bit, but I think at this point I will defer to other members of our committee who might have some questions on these subjects.

Mr. Smith?

Mr. SMITH. I don't have any questions.

Mr. ALEXANDER. Mr. Early?

Mr. EARLY. Thank you, Mr. Chairman.

AVAILABILITY OF REVISED JUSTIFICATIONS

Mr. Secretary, it is good to have you back. I have been pleased with your performance in the past couple of years, but I was disappointed last night when I called the subcommittee to get the justifications for today's testimony.

The justifications were not there which makes it very difficult for me or any other member to prepare for the hearing. What was the cause of the delay?

Mr. HALL. I wasn't aware that they were not available.

Mr. EARLY. I called the subcommittee but the staff had not yet received them.

Mr. WHALEN. They came up very late, sir, and we apologize for that.

COUNTER-CYCLICAL PUBLIC WORKS

Mr. EARLY. I would like to ask one question, Mr. Chairman. In your response to Mr. Alexander's question, you indicated that the default rate on loans is going to rise rapidly. Shouldn't we be making some adjustments?

Mr. HALL. Well, we are doing everything we can. I don't think it is as much a question of legislation as it is of administrative action, Congressman.

If the loan is calling for an interest rate of 21 percent, and that is what the bank is able to sell their money at, there is little we or the borrower can do. What we can do, however, is be as lenient and as administratively prudent as possible in providing support and assistance to the employer in working with them to avoid default.

The bottom line is that it is very difficult when the price of money in the marketplace is as high as it is now.

Mr. EARLY. You really get to show your expertise when money gets tight. It will be difficult to make decisions with the interest rates up where they are.

What is the status of the Standby Public Works program? Is it triggered when the national unemployment rate reaches 6.5 percent?

Mr. HALL. The House proposal for a standby public works program provides for a 6½ percent national unemployment rate trigger. The 6½ percent would have to be experienced on an average over three months.

Mr. EARLY. I have expressed to you that I thought your agency did a great job with that particular program in its first phase, and especially in its second phase. It certainly looks like you will have the opportunity to continue your work.

It is very important that we implement Round III as quickly as possible, and that the program runs as smoothly as it has in the past.

In this business no one really gets much publicity when a job is done well. The Commerce Department did an excellent job with this program.

LPW EVALUATION

Did any major problems arise in the implementation and execution of Round II?

Mr. HALL. No; actually, we think the program, Round II particularly, went very well. As you know, Congressman, we have engaged in a very extensive evaluation of this program, which was funded at a total of $6 billion. We think it was an important effort and, therefore, we thought it appropriate for us to learn for future times how to best run a counter-cyclical type public works program.

We will be completing the evaluation this summer and fall. Some of our early feedback on it indicates that it indeed was an effective program, at that time, and in that economic circumstance.

In terms of progress on the program, I should note that about 80 percent of the projects, both Round I and Round II, are fully completed and 93 percent of the $6 billion that was appropriated for this program has been fully expended at this time.

There are some projects where we have run into some difficulties, but that is normal. We have 8,554 projects across the United

States in Round II; a total of 10,616 projects in both Rounds I and II.

I would note, for example, that the Convention Center in Worcester, which I had the pleasure of helping dedicate, had some technical problems on the steel construction. There has to be some further work, and that delays progress, but that happens from time to time in any kind of building construction.

Mr. EARLY. I received very little criticism on that program from the 30 communities that I represent.

You constructed only buildings that were absolutely necessary, and you provided jobs for many people. I would be interested in seeing an evaluation of the program when you have it in report form. I am convinced that the program should be continued.

I want to conclude by saying to you, Secretary Hall, that you and your people were very accessible throughout that program. The staff sometimes worked until eight, nine, ten o'clock at night. You really served the country well.

Mr. HALL. Thank you, Congressman.

Mr. EARLY. I hope that if and when the program is continued, it will be as successful as it was in the past.

Mr. ALEXANDER. Have you made estimates from the time frame within which the last two rounds of this stimulus program that we engaged in, began to take effect and have you attempted to measure the degree of that impact in terms of jobs in our economy?

Mr. HALL. Yes; in terms of the LPW Program, we are focusing on that as part of our evaluation, because that is a critical question. We know we can build buildings and we know that the construction of buildings can employ people, but can you use an LPW or public works construction program to be an economic stimulus as an employment program when you are in your recessionary trough, so you are anticyclical rather than being pro-cyclical when the economy is starting to come out? This has been a criticism of the countercyclical public works programs.

We could supply to you the month by month expenditures on both LPW I and II. I might share some observations with you on this matter.

One of the things clearly is that the smaller size projects will have a much faster rate of completion than the larger projects.

The other thing is projects that have a higher labor intensity as opposed to capital intensity create more employment; they also seem to come on stream and complete faster. As you recall, a provision in the LPW Program was that the agency in effect had 90 days in which to approve the projects; I think we have solved the bottleneck of the administrative approval of such projects.

We moved these in Round II, this $4 billion, in 72 days in terms of approving projects. We think that the administrative bottleneck was broken in LPW II.

Then there was the 90-day start-up period. The local guarantee, the mayor, what have you, had 90 days to start construction; most of the projects started within 90 days.

There was some difficulty in the Northeastern part of the United States because of the weather, but we think that administratively you can design a program so that construction can begin within 90 days.

I think we could tighten up somewhat in the design of the future program by limiting the size of the projects. Also, there would be some need to improve the labor intensiveness of the projects.

Mr. SMITH. One other item: Do you pay much attention to how much local labor is going to be used?

Some of the projects required skills that were not really in surplus locally.

Mr. HALL. Yes; we had a provision in the grant that to the maximum extent possible local labor would be used. However, we had a pretty severe lay-off situation in the construction industry, so there were plenty of unemployed regular construction workers at the local area in most parts of the country who could work on the project.

You had unemployment rates in the construction industry at the time the project kicked in, if I am correct, of something in the order of 16 or 17 percent.

Mr. SMITH. To the extent that you do smaller projects, you get away from that problem a lot, too; don't you?

Mr. HALL. Yes.

Mr. SMITH. I know one project in Des Moines that was just recently completed. That was a sizable project which would never have been done but for the fact that we had a high unemployment requirement in this program. The work, however, was completed during a period when we didn't really need the stimulus of public sector jobs quite as much.

Mr. HALL. That is the point. On these big projects, by definition, from an engineering and construction standpoint, they take two or three times longer by the time you complete your A&E drawings, dig your hole, pour your foundations, put up the steel, complete the internal electrical work, plumbing, et cetera. It takes time to do that, so we think smaller-sized projects and those which focus on rehabilitation may be more effective.

There are a lot of rehabilitation projects where local officials have never had the funds and resources to repair a city hall or a correctional facility or schools, and that sort of thing. These are very labor intensive and more amenable to soaking up other types of unemployed.

Mr. ALEXANDER. I would like to discuss that further with you when you can provide that data, together with George Karras, the world's greatest expert on economic development, whom I see in the audience.

What answers we don't have George can provide.

Mr. HALL. We use him extensively, sir.

REDUCTIONS TO TECHNICAL ASSISTANCE

Mr. ALEXANDER. Under the President's revised budget proposals, EDA's regular Economic Development Technical Assistance Program would be reduced from $15,180,000 available in fiscal year 1979 to $10,500,000 in fiscal year 1981.

If Congress approved this deep cut in regular technical assistance, what would be the impact on EDA's ongoing technical assistance program?

Mr. HALL. Clearly a cut of one-third means substantial belt tightening. We believe in the agency that over the last couple of years we have improved the quality and results and return from our TA program.

It is frank to say in years past we were not getting a maximum return for the taxpayers' dollar out of some of the TA projects we have engaged in. We think now we have it under control and we got good projects and make good use of the TA funds.

A one-third cut would mean many of the worthwhile multi-year projects we are engaged in would have to be terminated. More importantly, we would be quite limited in our ability to fund many of the new types of initiatives that we think the agency should participate in as part of the economic development process in such areas as trade export, trade expansion, energy conservation, and other new areas which are having such profound area economic effects.

Mr. ALEXANDER. Which projects in those areas would be most severely impacted by the reduction?

Mr. HALL. At this time it is hard to say. I think what we would have to do is contract some of our technical assistance efforts with elected officials and try to free up some money for some trade and energy activities.

Mr. ALEXANDER. I am interested in the origin of this proposal. Was it EDA's proposal or did it come from the Department?

Mr. HALL. My understanding was that this cut originated outside of the Department.

Mr. ALEXANDER. Can you provide for the record, as a follow-up to this discussion, some specific examples of how the technical assistance program has been used so that we can have some additional information to provide us with some examples within the committee which I think will be helpful for us during the debate on the mark-up?

Mr. HALL. Yes, sir; we would be delighted to do that.

[The information follows:]

TECHNICAL ASSISTANCE EXAMPLES

Arkansas State University Export Study

Arkansas State University received technical assistance funding for a study to identify ways to increase export opportunities for agricultural products from eastern Arkansas. Improved markets, through exports, are needed to stabilize prices for farm products and improve incomes in the area which lag behind the State average. The study, which showed that the potential for developing new and expanded markets was good, focused on ways to increase access to export trade for small and medium-sized producers and shippers. Specific steps outlined in the report included the need for improved transportation facilities, and better access to legal, financial and insurance services for small producers. The study recommended the formation of an organization to service these needs and to coordinate market research/development. The organization would also play a central role in the consolidation, storage, preparation and shipment of products from many small producers which will enable them to benefit from economies of scale in negotiating and consumating international trade.

Martha's Vineyard Shellfish Management Project

EDA technical assistance funds were used to establish a Shellfish Management program to help stabilize and develop shellfish resources in the towns of Chilmark, Gay Head, Oak Bluffs, Tisbury and West Tisbury, Massachusetts. Biological field investigations were conducted on the hardshell clam (quahog), scallop, seed oyster and soft shell clam, and specific management procedures to increase shellfish productivity were developed for use by local communities. It is anticipated that the program will increase the yield of 10,000 acres of bays and ponds, providing new year-round and seasonal employment in shellfishing and associated activities such as packing, processing and transport. Several pilot projects, including the planting of shellfish beds, a pilot shellfish hatchery, quahog raft culture, oyster transplantation and spot catching have been quite successful. The shellfish group has now received $90,000 from the State for a solar energy fish hatchery and will be able to continue the program without further EDA support.

Charleston Ordnance Center Expansion Study

The City of South Charleston, West Virginia, used technical assistance funds to conduct a study on the feasibility and cost of relocating three military reserve units to a consolidated Ordnance Center in order to free present reserve sites for planned industrial expansion. Volkswagon of America (which adjoins property currently used by the Army and Marine reserve units) and FMC Corporation (which adjoins the Naval Reserve Training Center) have both stated strong interest in undertaking major expansion programs if the present reserve sites are made available. The Department of Defense is willing to consider relocation of these units if the City can provide an appropriate new site with facilities needed to accomodate the units.

The results of the study are now being used by the City to obtain agreement and funding for the development of a new Ordnance Center on the site recommended. Extensive long-range investments by the two firms will lead to substantial growth in employment and will bolster the economic base of South Charleston and the surrounding area.

Urban Railroad Land Revitalization

The U.S. Conference of Mayors (USCM) is using technical assistance funding to help cities and railroad operators to identify and relieve impediments to effective economic utilization of land owned by railroads in urban areas. Through this program the USCM has provided technical assistance to six test cities in which substantial railroad property is situated. Technical assistance of lesser intensity has also been provided to 20 other cities and railroads. Information from case studies conducted in each test city on ways to increase the productive use of railroad property is being disseminated to other cities through a bi-monthly newsletter and through selected national and regional conferences.

The Department of Transportation recently added its support for the program by providing funds that will enable USCM to broaden the scope of the program in ways which will link economic reuse with more efficient operating facilities for railroad land currently in use by rail operators.

Puget Sound Economic Development Project

The Puget Sound Economic Development Council (EDC) received technical assistance support for an economic diversification program which helped the area to overcome severe cutbacks in aerospace employment.

The program includes a primary emphasis on national and international marketing to promote business location and investment in the Puget Sound area. The EDC provides professional assistance to businesses in economics, marketing, sales and communications, helps firms to identify new investment opportunities and offers economic and locational incentives.

An average of 50 potential investors and firms are assisted at any given time, with an average of 350 assisted per year. When EDA assistance ended in 1978, the EDC had already contributed to the location/expansion of 160 firms resulting in over $400 million in direct capital investment. Financial support for the EDC now comes from contributions by approximately 250 private corporations (which pay dues accounting for over 50 percent of the total program budget) and from the State, King County, the City of Seattle, and the Ports of Bremerton, Seattle and Tacoma.

ECONOMIC RESEARCH PROGRAM

Mr. ALEXANDER. Under EDA's Economic Research Program discussed on pages EDA-65 and 66 of the justifications, you indicate that this program can assist with applied research projects. Under this research program, is it possible for EDA to help fund projects which would demonstrate the economic feasibility of producing manufactured projects, using new technology from raw material such as agricultural crops thereby increasing job opportunities in regions now troubled by both structural and cyclical unemployment as well as providing new prospects for improved economic development in the countryside regions?

Mr. HALL. From your description, I am not sure that would be a research project but perhaps more a technical assistance type project, though certain kinds of base data studies could be done under the research umbrella. My reaction would be that what you describe would be more of a technical assistance type project.

Mr. ALEXANDER. Could you provide some examples for the record of the applied research projects which have been funded under the program?

Mr. HALL. Yes, sir.

[The information follows:]

EXAMPLES OF APPLIED RESEARCH PROJECTS

Following are recent examples of applied research funded by EDA:

1. Guide to County Census Data for Planning Economic Development

   Organization: U.S. Bureau of the Census
   Date: 1979
   Project No.: 99-7-13376
   Purchase Order No.: PF-569

This Guide was prepared to illustrate how county-level data available from the U.S. Bureau of the Census can assist in district planning for economic development. It was prepared at the request of the Economic Development Administration (EDA) to describe the array of Census statistics pertinent to the planning process that EDA advocates for its financially-assisted Economic Development Districts. These Development Districts must prepare an Overall Economic Development Plan (OEDP) to formulate developmental strategies and provide a factual basis for receiving financial assistance. The data presented in this Guide are organized under three headings: The Economic Base; Population/Labor Force; and Government. As an example, all tabulations in the Guide are for the Northeast Georgia Economic Development District, which consists of ten counties. Statistics on the same topics, however, can be found for all counties throughout the U.S. in Census Bureau published reports.

2. Guide to Federal Resources for Economic Development

   Organization: Northeast-Midwest Institute
   Date: September 1979
   Project No.: 99-7-13455
   Grant No.: OER-642-G-78-31

This Guide provides information on more than 50 programs and activities of the federal government related to economic development. Economic development programs offered directly by federal departments and agencies are described in eight major sections. These sections survey programs of the U.S. departments of Agriculture, Commerce, Housing and Urban Development, Interior, Labor and Transportation, and the Community Services Administration and Small Business Administration. An overview of their respective responsibilities and activities is provided at the beginning of each section. Within these sections, types of available assistance--grants, loans, and technical assistance for public works activities, construction, and planning--are identified in program descriptions. The format is designed to help readers easily determine which

assistance is available, as well as who may be eligible to receive it. The nine headings used in most program descriptions are: Objectives, Funding Level, Form of Funding, Eligible Applicants, Eligible Activities, Financial Assistance, Requirements, Funding Cycle, and Examples of Past Funding. An additional major section--Other Federal Resources--discusses resources which range from federal procurement and tax credits to revenue bond financing and trade development programs. A section on Regional Action Planning Commissions, a listing of federal agency Washington and regional offices, a glossary of terms, and a comprehensive three-part index are also included.

3. Handbook for Community Economic Development

Author: Syyed T. Mahmood and Amit K. Ghosh, Editors
Organization: Community Research Group, East Los Angeles Community Union (TELACU)
Date: 1979
Project No.: 99-7-13446
Grant No.: OER-636-G-78-28

This publication is a "how to" for community development organizations and practitioners. Topics discussed at length and illustrated include: "Background on Community Economic Development" and "The Development Process." The last topic breaks down into three subsections: Initial Assessment, Investment Strategy, Individual Project Planning and Packaging, Implementation, and Evaluating the Development Process. A glossary of terms and descriptions of federal programs which community development organizations can utilize for community economic development are included.

4. State Quarterly Economic Developments, April 1979

Organization: U.S. Bureau of Economic Analysis
Date: April 1979
Project No.: 99-7-13491
Purchase Order No.: PF-682

This is a quarterly report on current economic developments in each State and the District of Columbia. These reports are an interagency effort to assemble and interpret current economic data from a variety of public and private sources. Each report contains analyses and data for a number of key economic indicators--personal income, labor force data, commercial bank loans, construction contracts, retail sales, consumer price index data, business incorporations and business failures--for the quarter ending four months prior to the publication date. Each report highlights percent changes in the key economic indicators between the current quarter and the corresponding quarter one year earlier. In addition, each report compares percent changes for each state with the corresponding changes for the nation in order to assess the extent to which each state participates

in national economic developments. The use of economic indicators for which the estimation methods are the same for all states facilitates state-to-state comparisons. Each report sheds light on various aspects of each state's economy, such as the size of consumer and industrial markets, changes in the price level, the number of persons working or looking for work, and the future level of building activity.

5. Energy Availabilities for State and Local Development

Organization: Oak Ridge National Laboratories
Date: 1979
Project No.: 99-7-13293
Purchase Order No.: PF-485 (FY75), PF-525 (FY76), and PF-616 (FY78)

The information produced in this project provides a reference source containing consistent measures of energy production and consumption at various spatial grids over a period of four historical years and three projected years. Taken together these data provide a comprehensive picture of energy use throughout the nation. The estimates of energy imports and exports permit a characterization of regions as to energy self-sufficiency, import dependence or export dependence.

The state-to-state energy flows provide an accurate view of the regional linkages affecting energy availability. Of particular significance, this volume, while addressing all energy forms, places attention on natural gas consumption, production, and distribution, which can have important utility for determining potential impact of curtailments.

Mr. ALEXANDER. All right, sir.

NATIONAL WATER DEMONSTRATION PROJECT

How much is included in your budget request for the National Water Demonstration Project?

Mr. HALL. The status eludes me. I will ask Mr. George Karras who is the Major Domo of the Water Demonstration Project.

Mr. KARRAS. There is no funding in this budget for the National Water Demonstration Project.

As a matter of fact, it was our feeling that we should not include in our budget requests for funds for single line items for specific grantees of the agency. We can respond to several organizations like this, but we feel that such a specific identification in a budget is a bad practice.

This organization has received funds from the agency and from two other agencies, and our position is that that organization ought to demonstrate its effectiveness in the administration of those funds, and if indeed the program merits further consideration, then we would respond to that organization the way we respond to all other organizations.

Mr. ALEXANDER. Thank you, Mr. Karras.

ROLE OF THE EDR

On page EDA–22 of your justifications, you list responsibilities of the regional office development financing staff.

These include development prospects for business loans and guarantees. You have not identified the roles of the state-based economic development representatives in this program. What responsibility do you expect the EDRs to have in connection with the development of financing programs?

Mr. HALL. The role of the EDR would continue to focus on the identification of projects and bring projects in, whether they are public works or DFP/projects.

The description there pertains basically to the regional office DFP staff and is not exclusive in the sense that the EDR will play a role in identifying a project and in participating in developing the project.

Regional office technical staffs do the main nuts and bolts crossing the "t's" and dotting the "i's", if you will, providing the types of expertise, financial or otherwise, that it is unfair to expect EDRs to have to that degree and that depth.

DEVELOPMENT FINANCE IMPLEMENTATION

Mr. ALEXANDER. In discussing the Development Finance Support Program on page EDA–51, you say you will use the money requested for this program to support a network or system of entities to provide needed technical assistance. Will this network include the technical assistance resources which have been developed within the academic community within the University Center Program?

Mr. HALL. It may very well. In our initial discussions in how we might go about implementing this part of our DFP initiative, we have had informal conversations with one or more of the Universi-

ty Centers, and we see the University Centers playing a key role in the DFP Program, even beyond that which might be funded through this type of activity.

All the University Centers would be fully briefed and provided the guidelines, regulations, processing manuals, et cetera, for the DFP Program, and we would hope to use them as an outreach arm, if you will, for the Development Finance Program.

Mr. ALEXANDER. Would the development planning districts now operating under EDA funding assistance be involved?

Mr. HALL. Yes. In fact, we have arrangements with the National Institute of Education for Development, which is an offshoot of an NATO organization, which is the central group for the economic development districts. They are doing training and outreach in the DFP area, and we anticipate that the economic development districts would play a key role, even to the extent that we might see several EDDs getting together and forming some sort of a consortium for a wider geographic area and being another of these technical assistance outreach arms.

Mr. ALEXANDER. I notice there has been a lot of publicity recently about consultants, some of which have a great deal to offer in economic development projects. What, if any, circumstances do you perceive EDA would expect to use funds available under this program to buy the services of private for profit economic planning firms, or other for profit organizations to provide technical assistance?

Mr. HALL. We would certainly want to keep that option open. We have had a significant amount of success in a comparable type activity, the technical assistance centers under our Trade Adjustment Program.

We think that that is one of several approaches that would enable us to effectively move the program. One of our concerns, Mr. Chairman, is that to effectively mount an enlarged Development Finance Program working with the private sector we need two things, two among many.

We need to be able to respond quickly and immediately to an employer's interests and needs and we have to be not only timely but we have to be geographically as mobile as possible. Under our Technical Assistance Program for the Trade Program we have 10 regional centers working with applicants for trade adjustment assistance.

They have been able to go in with the technical expertise that enables them to sit down with an employer and help him define his financial problem, his marketing problem, his management problem, and his production problems; that type of expertise and skill quite frankly just does not exist in the bureaucracy.

If such expertise does exist, there is a receptivity barrier in terms of the Federal bureaucrat coming in, sitting down, saying, here is your problem and here is how you should go; so if you have qualified competent business and management assistants available to the employer, he can best determine what his problem is and what the financial needs are to meet those problems.

More importantly, after the design is put together in terms of how he is going to recover, such expertise can be used for servicing

that employer and working with that employer in the implementation of the recovery.

URBAN/RURAL FUNDING

Mr. ALEXANDER. Mr. Secretary, EDA in fiscal year 1981 proposes that Congress provide about equal amounts of funding for development grants to districts and rural counties as to urban areas. Urban areas under EDA's definition generally means heavily populated metropolitan areas. Some existing economic districts include parts of metropolitan areas.

I have one county in my district that fits into this category, Crittendon, as you recall. Is it intended that any of the funding allocated for districts under the Development Grant Program should go to metropolitan areas within their boundaries?

Mr. HALL. The EDA projects which are located in metropolitan or SMSA areas would be considered urban if they go into the core county of the area or a city of 25,000 or more in the area.

Whether or not the metropolitan area is in an economic development district is immaterial.

Mr. ALEXANDER. All right; will the metropolitan areas within district boundaries be eligible for funding under the urban category of the Development Grant Program?

Mr. HALL. Yes.

Mr. ALEXANDER. All right, sir.

Although you have indicated a desire that approximately equal amounts of development grant money go to districts and rural counties as to urban areas, you have indicated you expect 70 percent of the development direct loan money to go to urban areas and 30 percent to rural areas.

Would you define urban and rural, as you have used them under the Development Loans on page 58 of the justifications?

Mr. HALL. It is the same definition as for the Public Works Program.

Mr. ALEXANDER. Could you tell us why you feel that more than twice as much development loan money will be needed in the urban areas than in the rural areas?

Mr. HALL. In the rural area we have the Business Industry Loan Program under the Farmers Home Administration, which is funded at about $1 billion this year; that is all rural, so in effect, we have said that since there is a billion of business finance assistance coming from the Farmers Home, we can put up a greater percentage of our EDA efforts into urban areas. On balance we then have basically a balance between urban and rural.

In fact, increasingly the Farmers Home Program is getting into the direct loan business as well.

COOPERATION WITH FMHA

Mr. ALEXANDER. How much do you confer with Alex Mercure and the Farmers Home Administration in developing a policy as it might apply to urban areas versus rural?

Mr. HALL. We have been working very closely and very well with the Farmers Home Administration, Alex Mercure, both on specific projects and on program and policy.

In fact, we do a lot of complementary projects where he will pick up one half and I will pick up another half. When there is a particular project that comes into their system and for one reason or another it is not appropriate for them to fund, they will give us that project.

A couple of times Alex sends a few over that I wish he hadn't, but I return the favor from time to time.

In terms of the program and policy coordination, as you will recall, the President has come out with a small community and rural development set of policies for the country.

As part of that, there is an action plan of some 100 items. There are a dozen or so working groups, also economic development subworking groups, including representatives of EDA and Farmers Home, and indeed a whole range of other agencies involved in rural affairs, particularly those with interest in economic development.

We had a meeting yesterday of the group; it is through this group that we are coordinating and working out policies and program linkages, not only between Farmers Home and EDA but all agencies that involve an impact on economic rural areas.

One of the accomplishments by the Carter Administration has been on the administrative side, in getting agencies to work together, and I can say that as an old bureaucrat with twenty years in this town.

Mr. ALEXANDER. I have been impressed with the coordination that I have seen, especially between EDA, the Farmers Home Administration, and your other counterpart, the development agencies. I don't think EDA has gotten the credit that it deserves from that effort. We will see if we can't improve upon that somewhat.

ECONOMIC DEVELOPMENT REPRESENTATIVE

As you know, Mr. Secretary, I have been concerned for some time about the need for EDA to strengthen its state-based office operations with increased staff. I know the fantastic job that is done with very limited resources in my own State and, in fact, the EDRs for a good while did not even have any secretarial assistance. Has that situation changed? It is extremely difficult for an EDR to do the kind of work that is necessary if the representatives must stay in the office and answer the phone all of the time. I understand the problems that you have in staffing and budgetary constraints. Would you list the States in which EDA has at present an economic development representative and, if there is more than one, indicate the number of EDRs? In addition, list the States in which EDA has both an EDR and an economic development assistant including the number of EDAs, if there is more than one.

Mr. HALL. I will give you a list for all of this.

Mr. ALEXANDER. I would also like you to indicate the States that had EDRs and EDAs in fiscal year 1977, but do not have one or both now, and indicate how EDA determines that one State should have an economic development assistant for its EDR and another State should not have one.

All of that information can be supplied for the record.

[The information follows:]

CURRENT LISTING OF ECONOMIC DEVELOPMENT REPRESENTATIVES
AND ECONOMIC DEVELOPMENT ASSISTANTS

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

Economic Development Representatives (EDR) and Assistants (EDA)

	As of 4/18/80			As of 9/30/77			Change		
STATE	EDR	EDA	TOTAL	EDR	EDA	TOTAL	EDR	EDA	TOTAL
Alabama	1	1	2	1	1	2	0	0	0
Alaska	1	1	2	1	1	2	0	0	0
American Samoa	located in Wash.			located in Wash.			0	0	0
Arizona	2	0	2	2	0	2	0	0	0
Arkansas	1	0	1	1	1	2	0	-1	-1
California	4	3	7	4	3	7	0	0	0
Colorado	1	0	1	1	0	1	0	0	0
Connecticut	1	1	2	1	1	2	0	0	0
Delaware	located in MD			located in MD	located in MD		0	0	0
Florida	1	1	2	1	1	2	0	0	0
Georgia	1	1	2	1	1	2	0	0	0
Guam	located in Wash.			located in Wash.			0	0	0
Hawaii	located in Wash.			located in Wash.			0	0	0
Idaho	1	1	2	1	1	2	0	0	0
Illinois	recruitment in process	1	2	1	1	2	0	0	0
Indiana	1	0	1	1	1	2	0	-1	-1
Iowa	located in MO			located in MD			0	0	0
Kansas	located in CO			located in CO			0	0	0
Kentucky	2	1	3	2	1	3	0	0	0
Louisiana	1	0	1	0	1	1	+1	-1	0
Maine	recently deceased	1	1	1	1	2	-1	0	-1
Maryland	1	0	1	1	1	2	0	-1	-1
Mass.	1	0	1	1	1	2	0	-1	-1
Michigan	2	1	3	1	1	2	-1	0	-1
Minnesota	1	0	1	2	2	4	-1	-2	-3

STATE	As of 4/18/80 EDR	EDA	TOTAL	As of 9/30/77 EDR	EDA	TOTAL	Change EDR	EDA	TOTAL
Mississippi	1	1	2	1	1	2	0	0	0
Missouri	1	0	1	1	1	2	0	-1	-1
Montana	1	0	1	1	0	1	0	0	0
Nebraska	located in SD			located in SD			0	0	0
Nevada	located in AZ			located in AZ			0	0	0
New Hampshire	1	0	1	1	0	1	0	0	0
New Jersey	1	1	2	1	1	2	0	0	0
New Mexico	1	0	1	1	1	2	0	-1	-1
New York	located in CT	located in CT		1	0	1	-1	0	-1
N. Carolina	1	0	1	1	0	1	0	0	0
N. Dakota	1	0	1	1	0	1	0	0	0
Ohio	1	1	2	1	1	2	0	0	0
Oklahoma	1	1	2	1	1	2	0	0	0
Oregon	1	1	2	1	1	2	0	0	0
Pennsylvania	1	0	1	1	1	2	0	-1	-1
Puerto Rico	1	1	2	1	1	2	0	0	0
Rhode Island	located in CT	located in CT		located in CT	located in CT		0	0	0
S. Carolina	1	1	2	1	1	2	0	0	0
S. Dakota	1	0	1	1	0	1	0	0	0
Tennessee	1	0	1	0	0	0	+1	0	+1
Texas	3	1	4	2	3	5	+1	-2	-1
Utah	1	1	2	1	1	2	0	0	0
Vermont	located in NH			located in NH					
Virginia	1	1	2	1	1	2	0	0	0
Virgin Island	located in PR	located in PR		located in PR	located in PR		0	0	0
Washington	1 + 1 recruit	0	2	2	2	4	0	-2	-2
W. Virginia	2	0	2	3	0	3	-1	0	-1
Wisconsin	1	0	1	1	1	2	0	-1	-1
Wyoming	located in Utah			located in Utah			0	0	0

Totals 4/18/80	Totals 9/30/77
EDR - 50	EDR - 50
EDA - 24	EDA - 38

When the Economic Development Assistant function was established in FY 1975, it was planned that each EDR location would have one EDA. However, personnel restrictions have prevented the Agency from filling all of the positions. As EDAs have left the Agency or accepted other EDA positions, the vacancies have not been refilled. Funding under the current Continuing Resolution prevents us from making any personnel replacements. Recruitment shown above for EDRs will continue but no selections will be made until we have received additional administrative expense funds.

UNIVERSITY CENTERS

Mr. ALEXANDER. I would like you to list for the record the name and location of the university centers which you expect to benefit in fiscal year 1981 from the University Center Program and the level of funding you expect to make available to each university center, based on your total budget request for the program. If any of these centers are currently funded, list the level of funding that they have.

Mr. HALL. Okay; we will be delighted to do that.

[The information follows:]

LISTING OF UNIVERSITY CENTERS
BY NAME, LOCATION AND
LEVEL OF FUNDING

Center-FY Established	Funding Levels					
	Actual FY 1979		PROP. FY 1980		PROP. FY 1981	
	Federal	Local	Federal	Local	Federal	Local
Arkansas (1967) (Statewide)	$ 50,000	$ 120,000	$ 50,000	$ 120,000	$ 50,000	$ 120,000
Auburn (1977) (Statewide)	75,000	59,661	75,000	60,000	50,000	80,000
Chico, Calif. (1976) (No. Calif.)	125,000	91,116	100,000	116,116	75,000	141,116
Colorado (1978) (Statewide)	100,000	33,000	100,000	40,000	75,000	65,000
Coppin State (1979) (Baltimore)	95,000	44,606	100,000	45,000	100,000	50,000
Florida State (1977) (Statewide)	25,000	11,366	50,000	60,000	50,000	75,000
Georgia Tech (1965) (Statewide)	50,000	50,000	50,000	50,000	50,000	50,000
Hawaii (1979) (Statewide)	100,000	34,288	100,000	40,000	100,000	45,000
Ill. Chicago Cir. (1978) (Chicago)	165,000	127,735	150,000	140,000	125,000	165,000
Kentucky (1966) (Statewide)	50,000	54,608	50,000	55,000	50,000	55,000
Louisiana State (1978) (Statewide)	100,000	90,495	100,000	90,000	75,000	115,000
Maine (1977) (Statewide)	100,000	108,114	75,000	125,000	50,000	150,000
Massachusetts (1977) (Statewide)	100,000	78,243	75,000	105,000	50,000	130,000
Memphis State (1967) (West Tenn.)	50,000	114,071	50,000	115,000	50,000	115,000

Center-FY Established	Funding Levels					
	Actual FY 1979		PROP. FY 1980		PROP. FY 1981	
	Federal	Local	Federal	Local	Federal	Local
Michigan (1978) (Statewide)	100,000	70,441	100,000	70,000	75,000	95,000
Minnesota (1979) (Statewide)	100,000	33,725	110,000	40,000	100,000	40,000
Miss. R&D (1967) (Statewide)	50,000	50,000	50,000	50,000	50,000	50,000
Missouri (1976) (Statewide)	100,000	41,700	85,000	56,000	75,000	66,000
New Hampshire (1977) (Statewide)	100,000	85,592	75,000	110,000	50,000	135,000
New Mexico (1976) (Statewide)	105,000	36,744	75,000	65,000	50,000	90,000
North Dakota St.(1970) (Statewide)	50,000	115,059	50,000	115,000	50,000	115,000
Okla-East Cent. (1976) (Statewide)	125,000	48,875	75,000	95,000	50,000	120,000
Plattsburgh (1971) (Northern N.Y.)	200,000	203,597	25,000	255,000	125,000	155,000
Rutgers (1977) (Statewide)	100,000	57,359	85,000	75,000	65,000	95,000
St. Augustine's(1979) (Cent. N.C.)	100,000	34,000	100,000	40,000	100,000	40,000
South Dakota St.(1978) (Statewide)	-0-	-0-	75,000	30,000	75,000	35,000
Southern Calif. (1978) (Los Angeles)	175,000	76,208	160,000	90,000	150,000	100,000

Center-FY Established	Funding Levels					
	Actual FY 1979		PROP. FY 1980		PROP. FY 1981	
	Federal	Local	Federal	Local	Federal	Local
S.W. Minn. St. * (1976) (10 Counties in S.W. Minn.)	25,000	14,112	-0-	-0-	-0-	-0-
Tennessee (1970) (East Tenn.)	50,000	65,334	50,000	65,000	50,000	65,000
Texas-San Antonio (1979) (South Texas)	100,000	38,811	100,000	40,000	100,000	40,000
Wash. State (1976) (Statewide)	150,000	151,731	125,000	175,000	100,000	200,000
Western Carolina (1969) (West N.C.)	50,000	50,000	50,000	50,000	50,000	50,000
Eastern Training Center at Miss. R & D (1979)	99,000	-0-	100,000	-0-	75,000	-0-
Western - Urban Training Center CUED + 5 School (1979)	54,973	-0-	100,000	-0-	75,000	-0-
Phelps - Stokes Fund To Identify Minority Centers	5,000	3,422	10,000	16,629	-0-	-0-
2 New Centers (1980)	---	---	275,000	110,000	250,000	120,000
3 New Centers (1981)	---	---	---	---	335,000	102,000
TOTALS	$3,023,973	$2,194,013	$3,000,000	$2,708,745	$3,000,000	$3,069,116

* Future Funding through University of Minnesota.

Mr. ALEXANDER. Would you like to respond to that now?

Mr. HALL. Yes; I don't think I can list all the centers but as far as the overall university Center Program is concerned, we anticipate adding another couple of university centers in 1980 and possibly 3 more in fiscal 1981.

The grants that we provide to the University Center Program are not large, and they are basically a decreasing grant. They go down to a base grant of $50,000 after some years.

The overall level of the moneys going to the University Centers Program will stay level, but through decreasing the grants on some of the more mature university centers, we will free up enough resources to add two or more this year and two or more next year.

We are trying to get some of the university centers to focus on the training of economic development practitioners and the training of staff for local based economic development efforts.

DISTRICT PLANNING GRANTS

Mr. ALEXANDER. Mr. Secretary, does EDA have under consideration or is any part of this budget request based on a plan to change the funding formula used for determining the number of dollars that will be in the EDA support grants provided to the sub-state and development districts?

Mr. HALL. No.

Mr. ALEXANDER. Would the formula reduce or increase the Federal share of this funding which is now 75–25 matched non-Federal funds?

Mr. HALL. For the district program?

Mr. ALEXANDER. Right.

Mr. HALL. No.

Mr. ALEXANDER. Mr. Hightower?

Mr. HIGHTOWER. Mr. Secretary, what is the largest loan guarantee that has ever been approved by the EDA?

Mr. HALL. The largest loan guarantee that has ever been approved by EDA was under our special steel loan program, and it was $111 million with Jones & Laughlin.

Mr. HIGHTOWER. What year was that?

Mr. HALL. That was last year, sir.

Mr. HIGHTOWER. In the last six months, what has been the approximate amount of the largest loan approved? Since the Jones & Laughlin loan, what has been the largest loan?

Mr. HALL. It would be the reapproval, if you will, of the Wheeling Pitt Steel loan guarantee, which is $100 million.

Mr. HIGHTOWER. Thank you, Mr. Hall.

Mr. ALEXANDER. Thank you for your testimony, Mr. Hall. I would like to submit some additional questions for the record.

[The questions and responses thereto follow:]

Question No. 1:

You are proposing a reduction of $400,000,000 from the original request. How much is in the amended budget request for the proposed economic development initiatives?

What is the basis for the proposed reduction--is the Administration proposing one half or one-third of the original program of new initiatives?

From what activities will the $400 million reduction be taken and why were they selected?

Answer:

The reductions to EDA's January Budget reflect the judgment that because of the delays in enactment of the legislation and the overall need to reduce the Federal budget in order to combat inflation, the new initiatives for EDA should be reduced to one-fourth of the levels originally proposed for FY 1980 and one half of the proposed levels for FY 1981. The sole exception to this rationale was the decision to eliminate the Section 304 Grants to States Program.

The reductions and the revised program levels for the programs affected by the March 1980 revisions are as follows:

o DFP Technical Assistance-the January budget proposed a funding level of $15 million for FY 1981. This is reduced by $4 million to $11 million in the revised budget.

o Development Grants - the January budget proposed a level of $559,025,000, including $275,000,000 for new initiatives, the same level as originally proposed for FY 1980 in the July Budget amendment.

The Development Grants program is reduced by $157,500,000 to a level of $401,525,000 in the revised budget. Of the reduction, $137,500,000 relates to the new initiatives and $20,000,000 results from the elimination of the Section 304 Grants to States program.

o Direct Loans - $100 million had been included for new initiatives; this is reduced by $50 million in the revised budget; the total revised program level for direct loans is $141,430,000, down from the January level of $191,430,000.

o Guarantee Payments - the request is reduced by $13.5 million, to a level of $32,420,000. This relates to the reduction to the request for loan guarantee authority in FY 1980.

o Interest Subsidies - the request is reduced by $175 million to a revised

level of $75 million.

o Guarantee Authority - the January budget proposed a level of $1.8 billion; this is halved in the revised request, to a level of $900 million.

Question No. 2:

The revised justifications indicate that the Section 304 grants to States have been eliminated entirely. How much was the reduction for this item?

How much is allocated to Section 304 grants for FY 1980?

Answer:

For the past several years, the Section 304 Grants to States program has been funded at $20 million. The full $20 million budgeted for FY 1980 and available under the Continuing Resolution has been allocated to the States.

The January 1980 budget proposed a funding level of $20 million in FY 1981 for the Grants to States program; the revised budget for FY 1981 drops the full $20 million.

Question No. 3:

Under the Planning Grants Program on page 48 of the original justifications, you show an increase of $1,920,000 for fiscal year 1981 for districts. Would this increase provide for any increase in the number of districts that are funded?

Would the increase provide for an increase in the number of area/country planning grant programs?

Answer:

The FY 1981 request of $14,900,000 for District and County Planning Grants will provide ongoing support for 270 Districts. The 270 level will be reached in FY 1980; the FY 1981 proposal does not provide funding for any new Districts. The number of county planning grants will also be held at the same level as FY 1980.

Question No. 4:

The justifications in support of the budget amendment indicate that you are requesting $900 million in loan guarantee authority. How many guarantees would you expect to make during fiscal year 1981, and what is your projected rate of default on guarantees in the first year?

What would be the amount that would be needed to pay the defaults on such guarantees?

Answer:

With $900 million in guarantee authority in FY 1981 we expect to approve approximately 375-400 guarantees. We would not expect any of these to go into default in the first year.

Our estimates for the amounts needed to cover defaults are based on our historical experience that approximately 7 percent of our loan guarantees will ultimately go into default. In calculating our budget request we assume that none will go bad in the year they are approved; that one percent will go bad in the second year; and that two percent will go bad in each of the subsequent three years.

The estimate of defaults for FY 1981, for which we have requested direct appropriation of $32,420,000, is that approximately $28 million will be required to cover defaults on guarantees made in FY 1979 and prior years plus about $4.5 million (or one percent of the amount guaranteed in FY 1980); the FY 1981 request does not include any funds to cover defaults on FY 1981 guarantees since none would be expected.

Question No. 5:

How many positions would be eliminated under this amendment from the original request and in what areas? What was the basis for the reduction?

How many additional positions would the amended request provide compared with the amended supplemental request for FY 1980?

How would those additional positions be allocated?

Answer:

The table indicates the reductions to the original January proposals for FY 1981 and also shows the differences between the revised FY 1981 staffing level and the revised FY 1980 level. All changes result from changes in program funding levels.

Functional Area	FY 1980 Revised	FY 1981 Original	FY 1981 Amendment	FY 1981 Revised	Change FY 1980-81
Planning and Technical Asst.	179	189	-4	185	+6
Public Works and Adjustment	247	263	-14	249	+2
DFP	158	214	-34	180	+22
Research and Evaluation	22	22	---	22	---
Direct Support Services	457	517	-56	461	+4
Executive Direction	187	198	---	198	+11
LPW	64	46	---	46	-18
TOTAL	1,314	1,449	-108	1,341	+27

Question No. 6:

It is my understanding that EDA, at least in some Regions, is soliciting applications for long term economic deterioration revolving loan fund projects.

A. By region, would you please provide for the record the allocation of funding under the LTED Revolving Loan Fund program for Fiscal Years 1979 and 1980 and 1981 (estimated)?

B. What criteria are being used for determining which LTED loan fund project applications to approve?

C. In deciding to seek applications, did EDA make this decision because you received too few requests for funding or preapplications for funding, or were the ones you received not up to EDA quality standards or is EDA attempting to achieve a broader geographical distribution of the Revolving Loan Fund program investments? If none of the aforementioned is applicable, then what did prompt EDA in some regions to make this new move to encourage additional LTED revolving loan fund applications?

Answer:

A. The Regional breakdown of RLF funds by fiscal year is as follows:

Regional Office	FY 79	($000) FY 80*	FY 81*
Atlantic	9,023	12,500	12,730
Southeastern	2,200	4,600	4,595
Rocky Mountain	500	1,500	1,414
Midwestern	3,350	5,900	6,009
Western	3,186	6,200	6,363
Southwestern	2,500	3,800	3,889
Total	20,759	35,000	35,000

* Estimated

B. The factors EDA considers in making a determination to authorize an application for RLF assistance include:

- o whether there is a gap in the local private capital market that can be met with an RLF. This gap would be identified through an analysis of the financial market performed by the community;

- o whether there is an organization with the capacity to administer an RLF;
- o the extent to which an RLF would be targeted to specific geographic areas, sectors of economy, etc.;
- o the extent that the RLF would be consistent with the area's OEDP.
- o the extent to which other local funds would be invested in the RLF;
- o the degree of intergovernmental cooperation; and
- o the extent to which RLF loans would be targeted to minorities, women and disadvantaged groups.

C. In selecting projects for the RLF program the Economic Development Representative works with communities to identify its economic development needs. During that phase the need for a revolving loan fund becomes evident. Therefore, generally, EDA has not solicited applications.

In Fiscal Year 1978, however, the first year of the RLF program, it was necessary for EDA to contact prospective applicants in order to expend the RLF funds. The FY 78 funds became available late in the fiscal year for the RLF program and there was not general awareness of the program. EDA did not have proposals pending. However, even in those circumstances, EDA contacted applicants that had indicated a need for RLF type assistance either through its strategy or in discussions with EDRs.

Since Fiscal Year 1978, EDA has developed projects through the ongoing relationship of communities and EDA.

WEDNESDAY, APRIL 16, 1980.

REGIONAL DEVELOPMENT PROGRAM

WITNESSES

MENTO (CHUCK) SOPONIS, ACTING ASSOCIATE DEPUTY SECRETARY
DANIEL J. SCHULDER, ACTING DIRECTOR, OFFICE OF REGIONAL DEVELOPMENT
ROBERT M. RAUNER, DEPUTY, OFFICE OF REGIONAL DEVELOPMENT
THOMAS J. SAULINO, BUDGET OFFICER, OFFICE OF REGIONAL DEVELOPMENT
ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION

Mr. ALEXANDER [presiding]. The committee will come to order. We welcome this afternoon Mr. Chuck Soponis, Acting Associate Deputy Secretary of the Regional Development Program. The amended fiscal year 1981 budget request for this item is $43,838,000. This amount is a reduction of $30,389,000 from the original budget request and is also a decrease of $18,962,000 from the appropriations currently available for the program for fiscal year 1980.

At this point in the record, we will insert the original set of justifications for this item as well as the separate set of justifications in support of the amended budget.

[The justification materials follow:]

DEPARTMENT OF COMMERCE
REGIONAL DEVELOPMENT PROGRAM

Regional Development Programs
Revised Estimates
Fiscal Year 1981

Funding		Employment	Perm. Pos.	Average Total Employment
Request pending.....	$74,227,000	Request pending.....	107	106
Proposed amendment.....	-30,389,000	Proposed amendment.....	-33	-30
Revised request.....	43,838,000	Revised request.....	74	76

STATEMENT OF PURPOSE AND NEED

This amendment reduces the 1981 request for program funds and operating expenses. This action would reduce 1981 outlays by $22.8 million.

DEPARTMENT OF COMMERCE
REGIONAL DEVELOPMENT PROGRAM

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
225	Regional development programs.....	$74,227,000	-$30,389,000	$43,838,000
	This amendment reduces the 1981 request for program funds and operating expenses. This action would reduce 1981 outlays by $22.8 million.			

Appropriation: Regional development programs

Summary of Requirements
(dollar amounts in thousands)

Comparison by activities:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
Development programs:						
Regional Commissions	...	$65,980	...	-$27,828	...	$38,152
Office of Regional Development	...	50	...	...	...	50
Total, development programs	...	66,030	...	-27,828	...	38,202
Administrative expenses:						
Regional Commissions	86	7,419	-26	-2,388	60	5,031
Office of Regional Development	21	778	-7	-173	14	605
Total, administrative expenses	107	8,197	-33	-2,561	74	5,636
Total requirements	107	74,227	-33	-30,389	74	43,838

JUSTIFICATION FOR PROPOSED AMENDMENT

Activity: Development programs
Subactivity: Regional Commissions

(Dollar amounts in thousands)

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains	...	$ 9,000	...	-$3,599	...	$ 5,401
Four Corners	...	8,637	...	-3,451	...	5,186
New England	...	7,757	...	-3,179	...	4,578
Old West	...	7,728	...	-3,170	...	4,558
Ozarks	...	10,638	...	-4,267	...	6,371
Pacific Northwest	...	7,250	...	-2,866	...	4,384
Southwest Border	...	6,505	...	-2,647	...	3,858
Upper Great Lakes	...	6,465	...	-2,649	...	3,816
New Commissions	...	2,000	...	-2,000	...	...
Total requirements	...	65,980	...	-27,828	...	38,152
Coastal Plains	...	9,000	...	-3,599	...	5,401

Supplemental funding of the Region's Voc-Ed network will be reduced by 47% to $960,000. Funding for health-related activities will be eliminated. Supplemental funding for industrial park development will be reduced to $551,000, from $900,000. Support for waste treatment facilities construction will be eliminated.

The Commission's Seafood Industrial Parks Program will be reduced by one-third, to $1,000,000. Groundwater evaluations will be sharply reduced. The compilation of statistical data for the Natural Resources Program will be reduced to a minimum requirement.

The Agriculture Program will be reduced by reducing funding for the Agriculture Management Teams Program by $180,000 and by curtailing the expansion of alcohol fuels capacity.

The analysis of transportation needs will be eliminated and the Recreation and Tourism program will be reduced by $300,000.

Regional planning activities and State Investment planning will be reduced by a total of $135,000.

Four Corners	...	8,637	...	-3,451	...	5,186

As a result of a decrease in program funds, the Commission will terminate its Human Resources program, ending assistance to vocational centers, training programs, and health care projects. Construction aid to industrial parks and commercial centers will be reduced by 35%. Trade promotion, through trade fair participation, will be reduced by $50,000.

The Renewable Energy Resources Program in geothermal, hydropower, wind, and gasohol development will be reduced by $200,000 to the 1980 level of $800,000. Environmental protection assistance will be reduced by 50% to $100,000.

Low Water Use Agriculture Programs and Water Conservation Construction programs will be reduced by a total of $350,000.

The Regional Tourism Promotion Program will be terminated, as will transportation construction and technical assistance.

The number of sub-state planning units assisted by the Commission will be reduced from 25 to 15, at a savings of $142,000.

The Water Development and Water Treatment Programs will assist 30 instead of 60 communities, reducing funding by $970,000.

Community planning assistance and State Investment Planning will be reduced by a total of $216,000.

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
New England	...	$7,757	...	-$3,179	...	$4,578

NERCOM's program to help the States in avoiding delays in delivering assistance to eligible low-income populations hard hit by a doubling in the cost of home heating oil will be eliminated.

Over the course of several years, NERCOM has accelerated the weatherization of low-income residences while at the same time creating in excess of 200 jobs. This program, which is being reexamined in light of new federal initiatives, will be eliminated.

By the end of FY 1980, NERCOM's rail rehabilitation program will have restored better than 500 miles of track throughout the region. The program will not be extended in 1981.

Old West	...	7,728	...	-3,170	...	4,558

As a result of a decrease in program funds, the Commission will eliminate funding of public works facilities. That will eliminate supplemental funding of rural water development projects and recreational facilities.

The Commission will curtail health demonstration projects in all five states and slow down vocational training for new businesses locating or expanding in the region.

International trade promotion will be reduced and participation in some overseas trade shows will be eliminated.

The Commission's Rural Water Office in Bismark, S.D., will be closed, research projects to improve production of agricultural projects will be curtailed, and agricultural marketing for the region's products will be reduced.

Technical assistance to impacted communities will be funded at $920,000, a reduction of $680,000. Transportation and meeting expenses of advisory committees and meetings of State and local officials will be reduced, reducing the effectiveness of the services rendered the Commission by these experts.

State investment planning funds to enhance State and sub-state planning capabilities will be reduced by $200,000.

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ozarks	...	$10,638	...	-$4,267	...	$6,371

The Ozarks Commission will defer major regional studies designed to update the Regional Plan and regional programs, reducing the Regional Economic Analysis program by $700,000.

Assistance to local communities for financing public works projects related to economic growth and development will be reduced by $3,624,000. These reductions include $1,383,000 for vocational and technical education facilities and equipment and rural health facilities. Funding for industrial parks, industrial water and sewer, and port facilities will be reduced by $1,300,000.

The Recreation and Tourism program will be cut by $100,000 by curtailing regional, state and local feasibility studies and by reducing assistance for energy availability information programs.

62-212 O - 80 - 27

Transportation program funding of airports, access roads, and rail spurs will be reduced by $255,000. The Government Services program of funding of local public works projects for water, sewer, and other community facilities and institutional strengthening will be reduced by $529,000.

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Pacific Northwest	...	$7,250	...	-$2,866	...	$4,384

As a result of a decrease in program funds, the Commission's vocational education program will be eliminated. Funding for industrial park and port district development will be reduced from $500,000 to $169,000 by eliminating public works projects and worker training programs. The Commission's international trade program will be curtailed by eliminating participation in three trade shows, by reducing trade coordination, and by redirecting trade office objectives. The Commission will not provide funds for technical assistance associated with its water resources program. Eliminating fisheries coordination efforts and the fish tagging programs will result in a program reduction of $300,000. Supplemental grants for weatherization projects and regional energy development projects will be reduced. Funding for technical assistance for the eradication of impediments to agricultural production (disease, pests, noxious weeds) will be curtailed. The Forestry Incentives program will be eliminated and forestry planning assistance will be reduced. Funds for technical assistance for Land Resources (Landsat) for developing and maintaining application programs will be eliminated.

Southwest Border	...	6,505	...	-2,647	...	3,858

As a result of a decrease in program funds, the Commission will eliminate funding of public works facilities and a health care demonstration program. Plans for a capital investment program to facilitate industrial diversification will be reduced, as will the foreign trade promotion program. Energy development programs will be reduced to include only viable commercial cost sharing activities. Activities in support of the commercial development of guayule will be restricted. Tourism promotion efforts and support for recreational facilities development will be reduced. The level of state effort in developing activities in support of the regional program will be reduced and support services for improving community infrastructure will be eliminated.

Upper Great Lakes	...	6,465	...	-2,649	...	3,816

As a result of a decrease in program funds, the Commission will reduce its public works projects by 55 percent and its technical assistance projects by 16 percent. Funding for vocational and educational facilities will be reduced. A reduction in industrial site development projects will limit job creation activities. Funds for development of marina and recreational facilities will be reduced. The Commission's program to develop third level air carrier service in the region will be curtailed.

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
New Commissions	...	$2,000	...	-$2,000	...	...

Funding for four new commissions is not being requested.

Activity: Administration
Subactivity: Federal Administration

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains	9	$ 415	-1	-$15	8	$ 400
Four Corners	9	417	-2	-27	7	390
New England	9	415	-2	-35	7	380
Old West	9	488	-1	-13	8	475
Ozarks	9	386	-1	-21	8	365
Pacific Northwest	9	402	-2	-52	7	350
Southwest Border	7	356	...	-16	7	340
Upper Great Lakes	9	377	-1	-11	8	366
New Commissions	16	944	-16	-944	...	...
Office of Regional Development	21	778	-7	-173	14	605
Total requirements	107	4,978	-33	-1,307	74	3,671
Coastal Plains	9	415	-1	-15	8	400

Due to the hiring freeze effective on March 1, 1980, funds for personnel compensation and benefits for one position have been eliminated. In addition there are net savings in salaries and benefits from positions being filled at lower salaries than originally planned. An increase in communications, utilities, and other rent is due to a redistribution of costs based on actual charges in FY 1980. A decrease in costs for other services is partially offset by an increase in payments to the Working Capital Fund.

The position and object class detail for the changes follows:

Position Title	GG Grade	Number	Annual Salary
Secretary	6	-1	-$12,531
Other savings		...	-4,444
Total compensation		-1	-16,975
Personnel benefits			-1,675
Communications, utilities, and other rent			+6,000
Other services			-2,350
Total			-15,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Four Corners	9	$ 417	-2	-$27	7	$ 390

Due to the hiring freeze effective on March 1, 1980, funds for personnel compensation and benefits for two positions have been eliminated. In addition there are net savings in salaries and benefits from positions being filled at lower salaries than originally planned. An increase in communications, utilities, and other rent is due to a redistribution of costs based on actual charges in FY 1980. An increase in other services is attributable to an increase in Departmental Working Capital Fund charges.

The position and object class detail for the changes follows:

Position Title	GG Grade	Number	Annual Salary
Construction management specialist.	9	-1	-$17,035
Clerk-typist	4	-1	-10,049
Other savings		...	-6,475
Total compensation		-2	-33,559
Personnel benefits			-3,472
Communications, utilities, and other rent			+3,000
Other services			+7,031
Total			-27,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
New England	9	$ 415	-2	-$35	7	$ 380

Due to the hiring freeze effective on March 1, 1980, funds for personnel compensation and benefits for one full-time work year have been eliminated. In addition there are net savings in salaries and benefits from positions being filled at lower salaries than originally planned. An increase in communications, utilities, and other rent and a decrease in supplies are due to a redistribution of costs based on actual charges in FY 1980. An increase in other services is attributable to an increase in Departmental Working Capital Fund charges.

The position and object class detail for the changes follows:

Position Title	GG Grade	Number	Annual Salary
Special Assistant	15	-1	-$40,832
Other savings		...	-2,055
Total compensation		-1	-42,887
Personnel benefits			-2,501
Communications, utilities, and other rent			+7,000
Other services			+4,388
Supplies and materials			-1,000
Total			-35,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Old West	9	$ 488	-1	-$13	8	$ 475

One unfunded position is being eliminated. In addition, there are net savings in salaries from positions being filled at lower salaries than originally planned. However more employees have life insurance and health insurance than originally budgeted. Decreases in communications, utilities, and other rent and in printing and reproduction are due to a redistribution of costs based on actual charges for FY 1980. An increase for payments to the Working Capital Fund is offset by a decrease in other services.

The object class detail for the changes follows:

Object Class	Amount
Personnel compensation	-$1,000
Personnel benefits	+1,000
Communications, utilities, and other rent	-12,000
Printing and reproduction	-1,000
Total	-13,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ozarks	9	$ 386	-1	-$21	8	$ 365

One unfunded position is being eliminated. In addition there are substantial savings in personnel compensation and benefits from positions being filled at lower salaries than originally planned. An increase in communications, utilities, and other rent and decreases in printing and reproduction and in supplies and materials are due to a redistribution of costs based on actual charges in FY 1980. A decrease in costs for other services is partially offset by an increase in payments to the Working Capital Fund.

The object class detail for the changes follows:

Object Class	Amount
Personnel compensation	-$20,942
Personnel benefits	-1,434
Communications, utilities, and other rent	+6,000
Printing and reproduction	-1,000
Other services	-1,624
Supplies and materials	-2,000
Total	-21,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Pacific Northwest	9	$ 402	-2	-$52	7	$ 350

Due to the hiring freeze effective on March 1, 1980, funds for personnel compensation and benefits for two positions have been eliminated. However these savings have been partially offset by promotions. Decreases in communications, utilities and other rent, in printing and reproduction, and in supplies and materials are due to a redistribution of costs based on actual charges in FY 1980. An increase in Working Capital Fund charges is partially offset by a decrease in other services.

The position and object class detail for the changes follows:

Position Title	GG Grade	Number	Annual Salary
Special Assistant	13	-1	-$29,375
Clerk typist	3	-1	-8,952
Salary increases		...	+2,193
Total compensation		-2	-36,134
Personnel benefits			-3,518
Communications, utilities, and other rent			-9,000
Printing and reproduction			-3,000
Other services			+652
Supplies and materials			-1,000
Total			-52,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Southwest Border	7	$ 356	...	-$16	7	$ 340

There are substantial savings in personnel compensation and benefits from positions being filled at lower salaries than originally planned. An increase in communications, utilities, and other rent and decreases in printing and reproduction and in supplies and materials are due to a redistribution of costs based on actual charges in FY 1980. An increase in other services is attributable to an increase in Departmental Working Capital Fund charges.

The object class detail for the changes follows:

Object Class	Amount
Personnel compensation	-$23,152
Personnel benefits	-2,258
Communications, utilities, and other rent	+4,000
Printing and reproduction	-2,000
Other services	+8,410
Supplies and materials	-1,000
Total	-16,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Upper Great Lakes	9	$ 377	-1	-$11	8	$ 366

One unfunded position is being eliminated. In addition, there are net savings in personnel compensation from positions being funded at lower salaries than originally planned. However, an increase in the number of employees who participate in the health insurance and life insurance plans negates a decrease in contributions to the Civil Service Retirement fund. Decreases in communications, utilities, and other rent and in supplies and materials are due to a redistribution of costs based on actual charges in FY 1980. An increase in other services is attributable to an increase in Departmental Working Capital Fund charges.

The object class detail for the changes follows:

Object Class	Amount
Personnel compensation	-$12,209
Personnel benefits	+344
Communications, utilities, and other rent	-2,000
Other services	+4,865
Supplies and materials	-2,000
Total	-11,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
New Commissions	16	$ 944	-16	-$944	...	...

Funding for four new commissions is not being requested. The position and object class detail for the decreases follows:

Position Title	GG Grade	Number	Annual Salary
Federal Cochairman	E.L. IV	-4	-$211,000
Special Assistant	15	-4	-163,328
Program Officer	14	-4	-138,852
Staff Assistant	11	-4	-82,444
Within-grades		...	-12,820
Extra compensable day		...	-2,336
Other personnel compensation		...	-800
Total compensation		-16	-611,580
Personnel benefits			-51,933
Travel and transportation of persons			-44,000
Transportation of things			-2,000
Standard level user charges			-48,000
Communications, utilities, and other rent			-59,000
Printing and reproduction			-14,000
Other services			-73,487
Supplies and materials			-12,000
Equipment			-28,000
Total			-944,000

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of Regional Development	21	$778	-7	-$173	14	$605

Due to the hiring freeze effective on March 1, 1980, funds for personnel compensation and benefits for four positions have been eliminated. Withdrawal of the 1980 supplemental budget request eliminated funds for 3 additional positions. In addition, there are other net savings from not funding a position for part of a year. Decreases in other object classes result from withdrawal of the FY 1980 supplemental and a redistribution of costs based on actual charges in FY 1980. An increase in other services is attributable to an increase in Departmental Working Capital Fund charges.

The position and object class detail for the changes follows:

Position Title	GS Grade	Number	Annual Salary
Congressional Liaison	15	-1	-$40,832
Program Analyst	13	-1	-29,375
Program Analyst	9	-3	-51,105
Budget Analyst	5	-1	-11,243
Clerk typist	4	-1	-10,049
Other savings		...	-2,979
Total compensation		-7	-145,583
Personnel benefits			-11,985
Travel and transportation of persons			-1,000
Standard level user charges			-2,000
Communications, utilities and other rent			-14,000
Printing and reproduction			-1,000
Other services			+5,568
Supplies and materials			-2,000
Equipment			-1,000
Total			-173,000

Activity: Administration
Subactivity: Administrative Grants

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains	...	$ 300	...	-$50	...	$ 250
Four Corners	...	300	...	-50	...	250
New England	...	350	...	...	...	350
Old West	...	225	...	...	...	225
Ozarks	...	340	...	...	...	340
Pacific Northwest	...	174	...	-34	...	140
Southwest Border	...	200	...	...	...	200
Upper Great Lakes	...	210	...	...	...	210
New Commissions	...	1,120	...	-1,120	...	...
Total requirements	...	3,219	...	-1,254	...	1,965
Coastal Plains	...	300	...	-50	...	250

The decrease in administrative grants for the Federal share of the Commission's administrative expenses results from a decreased program workload.

Four Corners	...	300	...	-50	...	250

The decrease in administrative grants for the Federal share of the Commission's administrative expenses results from a decreased program workload.

Pacific Northwest	...	174	...	-34	...	140

The decrease in administrative grants for the Federal share of the Commission's administrative expenses results from a decreased program workload.

New Commissions	...	1,120	...	-1,120	...	...

Funding for new commissions is not being requested.

Summary of Requirements by Object Class
(dollar amounts in thousands)

Appropriation: Regional development programs

Object class		1981 Request Pending			1981 Proposed Amendment			1981 Revised Request		
		Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
11	Personnel compensation:									
11.1	Permanent positions	107	101	$ 3,275	-33	-30	-$944	74	71	$ 2,331
11.3	Positions other than permanent	10	5	58	-1	...	...	9	5	58
11.5	Other personnel compensation	...	...	2	...	...	...	...	...	2
	Total	117	106	3,335	-34	-30	-944	83	76	2,391
Other objects:										
12	Personnel benefits			286			-77			209
21	Travel and transportation of persons			274			-45			229
22	Transportation of things			4			-2			2
23.1	Standard level user charges			211			-50			161
23.2	Communications, utilities, and other rent			310			-70			240
24	Printing and reproduction			52			-22			30
25	Other services			455			-47			408
26	Supplies and materials			53			-21			32
31	Equipment			48			-29			19
41	Grants, subsidies, and contributions			69,199			-29,082			40,117
	Total requirements			74,227			-30,389			43,838

Justification by Object Class
(dollar amounts in thousands)

Object class	1981 Request Pending			1981 Proposed Amendment			1981 Revised Request		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
11.1 Permanent positions									
General schedule	21	21	$ 580	-7	-8	-$146	14	13	$ 434
Executive level	12	12	633	-4	-4	-211	8	8	422
Comparable to general schedule.	74	68	2,062	-22	-18	-587	52	50	1,475
Total, permanent positions	107	101	3,275	-33	-30	-944	74	71	2,331
11.3 Positions other than permanent									
General schedule	1	...	5	...	...	...	1	...	5
Daily and hourly rate employees	...	...	...	...	...	...	...	...	...
Comparable to general schedule.	9	5	53	-1	...	...	8	5	53
Total, positions other than permanent	10	5	58	-1	...	...	9	5	58
11.5 Other personnel compensation									
Overtime			2			...			2
12.1 Personnel benefits									
Civil Service Retirement			231			-66			165
Federal Insurance Contributions Act (FICA)			2			...			2
Health insurance			41			-7			34
Life insurance			12			-4			8
Total, personnel benefits			286			-77			209
21.0 Travel and transportation of persons									
Per diem			69			-9			60
Air fare			168			-29			139
Other common carrier			3			-2			1
Privately-owned automobiles			11			-1			10
GSA vehicles			2			-1			1
Other			21			-3			18
Total, travel and transportation of persons			274			-45			229
22.0 Transportation of things			4			-2			2

Object class	1981 Request Pending Pos.	Av. No.	Amount	1981 Proposed Amendment Pos.	Av. No.	Amount	1981 Revised Request Pos.	Av. No.	Amount
23.1 Standard level user charges.....			$ 211			-$50			$ 161
23.2 Communications, utilities, and other rent									
Federal Telecommunications System.....			156			-35			121
Other telephone, telegraph, and teletype services.....			52			-14			38
Postal services by USPS.....			10			-2			8
Other space rental.....			28			+4			32
Rental of office copying equipment.....			64			-23			41
Total, Communications, utilities, and other rent.....			310			-70			240
24.0 Printing and reproduction									
Envelopes.....			2			-2			...
Other printing and reproduction			50			-20			30
Total, printing and reproduction			52			-22			30
25.0 Other services									
Training:									
Civil Service Commission.....			6			-1			5
Maintenance of equipment.....			2			-1			1
GSA reimbursable services.....			2			-1			1
Centralized Departmental services			179			-3			176
Other major items:									
Studies and evaluations.....			266			-41			225
Total, other services.....			455			-47			408
26.0 Supplies and materials									
Miscellaneous administrative supplies.....			53			-21			32
31.0 Equipment									
Office machines and equipment..			48			-29			19
41.0 Grants, subsidies, and contributions									
Grants.....			69,199			-29,082			40,117

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
REGIONAL DEVELOPMENT PROGRAM
REGIONAL DEVELOPMENT PROGRAMS

A-11-32A

Program and Financing (in thousands of dollars)

Identification code 13-2100-0-1-452	1981 actual	1981 estimate	1981 estimate
	Request pending	Proposed amendments	Revised request
Program by activities:			
1. Development programs...	63,061	-20,694	42,367
2. Administrative expenses	8,181	-2,537	5,644
Total program costs, funded 1/.....	71,242	-23,231	48,011
Change in selected resources (undelivered orders).....	2,985	-7,158	-4,173
10.00 Total obligations.....	74,227	-30,389	43,838
Financing:			
40.00 Budget authority (appropriation).....	74,227	-30,389	43,838
Relation of obligations to outlays:			
71.00 Obligations incurred, net...	74,227	-30,389	43,838
72.40 Obligated balance, start of year.....	47,319	...	47,319
74.40 Obligated balance, end of year.....	-51,088	7,553	-43,535
90.00 Outlays, excluding pay raise supplemental...	70,455	-22,836	47,619
91.20 Outlays from civilian pay raise supplemental.....	3	...	3

1/ Includes capital investment as follows: request pending, $48 thousand; proposed amendments, -$29 thousand; revised request, $19 thousand.

(Mono cast: 21.5) (Mono cast: 5) (Mono cast: 5) RDP-20 (Mono cast: 4.9)

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

DEPARTMENT OF COMMERCE
REGIONAL DEVELOPMENT PROGRAM
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM
FUNDS AVAILABLE TO THE REGIONAL DEVELOPMENT PROGRAM

DETAIL OF PERMANENT POSITIONS

	1981 actual	1981 estimate	1981 estimate
	Request pending	Proposed amendments	Revised request
ES-5	1	...	1
ES-4	3	-3	...
Subtotal	4	-3	1
GS/GM-15	7	-1	6
GS/GM-13	2	...	2
GS-12	1	-1	...
GS-9	3	-1	2
GS-8	1	...	1
GS-7	3	-1	2
GS-5	1	-1	...
GS-4	3	-2	1
Subtotal	21	-7	14
Grades established by act of August 26, 1965 (42 U.S.C. 3182), comparable to executive level and GS grades:			
Executive Level IV	12	-4	8
GG-15	13	-4	9
GG-14	11	-2	9
GG-13	8	-2	6
GG-12	3	-1	2
GG-11	7	-3	4
GG-9	5	+4	9
GG-8	6	-5	1
GG-7	7	-2	5
(Mono cost: 16.3)	(Mono cost: 4.9)	(Mono cost: 4.9)	(Mono cost: 4)

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-103

DEPARTMENT OF COMMERCE
REGIONAL DEVELOPMENT PROGRAM
CONSOLIDATED SCHEDULE OF PERMANENT POSITIONS PAID FROM
FUNDS AVAILABLE TO THE REGIONAL DEVELOPMENT PROGRAM

DETAIL OF PERMANENT POSITIONS

	1981 actual	1981 estimate	1981 estimate
	Request pending	Proposed amendments	Revised request
GG-6	3	-1	2
GG-5	1	...	1
GG-4	4	-3	1
GG-3	2	...	2
Subtotal	82	-23	59
Total permanent positions	107	-33	74
Unfilled positions, end of year	-6	...	-6
Total permanent employment, end of year	101	-33	68
	(Mono cost: 16.3)	(Mono cost: 4.9)	(Mono cost: 4.9)	(Mono cost: 4)

62-212 O - 80 - 28

General Statement

The Regional Development Programs coordinated by the Department of Commerce are Federal-State partnerships in which States and Federal officials jointly plan and execute programs to overcome economic development and growth problems shared by groups of states in multi-state regions. Currently, eight Regional Commissions operate under the authority of Title V of the Public Works and Economic Development Act of 1965, as amended. They include all of 24 States and parts of an additional 10 States. Each Commission is composed of a Federal Cochairman, appointed by the President, and the Governors of the participating States. The current authority expired at the end of FY 1979, and new legislation to reauthorize the program was being considered by a Conference Committee of the Congress at the time that this budget was prepared.

The 1980 appropriation for this program had not been enacted at the time this budget was prepared. The program was being funded under a continuing resolution (P.L. 96-123), in effect through September 30, 1980, pending passage of an appropriation. The amount available under the continuing resolution is $62,800,000 as compared to the 1980 budget request of $74,005,000. The 1981 estimate continues the program at the same level as requested for 1980. A comparison of the 1980 continuing resolution and the 1981 budget request follows:

(dollar amounts in thousands)

Appropriation	Appropriations Currently Available* Perm. Pos.	Amount	1981 Estimate Perm. Pos.	Amount	Inc. (+) or Dec. (-) Perm. Pos.	Amount	Perm. emp. 12/31
Regional development programs.....	88	$62,800	107	$74,227	+19	+$11,427	66
Comparison by activities:							
Coastal Plains.....	9	8,692	9	9,715	...	+1,023	
Four Corners.....	9	8,287	9	9,354	...	+1,067	
New England.....	9	7,656	9	8,522	...	+866	
Old West.....	9	7,644	9	8,441	...	+797	
Ozarks.....	9	10,192	9	11,364	...	+1,172	
Pacific Northwest.....	9	7,077	9	7,826	...	+749	
Southwest Border.....	7	6,363	7	7,061	...	+698	
Upper Great Lakes.....	9	6,293	9	7,052	...	+759	
New Commissions.....	...	...	16	4,064	+16	+4,064	
Regional Development.....	18	596	21	828	+3	+232	
Total.....	88	62,800	107	74,227	+19	+11,427	

Funding for this program is allocated among the Commissions by formula. The Southwest Border Regional Commission, which completed its second full fiscal year at the end of 1979, became eligible in 1980 for funding under the formula. The figures shown for the 1980 continuing resolution reflect redistribution of 1979 totals under the formula allocation. The 1981 request funds the other Commissions at substantially their 1979 levels. It also includes funds for new commissions, as requested in the 1980 budget.

* Continuing resolution (P.L. 96-123).

The regional development program provides a means for strengthening state and local governments' planning and working relationships. It encourages states to work jointly on shared and common problems affecting specific regions of the country. The Commissions provide flexible development resources. They also serve as focal points for coordination of other federal programs and private investment opportunities. In addition to coping with the problems of lagging areas, the Commissions deal with the many and increasing problems of balanced development, particularly economic stresses due to rapid growth and the impacts of energy exploration and production.

Under the provisions of existing legislation, non-federal administrative expenses of the Commissions are provided in full by the Federal Government for their first two full fiscal years, and thereafter are shared on a 50-50 basis by the States and the Federal Government.

Justification of Proposed Language Changes

Insertion: For necessary expenses to carry out the programs authorized by title V of the Public Works and Economic Development Act of 1965, as amended, $74,227,000, to remain available until expended (42 U.S.C. 3181-96).

The Regional Development Program is operating under a continuing resolution in fiscal year 1980 (P.L. 96-123) because final authorizing legislation is in conference; thus there is no appropriation language in the Department of Commerce Appropriation Act, 1980. The only difference between the proposed language for fiscal year 1981 and that which was proposed for fiscal year 1980 other than the dollar amounts is the phrase "necessary expenses" rather than the words "expenses necessary" which were in the fiscal year 1980 request.

Upon passage of authorizing legislation, it may be necessary to change the appropriation language if the basic legislation is replaced rather than amended.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Regional development programs

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			88	$62,800
RDP- 4	Adjustments to base and built-in changes:				
	Adjustments for FY 1980 pay increase and related costs	...	+$225		
	Other increases	+19	+11,380		
	Other decreases	...	-14		
	Subtotal, adjustments to base and built-in changes			+19	+11,591
	1981 base			107	74,391

	Comparison by activities:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc. (+) or Dec. (-) Over 1981 Base Perm. Pos.	Inc. (+) or Dec. (-) Over 1981 Base Amount
	Development programs:										
RDP- 7	Regional Commissions	...	$57,749	...	$57,231	...	$65,651	...	$65,980	...	+$329
			(56,095)		(67,264)						
RDP-32	Office of Regional Development	...	50	...	50	...	50	...	50	...	...
			(152)		(415)						
	Total, development programs	...	57,799	...	57,281	...	65,701	...	66,030	...	+329
			(56,247)		(67,679)						
	Administrative expenses:										
RDP-33	Regional Commissions	70	4,455	70	4,973	86	7,891	86	7,419	...	-472
			(4,553)		(5,224)						
RDP-33	Office of Regional Development	18	546	18	546	21	799	21	778	...	-21
			(459)		(707)						
	Total, administrative expenses	88	5,001	88	5,519	107	8,690	107	8,197	...	-493
			(5,012)		(5,931)						
	Increase									...	-164
	Total requirements	88	62,800	88	62,800	107	74,391	107	74,227		
			(61,259)		(73,610)						

Note - Dollar amounts in parenthesis represent obligations.

Justification of Adjustments to Base and Built-in Changes
(Dollar amounts in thousands)

	Perm. Pos.	Amount
Adjustment for 1980 Pay Increase and Related Costs		
Total costs in FY 1980 of pay increase	...	$228
Less amount absorbed	...	-95
Anticipated FY 1980 pay increase supplemental	...	133
Additional amount in FY 1981 to provide full-year cost of pay increase	...	+92
Total	...	225

The anticipated supplemental in 1980 of $133,000 includes $24,000 for the general schedule pay increase effective October 1, 1979 and $109,000 for administrative increases. An additional $92,000 is required in 1981 to cover the full-year cost of the 1980 pay supplemental and includes $15,000 for general schedule, $69,000 for administrative increases, and $8,000 for payments to other accounts.

Other increases		
Annualization of prior year activities	...	+51
Full-year cost in 1981 of positions financed for part year in 1980	...	+34
Anticipated 1980 program supplemental for difference between continuing resolution and 1980 budget request	+19	+11,205
Within-grade step increases	...	+34
Health insurance premium increase	...	+1
Per diem increase	...	+4
Air fare rate increase	...	+16
FTS increase	...	+21
Commercial telephone, telegraph and teletype services increase	...	+4
Equipment rental increase	...	+3
Printing and reproduction increase	...	+2
Supplies and materials increase	...	+3
Equipment increase	...	+2
Total	+19	+11,380

The annualization of prior year activities represents the salary and personnel benefits costs of a regional economist transferred to the Office of Regional Development in FY 1979, after the 1980 budget request had been submitted. These costs can be absorbed in 1980 but need to be included in the 1981 base in order to be funded in FY 1981.

The full year cost in 1981 of 16 positions for 4 new commissions in 1980 is $30,071, of which $27,973 is for personnel compensation and $2,098 is for personnel benefits, and of 3 positions in the Office of Regional Development is $3,851, of which $3,582 is for personnel compensation and $269 is for personnel benefits, for a total cost of $33,922.

The anticipated program supplemental of $11,205,000 is the difference between the $62,800,000 appropriated under P.L. 96-123 and the appropriation request still pending before Congress.

An increase of $34,000 is requested to cover the cost of within-grade step increases. The computation is as follows:

a.	Estimated number of within-grade increases scheduled	72	
b.	Step increases not earned due to turnover	9	
c.	Average step above step 1 per separation	3	
d.	Average cost per within-grade step increase	$712	
e.	Gross cost of scheduled step increase (a x d = e)		$51,264
f.	Less savings due to separations (b x c x d = f)		-19,224
	Subtotal, personnel compensation		32,040
	Personnel benefits at 7.5%		2,403
	Total cost		34,443

Agency contributions to the Federal Health Benefits Program increased by 3% as a result of rate changes effective in January 1979. The increase of $1,000 represents 3% of the 1980 base of $30,000 in the 1980 budget.

The General Services Administration has increased the prescribed maximum rates or redefined the boundaries for 22 previously designated high rate geographical areas and has added 70 areas to the list. Based on actual travel to these areas in 1978, it is estimated that travelers will spend 418 days in high rate geographical areas with an average per diem increase of approximately $9 for an estimated cost increase of $3,676.

The Civil Aeronautics Board has approved three domestic air fare increases: a 3.2% increase in November, 1978, another 4% increase in May 1979, and another 2.3% increase in July 1979. This 9.5% increase was applied to the 1980 base of $170,000 in the 1980 Congressional budget and results in an increase of $16,000.

The increase in Federal Telecommunications system charges is based on a distribution of rate and usage changes as determined by the General Services Administration (GSA). GSA has provided revised estimates for FY 1979 which amount to an 8.7% increase over the original estimate of $119,000. This will result in an additional 8.7% over the revised 1980 base estimate.

The Bureau of Economic Analysis (BEA) price deflator for supplies and materials for Federal Government purchases is estimated to be 8% for 1978. The increase of $4,000 for commercial telephone, telegraph, and teletype services represents 8% of the 1980 base of $45,000 in the 1980 budget.

The increase of $3,000 for equipment rental represents 8% (BEA price deflator) of the 1980 base of $42,000 in the 1980 budget.

The Government Printing Office estimates that printing costs in 1981 will increase by 8% over the 1980 estimates. The increase of $2,000 represents 8% of the 1980 base of $30,000 in the 1980 budget.

The increase of $3,000 for supplies and materials represents 8% (BEA price deflator) of the 1980 base of $36,000 in the 1980 budget.

	Perm. Pos.	Average

The increase of $2,000 for equipment represents 8% (BEA price deflator) of the 1980 estimate of $21,000 in the 1980 budget.

Other decreases		
One less compensable day	...	-$14

The cost of one less compensable day in 1981 compared to 1980 was calculated by dividing the 1980 estimate for personnel compensation and benefits by 262 compensable days.

Justification of Program and Performance

Activity: Development programs
Subactivity: Regional Commissions

(Dollar amounts in thousands)

	1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains	...	$ 7,996 (9,412)	...	$ 9,000	...	$ 9,000	...	...
Four Corners	...	7,702 (9,022)	...	8,701	...	8,637	...	-$64
New England	...	6,922	...	7,757	...	7,757	...	...
Old West	...	6,985 (8,391)	...	7,728	...	7,728	...	...
Ozarks	...	9,486 (11,954)	...	10,633	...	10,638	...	+5
Pacific Northwest	...	6,542 (7,117)	...	7,250	...	7,250	...	...
Southwest Border	...	5,845	...	6,505	...	6,505	...	...
Upper Great Lakes	...	5,753 (8,001)	...	6,477	...	6,465	...	-12
New Commissions	...	... (600)	...	1,600	...	2,000	...	+400
Total requirements	...	57,231 (67,264)	...	65,651	...	65,980	...	+329

Goals and Objectives

Goals: To provide for multistate regional development commissions to promote balanced development; improve the capability of states and local governments to plan for and resolve shared and interstate regional problems of economic decline, and dislocation due to rapid growth; establish stable and diversified regional economies and basic services; improve the ability of federal programs and policies to function effectively; establish priorities from the regional perspective for public and private investment; help create regional institutions for shared problems; and help solve the special problems created in a region as a result of national policies or needs.

Objectives: In order to reach their long-range goals the Commissions established these program objectives: 1. Develop and implement a regional growth policy process including a multiyear regional development plan and an annual regional investment strategy. 2. Complete research and analyses of interstate and shared problems. 3. Provide consultation to and continuing liaison with federal regional councils and advise federal departments in order to fulfill regional plans, priorities and policies. 4. Work with private sector, multistate groupings, and substate entities to assist in establishing and fulfilling regional plans, priorities and programs. 5. Provide financial and technical assistance, with special emphasis on transportation, energy development and conservation, business and industrial development, community conservation and growth, human resources, natural resources and export promotion.

Base Program

The Commissions achieve their objectives through Commission-approved financial assistance grants to state and substate governmental entities and public organizations. Individual Commissions establish and implement specific program activities reflecting regional priorities. The Commissions conduct and sponsor investigations, research, demonstration projects and studies designed to target resources to areas of greatest need and to foster regional productivity and growth; prepare legislative and other recommendations with respect to both short-term and long-range programs and projects for federal, state, and local agencies; provide forums for consideration of problems and solutions; and help coordinate federal program aid to achieve regional goals.

Some activities reflect concerns common to all or most of the Commissions. These would include programs to create jobs; improve job skills, workforce training, and services; promote small business, rural development, and exports; and aid states and communities in developing infrastructure needed for industrial development.

Other activities affect various regions differently, energy for example. The New England Region is almost completely dependant on energy sources from outside the Region, leaving the region vulnerable to changes in price and supply. The Commission's energy programs are concerned with providing energy data, determining the Region's specific energy research and development needs, developing energy facilities, promoting conservation, and developing and promoting indigenous alternative energy sources, such as small dams for generating power and electricity and wood for fuel and power generation. The Old West Region is more concerned with the socio-economic impacts of energy development, where exploitation of its vast coal and other mineral resources may eliminate valuable range land, divert water from agriculture, and substantially increase population, resulting in a greater need for governmental and community services. In the Four Corners Region, energy resources are abundant but water is scarce. In order to accommodate energy and economic development without severely affecting agriculture, the Commission has developed energy programs for bio-mass conversion, solar energy, and conservation. The Commission is also concerned with the commercialization of low water use crops, such as guayule and jojoba. These are examples of how the Commissions tailor their programs to the individual needs of each region. All of the Commissions have a full range of program activities, as follows.

Coastal Plains - The Coastal Plains Regional Commission consists of 290 contiguous counties in the five States of Florida, Georgia, North Carolina, South Carolina, and Virginia, covering a Region of 129,862 square miles with a 1978 population of 12,835,000 persons.

Once predominantly agricultural and rural in character, the Coastal Plains Region in the last two decades has attracted many new kinds of industries and its economic growth has been rapid. Although the trend in industrial growth has been away from the traditional reliance on processing of agricultural commodities and manufacture of related products, the base remains relatively narrow with a heavy dependence on these low/wage, slow/growth industries.

For FY 1981, the encouragement of more highly diversified capital investment will continue to be a major area of accelerated activity through programs directed at improving the Region's capability to attract and cope with economic growth. To carry out these programs in 1981, the Commission is requesting $9,000,000 of which $4,050,000 will be for supplementing public facility grants of other Federal agencies, and $4,950,000 will be for planning, technical assistance, and demonstration projects.

Implicit in each of the Commission's major program areas is a concern for environmental protection and enhancement. To strengthen this resolve, the Commission has initiated an active Environmental Affairs Program which plays a vital role in the assessment of future environmental impacts while monitoring ongoing activities.

Human resources: The main objective of this program is to upgrade the vocational facilities of the Region to provide its residents training for more highly specialized technical skills and occupations required in manufacturing, commercial, and service occupations. This includes enhancing high school vocational programs, establishing a network of technical education centers, and expanding a system of community colleges and technical institutes.

Over 40,000 students trained in educational facilities in which the Commission invested funds have been placed in jobs as a result of that training. An additional 18,000 employees of local industries have been provided with training in special programs set up for the industry financed in part with Commission funds. The number of students being trained in Commission-financed educational facilities totals over 80,000.

Industrial development and international trade: The broad policy goals and objectives identified in the Commission Plan are based on narrower, more specific goals related to the current needs of the member States. These goals are the results of recommendations of the Industrial Development Advisory Committee and a free idea exchange between the staff and the Coordinators for the member States.
Until recent years, the industrial development program had been composed primarily of water and sewer projects and industrial park construction. In 1980, there was an increased emphasis on studies and technical assistance in new mineral utilization technology, helping small communities attract industry, and identifying and dealing with deterrents to economic development. Additionally, large investments were committed to reverse foreign investment programs which will continue in FY 1981 and beyond. These programs facilitate the locating of economic development opportunities in the Region by foreign investors.

Natural resources: With 70% of its outer boundaries fronting the ocean, Coastal Plains has placed a high priority on development of marine and natural resources. Traditionally, 25% of its program funds have been placed in this area, with the bulk used for technical assistance demonstration projects.

In May 1974, the Marine Resources Program began an effort to pinpoint development problems and design projects to alleviate them. This produced greater coordination between States, an overall plan of action, and an elimination of projects with marginal economic value. Ad Hoc committees were formed for the Seafood, Mineral Resources, and Tourism industries. These committees were made up of leaders from the member States whose careers often total 20 or more years in the subject area. These groups are producing aggressive programs for attacking the major problems of these industries. Some examples are:

The development of the Seafood Industrial Park concept, now being implemented in Coastal Plains and receiving national attention. The concept is to provide for the seafood industry modern adequate dock and harbors containing all related services and markets.

The discovery of titanium deposits in Georgia, the commercial value of which is estimated to be between 2 and 6 billion dollars. Scientific revelations about the geology of the Southeast have attracted considerable attention from the U.S. Geological Survey.

Another major program within Natural Resources is Environmental Affairs. This program was established in 1973 in recognition that the coastal environs of the South Atlantic are extremely sensitive to changes in ecological conditions, but extremely productive under sound development management.

The major goal of the Environmental Affairs Program has evolved from the original idea of "protecting and restoring the best features of the Region's environment" to a more definitive and action oriented form: to foster ongoing management of the Region's resources, which enhances economic progress while reducing environmental degradation.

Agriculture and forestry: This program is limited to technical assistance and demonstration projects, which are less costly than supplemental grants. This program emphasizes the attraction of agriculturally oriented manufacturers and provides assistance to farmers in farm management. The program focuses on expanding marketing opportunities, improving management practices, and planning for orderly transitions to mechanized production practices. An effort in export promotion in 1980 produced significant results and will receive greater attention in 1981 in a coordinated program with the reverse foreign investment activities and industrial development and international trade program.

Recreation and tourism: This program will continue activities initiated in FY 1980, which have been designed to tap the West German Tourist market. This program has also been coordinated with reverse investment activities and will serve as an adjunct to these efforts. There will be slightly increased emphasis on demonstration projects related to Recreation and Tourism facilities.

Transportation: This program is designed to meet the dual needs of access to market and fast commuter services. Ongoing projects provide feasibility assessment of air commuter services throughout the Region, local airport improvement, and identification of future needs.

Regional economic analysis: This program provides continuous updating of the data base needed for comprehensive planning at both the Staff and State levels.

State investment planning: Commission grants for this purpose have enabled the States to initiate and maintain comprehensive State investment planning efforts. Funds have been used to establish planning offices, employ a planning staff, prepare the initial State investment plans and update these plans on an annual basis. One of the primary functions of these planning efforts is to coordinate capital investment planning at the sub-State planning district level with similar planning efforts carried out by line State agencies. The State plans are also an essential ingredient to the Regional plan as they provide a systematic projection of the State's public investment needs and priority programs to meet those needs in the Regional portions of each State.

Four Corners - The Four Corners Region encompasses almost all of a five-state area (Arizona, Colorado, Nevada, New Mexico and Utah) of 487,737 square miles, with a total population (1978) of 7,438,000. The only parts of the five states not included in the region are the nine counties of New Mexico and Arizona bordering on Mexico. This southerly tier of counties was fully integrated into the Southwest Border Commission on October 1, 1979. Four Corners can be described as a very large rectilinear portion of the American Southwest--mountainous, arid or semi-arid, with the sandy soil and sparse vegetation appropriate to such land.

The commonalities of the Four Corners are not limited, however, to such geographical factors as topography and climate. Each of these states has been dominated in the past by mining and agriculture, industries now in long term decline and/or undergoing substantial technological change. Each state is now, with varying degree of concentration and success, becoming industrialized. All have had to deal with a problem peculiar to

the West--enormous concentration of land owned by the Federal and State governments. The Federal government is the major landowner in the Region with some 65% of the total land area of these states being owned or held in trust by that entity.

Historically and culturally the Four Corners Region, through its place names, architecture and custom, shows its tri-cultural heritage. Here are almost half of the Nation's reservation Indians and the largest concentration of nonurban Spanish-Americans in our country. Both of these groups rank below the rest of the Region in industrial attainment, employment participation and per capita income. About 67% of the Region's job lag and 75% of the Region's income lag can be accounted for among the combined Indian and Spanish surname people.

The economic development of a substantial portion of the Region is impeded because of significant deficiencies in manpower training and other educational activities, few linkages between the various economic sectors, the vast spatial area of the Region in relation to the size of the widely scattered population resulting in low labor force pools, serious lack of financial resources for private investment, extensive government land ownership or control resulting in a low tax base and other difficulties for economic expansion, lack of adequate industrial buildings and housing and, perhaps most critical, a shortage or limited water supply for many areas in the Region.

The states of the Four Corners Region are rich in energy resources, possessing a substantial portion of the Nation's coal reserves, half of its oil shale deposits, and rich reserves of oil, natural gas and uranium, as well as special climatic advantages for solar heat generation. The establishment of a national energy policy will give the kind of stability needed by the states and private developers to begin systematic long range ventures to provide more energy for the needs of the country.

While the Region looks to greater energy production, however, it is clear that without stronger efforts at conservation and the development of alternative and more cost-effective energy sources, certain kinds of economic activity may not grow--but decline. For example, many farm irrigation systems in the Region use natural gas to distribute the water. Probable near term price increases for natural gas are likely to force conversion of these irrigation systems to another power source or take the land out of production. In this and many other areas of economic activity, industry in the Region will be competing for available energy supplies with other parts of the country and must consequently look to strong programs of energy saving and the creation of new techniques and/or clean energy supply sources if the Region's economy is to prosper.

Even more critical than energy conservation to the Region's future is water conservation. Precipitation rates in the Region, lower than elsewhere in the country, make water resources the essential precondition to most development. But there is little unallocated water available for new industry. The conflict between water for energy development and other industrial and commercial uses is becoming more acute. To illustrate, the two coal gasification plants proposed for construction in New Mexico in 1974 would have required 80% of the state's remaining water for distribution. With supply so severly limited, the Commission sees water conservation and reuse as fundamental to any hopes for better employment opportunity for the Region's residents. The Commission has therefore developed new programs offering more economic stability and growth to an economy traditionally dominated by mining and agriculture and extending the resulting benefits of energy development to the Region's economically deprived while preventing or mitigating the adverse impacts of those developments.

The FY 1981 budget request of $8,637,000 will provide the Commission with $5,837,000 in technical assistance/demonstration funds to help devise new techniques and processes for solving regional problems and upgrading the occupational skills of the workforce, and $2,800,000 for the construction of essential public works.

Human resources: Education - Shortly after its establishment, the Commission completed a survey of the vocational training needs of the Region. Based on the recommendations of that study, Four Corners provided construction assistance to the training centers required to set up a compre-

hensive, region-wide grid of vocational schools. In the period of 1970-1975 aid was given to 36 area schools and help provided to 100 special projects for planning, curriculum and mobile demonstration units.

After the completion of the basic training network needed in the region, the Commission turned its attention to special training programs (particularly in energy resource development) or programs for vocational skills in short supply regionally. Examples of the former in 1979 include construction of mining training building at the Vocational School in Trinidad, Colorado; establishment of a mine electricians training course at the Steamboat Springs, Colorado, vocational center, and a uranium mining training center in Utah. Short supply skills were increased under 1979 programs for Instrumentation Technology training in Arizona and a practical nurse training program funded in Utah.

Health Care - In December 1978, the Commission and federal staffs of the Four Corners met with representatives of the Department of Health, Education and Welfare to examine the HEW designation system for setting health assistance priorities in the Region and to improve and coordinate project funding for rural health care centers. Using the information provided by HEW, the Commission presently limits its help to outreach programs for areas with limited access to health facilities. During FY 1979, health aid was typified by the statewide Colorado Rural Health Program, provision of medical equipment to the Health Clinic in Tucumcari, New Mexico, and the Health Care Clinic set up in the low-income western portion of Pinal County, Arizona.

Fiscal Year 1980 and 1981 education and health care programs are expected to continue the funding pattern of 1979 expenditures.

Industrial development and international trade: Construction aid for industrial centers was provided for three facilities, one each in Colorado, Nevada and Utah in 1979. Arizona funded the third year and Colorado the second year activity of state International Trade promotion programs. Nevada completed both the feasibility study and the implementation phase of the proposed Las Vegas Foreign Trade Zone.

Late in 1979 the Commission approved a grant to provide funds for its portion of initial work toward creating a major international trade promotion program. The States of the Four Corners and Old West Commissions are sponsoring this activity through the Western Governors Policy Office. While a number of the states in these two Commissions have individual trade promotion programs for either a single section or all of the major state products, the Western Governors believe that a single, coordinated effort would reduce possible overlap and duplication and strengthen the export sales of the Intermountain West. The program would be funded in two steps: (1) In 1980, the essential research involving inventory of products for export, international market need for those products, level and kind of services most useful to exporters and information/orientation market development workshops would be completed, and (2) In late 1980 and during 1981 the market development program would be implemented through the establishment of trade centers, special promotions, and ongoing trade information and product services programs.

Natural resources: The Four Corners Region is rich in energy and mineral resources -- poor in water. This paradox makes it essential that the Commission increase its work in both resource development and water conservation. Besides a substantial increase in demonstration projects using geothermal energy, the Commission continued to explore innovative uses for solar and wind energy as prime sources. It also sponsored a project to remove contaminants from water used for uranium milling, and thereby eliminate a serious environmental threat to mining community potable water supply sources. Aid for construction in 1979 went to fourteen small rural projects to conserve water supplies and improve water management.

In September 1979, the Commission funded the first phase of a special regional energy demonstration program. The first year's program concentrates on geothermal, hydro- and gasohol demonstrations but is expected to explore all potential energy sources attractive and advantageous to the Region. Concentration will be centered on the three previously mentioned alternative sources because each potential energy form is available

in substantial quantities in the Region and each, in principle, could be used to provide significant amounts of the power needed for development of the rural portion of the Four Corners Region. Activity in 1980 would center on identifying the best potential sites for development, the most efficient technology for power development, barriers to development, and financial sources for projects. Upon completion of these tasks, the Commission would, beginning in 1981, initiate individual demonstration projects and later, in cooperation with other public and private funding sources, assist in constructing renewable energy source projects wherever in the Region such energy development proves to be advantageous.

Agriculture and forestry: The focus of agricultural activity by the Commission is increasingly centered on new high yield (both in production and income) crops for the Southwest. Work continued in 1979 on projects for growing and processing guayule and jojoba, and expanded to show the feasibility of petroleum farming. All three projects are based on plants indigenous to the Southwest, and meet important national priorities. Not only would these products increase stability and income for farm families, but product processing would increase the Regional Gross Product significantly.

The Commission has now authorized an expanded low-water use agricultural program as one of its priority regional efforts. Although based on its projects in guayule and jojoba, it will explore the whole range of agricultural plants which are low water users and have high market potential. During the first stage of this expanded program (1980), the Commission would explore the whole range of potential new crops, examining not only production but processing and marketing factors. In the succeeding stage (1981), pilot demonstration projects for the new crops selected by Four Corners as having the greatest promise would be started.

Recreation and tourism: In 1979 the Commission, together with the tourism departments of all five states and the private sector, funded a comprehensive tourism promotion program designed to bring visitors to the unique scenic attractions of the Four Corners Region which has year-round and comprehensive facilities for all aspects of leisure.

Transportation: Work in transportation during 1979 included aid for road construction to a major new mining facilitity in New Mexico, technical assistance on feasibility of unit coal trains and the Commission program to improve air service to small and medium sized urban centers in the Region.

The program for improved commuter air service was designated by the Commission in July 1979 as one of its major regional initiatives. Over the past several years, the Commission, together with the Civil Aeronautics Board, State Departments of Transportation and other Western Regional Commissions has devoted substantial staff time to the improvement of air service for small and medium sized communities in the West. The new program will formalize and expand these activities, and concentrate on two tasks. One, assistance to communities in making their representations before the CAB for essential air service and aid to small cities to improve their opportunity to participate in the CAB Market Development Program, and two, joint efforts with state and local officials to develop the new routes recommended in the Commission's recently completed Commuter Air Service Study as the lines in the Region with high potential for increasing economic growth.

Regional economic analysis: This program is divided into three elements: (1) the necessary sector and other analytic work required to prepare the annual investment program based on the development plan, (2) the state and sub-state development planning studies needed to become part of each year's investment program, and (3) special projects such as a study of the fiscal impacts of land use conversion and analysis of regional rural banking and credit.

Government services: During 1979, the Commission helped 40 communities and areas of the Four Corners Region to complete the system feasibility studies needed to improve their water or sewer systems. It also provided supplemental grants for construction of expanded water or sewer systems

for eighteen towns. Over 75 percent of 1979 funds expended for government services by the Commission were used to upgrade the public utilities of small regional towns and thereby improved the growth potential of those communities.

Possible installation of a major new defense facility in the states of Nevada and Utah was announced recently by the Department of Defense. The construction of this new defense network, the MX Missile System, is currently estimated to cost $33 billion over the project construction period 1981 to 1990. Employment of the MX Project during the construction phase would be 22,000 over a five year period and the steady state operational work force for MX would be 11,000 to 14,000 for an indefinite period thereafter. Of the $33 billion total project construction cost, $8 - 10 billion would be expended on the site preparation at proposed locations in Utah and Nevada. These magnitudes make it clear the material procurement and skilled employee demands that will impact the two states and the Region and the size of the overall infrastructure and environmental impact caused by the project construction.

The Governors of Nevada and Utah, joined by the other governor members of the Region, have asked that a priority program be established through the Commission to study the economic and environmental impacts of this projected national defense expenditure on the two host states and the Region, and to recommend programs to mitigate the expected impacts. 1980 Commission and Defense activity will center on the necessary impact analysis for the communities and areas involved and during 1981 the states and the Commission expect to have prepared the impact mitigation and development planning programs for affected communities in the Region. The Commission will provide $400,000 in 1980 and the Department of Defense $1.5 million to fund the first phase of the program. During the second phase (1981) the Commission is expected to provide $200,000.

State investment planning: Funding to enable state staffs to carry out their expanded role in preparation of the state annual investment strategy and other required activities of the new regional growth policy process established by the 1980 Commission legislation.

New England - The Governors of the six States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont joined with a Federal Member to organize the New England Regional Commission in March 1967. This entity was to serve as an experiment in inter-governmental relations to demonstrate the feasibility of Federal and State governments' ability to find a common ground in developing economic policies and programs to help the region's economy grow. Today the experiment continues with the Commission having a greatly expanded authority provided by the Congress. This set of regional program objectives developed by the Chief Executives of the six States and the Federal Cochairman realistically supplements the ongoing efforts of some of the most advanced industrial and resource institutions in the world.

The Commission has consistently maintained its program priorities over the past six fiscal years and the state of the region's economy suggests that energy, transportation and commercial/industrial development will remain the areas that most need allocation of Federal, State and local resources.

The Commission has demonstrated its ability to focus its resources on programs and projects in the areas of concern impeding the economy of the region which do not lend themselves to being resolved by the individual State efforts. It is this regional focus by the State and Federal members on the problems facing the region that is the unique contribution of the Commission. To continue these programs of planning, technical assistance, and demonstration projects in 1981, $7,757,000 is requested.

An examination of the region's economy reveals that since the 1970-1971 recession, regional unemployment has been higher than the national average. The region's petroleum dependence is evidenced by a lack of indigenous energy resources that results in 88% of New England's oil coming from foreign sources while the country as a whole depends on imports for 35% of its supply. New England's rail transportation system, too, is in constant financial and operational difficulty. The Region cannot count on increased federal spending or a vigorously growing national economy to stimulate the Regional economies. Furthermore, the momentum of national market forces is including rapid growth in other regions of the country. However, the Commission's Task Force on Capital and Labor Markets told the Members in November 1971 that "building an economically healthy and environmentally

acceptable region is not beyond the reach of prudent economic policy." To this end the New England Regional Commission (NERCOM) programs are directed at bringing government, labor, business, and finance together in a collaborative process.

Industrial development and international trade: The program is based on the premise that public sector funds will continue to flow at a rate disproportionate to the region's economic need and that private sector funds will have to be stimulated by providing investment opportunities that will retain capital from leaving the region. The integrated set of programs will upgrade skills and improve the mobility of the labor force, and a dual program seeks direct foreign investments and the expansion of exporting by New England firms. Specific regional programs developed include:

Foreign Trade Program: During the past decade, foreign investment in the United States has increased rapidly; yet New England has not been a major beneficiary of the trend. As a result NERCOM has established and maintained an office in the World Trade Center in New York for the past five years. By doing this, the Region can compete directly for foreign investment, acquaint European importers with New England products, and provide New England manufacturers with European markets. Working with international trade specialists in each of the six States, NERCOM has attempted to also create a reverse investment that will greatly benefit the Region. It has done so by sponsoring foreign missions to Geneva to participate with United States representatives in the Multi-lateral Trade Negotiations meetings and to Japan to meet with Japanese business executives who are interested in locating in the Region. Also, NERCOM sponsored a highly successful electronics components show, Composants Electroniques '79 Fair, in Paris which has resulted in the creation of new jobs and increased volume of business for American firms. With an emphasis on small businesses, NERCOM has facilitated export opportunities for the region's strongest industries with special attention to the export potential of medical equipment, sporting goods and natural resource products.

Hazardous Waste Disposal: The Commission has completed Phase I of its Hazardous Waste Management Program. With the assistance of a report by Arthur D. Little funded by NERCOM, the program has established the environmental, economic and social parameters of the hazardous waste problem in New England. The Hazardous Waste Advisory Group which, with NERCOM staff support, is charged with developing a Regional approach for the safe and economic disposal of hazardous wastes in New England, is now turning to formulating regional recommendations.

Regional Travel Program: The Travel Program was designed to aid the development and growth of the region's tourist and recreation industries. As an economic development tool, the travel program will assist an industry which employs over 360,000 persons and generates $10 billion in income. The promotional activities launched by NERCOM included: (1) a multi-faceted advertising campaign entitled "I'll Take New England Any Day" designed to capture a larger share of the American Market. Television, radio, newspaper and magazine advertising were used; (2) a New England Conference on Tourism which brought together 300 representatives of the tourism industry to discuss common approaches to increasing the number of visitors to the region; (3) a Foreign Journalist Familiarization Tour sponsored by NERCOM with the assistance of the U.S. Travel Service. The tour was planned in conjunction with the Tourism Conference to encourage foreign visitors to travel to the region. The week-long tour included the three Southern States; another tour of the Northern states will be planned for next year.

New England Fisheries Steering Committee: Since 1974 NERCOM has supported this one group of representatives of fisheries organizations so that the domestic fishing industry can be re-established as an important segment of the New England economy.

Marketing development: The Commission has involved itself in a wide range of demonstrations which encourage the use of alternative resources and increase the value of currently under-utilized and low value fish. An outgrowth of these efforts is the need to identify a mechanism within the industry to assume overall responsibility for marketing programs. A step in this direction was taken with a conference jointly sponsored by NERCOM and the Department of Commerce which explored the foreign and domestic potential of marketing under-utilized species of fish.

RDP-15

62-212 O - 80 - 29

Natural resources: The Commission proposes to use all of the funds in this category for energy development and water conservation. The energy program is a success, as much for the process which developed the energy program as the program itself. The Governors have been provided viable energy policy options and recommendations to guide New England's energy future. This energy program continues the Commission's effort to provide a forum and a catalyst for the New England States, regional federal agencies, business, industry and academia to come together in cooperative efforts to limit New England's dependence on foreign oil by locating alternative sources of energy.

The process: Energy advisors to the New England Governors meet regularly to discuss regional energy matters--policy, response to national energy programs, regional energy analysis and progress on demonstration projects. This process has led New England to take common positions on energy issues having adverse impacts on the region, and such policy statements have led to significant changes in Federal energy policies.

New England energy policy: In late 1975 as a result of the above process, the six Governors reached unanimous agreement on a regional energy policy for New England, the first such regional policy in the nation. The document covers the spectrum from reducing the region's energy use by 20%, to greater and more effective utilization of the entire range of energy resources. The region now has a common strategy to evaluate Federal energy policies and guide internal state efforts in the energy areas. NERCOM is the mechanism and serves as the forum for these activities.

Private sector policy impact: The Energy Program works very closely with the New England Power Pool, an organization of all electric utility companies in New England, which centrally dispatches all power produced in the Region, and plans and approves new generation capacity. The Energy Program has brought the utility industry together with the state Public Utility Commissions to examine better ways for power planning, demand forecasting and new rate structure alternatives in New England. This extremely productive interaction between the states and the electric utility industry was brought about by the Energy Program, and this process should continue to be quite productive in the future and aid the region's industry and consumers.

Federal policy impact: The energy program enabled NERCOM to provide effective and constructive input into Federal energy policies which affect the region. NERCOM played a role in highlighting the need for adequate home heating oil supplies and monitored the build-up of supplies in the primary, secondary and tertiery storage sectors. The establishment of a Regional Petroleum Reserve has been a primary concern with presentations by federal officials and private companies being facilitated on this subject. NERCOM has sought to insure that the Department of Energy has and uses data, in preparation of gas rationing and conservation targets, which is accurate and sensitive to the region. NERCOM has provided testimony on oil import quota options in an effort to insure that any quota program will not have an undue adverse impact on the region.

New England Energy Management Information System: The Energy Program has developed and will continue to support the New England Energy Management Information System. NEEMIS is a computer system created by the Massachusetts Institute of Technology with support from the IBM Corporation which can provide an excellent facility to allow state energy officials to analyze the effect of alternative Federal and state energy policies, and to test out and evaluate longer term state energy plans. Again, this endeavor has utilized the Energy Program as a catalyst to bring together the states, industry and academia, and, together with Commission financial support, has created a valuable tool for the States to use in combating their energy and economic problems. This facility has been designated by the Department of Energy as a pilot user of the Department's Emergency Energy Management Information System (EEMIS).

Low-income weatherization: NERCOM granted more than $3 million from 1976-1980 for a region-wide program of winterization of low-income dwellings. This program has both an economic impact by providing 200 jobs for the unemployed and an energy impact by the savings of 8 million gallons of oil on the 40,000 dwelling units to be winterized.

Energy Offices: The Energy Program created energy offices to formulate, analyze, and disseminate output and results of the Commission's programs, and achieve regional coordination among the States. Commission assistance was a forerunner of the Department of Energy's program. This program has provided the states with a policy analysis and resource application capability which is not supported from other sources.

Wood Commercialization: The Commission supports with the help of the Department of Energy an expanding program designed to enhance the use of a prime New England resource -- wood. NERCOM, in conjunction with the Northeast Solar Energy Center and the Department of Energy, recently conducted an extensive conference on industrial wood conversion attended by some 225 representatives of actual or potential wood-burning firms. This conference was part of a Department of Energy-supported pilot project in wood conversion. DOE is publishing and distributing NERCOM-developed brochures on the efficiency and safe burning of wood for residential purposes. Consistent with its concern for consumer and business appreciation of wood as an energy resource, NERCOM is working to insure that wood resources are harvested in a manner incorporating consideration for the environment and the reliability of supply.

Nuclear Regulatory Commission Study: Under contract with the Nuclear Regulatory Commission, NERCOM is undertaking a comprehensive regional study of the environmental, technical and economic issues and data involved in assessing alternatives for power plant siting. The aim of this study is to provide a regional, integrated basis for siting and to enhance the capability of the states in applying the methods developed.

Low-income assistance planning: NERCOM has provided planning assistance to states to perform outreach and analysis of populations eligible for low-income energy assistance from both state and federal sources. With a severe New England winter and a doubling of home heating oil costs facing the region's citizens, this program, which predated federal action in this area, provides states with the capacity to avoid the delays in delivering assistance which have been a feature of past low-income assistance efforts.

Transportation: This program provides a planning and program capability to each of the six states and collectively through the Commission to insure the maintaining of a regional rail freight and passenger system and the development of an intermodal transportation system that insures access and modal choices between the economic centers of the region and among the national and international markets.

New England Rail Project begun in 1974 enables states to: respond quickly and often unanimously to issues and problems raised by the reorganization of the Penn Central under the U.S. Railway Administration; sponsor national legislation as an alternative method of rail reorganization based on the concept of public ownership of a fixed plant, analogous to the highways and waterways; develop a data collection that highlighted to the carriers their inadequacies in monitoring their business and spurred them to make improvements in daily accounting and reporting traffic; take leading role in 17 State Conference on Rail Reorganization to secure effective representation of state interests in rail planning decisions by U.S. Department of Transportation and other agencies; and create or expand rail planning capability to meet Federal planning requirements for eligibility for funds under the Regional Rail Planning Reorganization Act of 1975.

Rail rehabilitation: Through FY 1980, completing a 5-year plan, $15 million leveraged approximately $23 million from the railroads for materials, and supervision of 650 previously unemployed workers, to rehabilitate 500 miles of track. This is a follow-on to the Commission's rail study conclusion that high priority be given to certain rail improvements that would have significant regional impact and were not scheduled to be rehabilitated by public or private funds.

Rail Restructuring Study: In conjunction with the U.S. Railway Association and the Federal Railroad Administration, the Commission has undertaken a joint study effort which will examine alternative railroad industry structures and will ultimately lead to an implementation plan which will significantly aid in the revitalization of the Region's railroads. A principal goal of the study is the modernization

of the railroad industry through the enhancement of labor and management efficiency and thus overall industry productivity.

Essential Air Service : NERCOM is assisting the states in assessing the service needs of small communities and helping the states to construct technical appeals to the Civil Aeronautics Board in an effort to insure maximum guaranteed service.

Rail Passenger Service: A feasibility study is underway examining the reinstitution of rail passenger service between Boston, Massachusetts and Portland, Maine. This study seeks to address the economic safety and efficiency aspects of such service. Consistent with the goal of improving rail passenger service, NERCOM provides assistance to AMTRAK's Montrealer line by examining the operational efficiency of the service and the potential market promotion of the line.

Regional economic analysis: The Commission has supported public forums to discuss regional issues involving representatives of government, banking, business, labor, and the public at large. Programs include Capital and Labor Market formation, energy conservation, the economic impact of the two hundred mile limit, Canadian-American cooperation on energy and transportation. The Commission has used these recommendations as the basis for defining its programs. The Regional Development Plan was revised in 1976 and contains an analysis of the New England economy. The plan adds to the understanding of the region's economy and the States' economies, and proposes ways that unemployment may be reduced. A process was begun in 1979 which will yield a New England Growth Strategy before the end of FY 1980. Major state economic issues have been surveyed and the first meeting of an Economic Advisory Board has been held. This planning process is working in coordination with the Federal Regional Council to insure an advantageous mesh of federal and state planning.

State investment planning: The Commission continued to support State Management Grants to the States to (1) strengthen the planning programs and management capability within the States, so that they may more effectively analyze their needs, opportunities and resources, and develop and manage their programs so as to achieve maximum benefits of public investors; (2) improve the ability of each state to develop and coordinate programs designed to effectively meet established priorities; (3) identify key problems and opportunities within each State which have regional significance and appropriate program alternatives to meet regional needs.

Old West - The goal of the Old West Commission reflects that of the Regiona generally: controlling its energy boom to protect the historical quality of life while converting the benefits of the boom to long-range economic improvement for the area and better social services for its residents. While energy development and consequent industrialization occupies an increasingly important role in the Region's economic picture, agriculture remains its primary interest and one of the Commission's primary objectives is expanding production and marketing of its livestock and food products. Other key objectives include assisting State and local governments in meeting the socio-economic problems associated with rapid energy development; expanding its industrial base and creation of more national and international marketing opportunities; upgrading worker skills through several vocational training initiatives; protection of natural resources; improvement of health, and transportation and recreational services, especially in sparsely-populated rural areas.

The Commission seeks these objectives by assisting the States and their subdivisions in planning for feasible economic development, by providing interstate coordination of comprehensive regional efforts to achieve appropriate objectives, by technical assistance in the form of demonstration and research grants enabling the Region's institutions to bring to the effort the latest technical and technological advancements, and by supplemental grants enabling local governments to more fully capitalize upon Federal grant-in-aid programs.

The budget request for this program for FY 1981 is $7,728,000, of which $1,200,000 is for supplemental grants and $6,528,000 is for technical assistance, planning and demonstration.

Human resources: Health care ancd vocational training are the primary areas of activity in this budget category. The Commission now is supporting demonstration primary health care projects in each State and continues to seek successful means of bringing adequate health care to underserved rural areas. The most promising development in the vocational training effort involved inauguration of a regional industrial startup training program in which the Commission, through the State industrial development departments, offers to assist and encourage new and expanding industries by preparing and conducting startup training courses for them. This is the first industrial startup training program in the nation to be attempted on a regional basis.

Industrial development and international trade: The Commission continues its aggressive international trade program which features a regional office in Frankfurt, Germany, and this year boasts the addition of a State Department specialist, on an intergovernmental personnel act agreement, to serve as technical advisor to the program. The program during the coming year will rely even more heavily on regional participation in trade fairs, trade missions, reverse investment seminars and workshops, and a variety of technical aids to assist manufacturers in efforts to expand their exports. The international marketing program is looking with increased interest at the Far East where the Commission effort to date has been largely confined to an agricultural orientation.

Natural resources: Energy development impacts upon the region's precious natural resources continue to be a source of major concern for the region. The Commission, among its other efforts, has two exceptional programs in this area: First, its Energy Research Information System which endeavors through a computer-based program to track all western energy-related research and development to help avoid duplication as a service to all institutions and firms involved in this area, and secondly, operation of a rural water office in Bismarck, North Dakota which is expanding its services to rural areas. With water increasingly recognized as the key to the limits of the region's energy development, the program of helping rural areas solve their water problems is becoming extremely popular and our water office is unable to handle all the demands placed on it.

Agriculture and forestry: Twin objectives feature Commission efforts in this area -- Continuing support for research and demonstration which appears critical to expanded production in the region's livestock and food crops, and a concerted effort to expand international markets for the region's foodstuffs, especially in the Far East. The Commission has now opened a marketing office in Tokyo and from its Billings (Montana) office conducts an aggressive national and international marketing program of searching out leads for regional products and coordinating their supply through the various State agricultural marketing offices. A number of research and demonstration projects, initiated to meet specific regional problems, have resulted in commercial applications. For instance, a series of projects involving feeding aspen chips to cattle has resulted in Food and Drug Administration approval of aspen chips as a livestock feed and the inauguration of several commercial manufacturers; Commission development of a no-till drill to help compensate for its saline seep problem has led to commercialization of the equipment.

Recreation and tourism: The Commission program to expand the region's tourism season at both ends of the spectrum continues but results have been clouded by the intermittent gasoline problems and threats thereof which have combined to reduce tourist traffic in the region. A feasible and generally-supported long-range tourism strategy for the region is being developed.

Transportation: The past year was a busy one for the Commission in this area of activity, and coming years appear to be no less challenging. As the national trend toward deregulation of both air and surface transportation continues, the upheaval caused in the Old West's rural areas places the Commission in the forefront of efforts to maintain reasonable transportation facilities to small communities. It is expected that the Commission's practice of supporting air transportation studies to offset airline abandonment proceeds will continue, and it is also expected to be called upon to furnish additional support, such as it has done this past year, for local or regional initiatives to overcome large railroad abandonments.

Regional economic analysis: The program to provide econometric modelling services for the assistance of State and local planning is increasingly utilized and continues. As a census year approaches, the Commission also is providing support for the States in comprehensive utilization of census results for their economic planning.

Government services: One of the most popular Commission programs ever undertaken is provision of assistance to local governments impacted by energy development. The Commission has been sponsoring such technical assistance for many years and in the absence of Federal legislation providing help to the communities, the Commission program continues to be the only one in which a community can secure "front-end" assistance in meeting some of the socio-economic problems and attendant impacts upon public services and facilities which necessarily accompany sharp population increases brought on by energy development and industrialization. Other government services include sponsorship and coordination of a variety of meetings at which officials of the five States are able to exchange information and arrive at mutually-agreeable plans or solutions to combat regional problems. Such meetings are held for city managers and mayors, and for State legislators. Similar benefits in regional cohesiveness are achieved through regular meetings of the Commission's various advisory committees which serve the function of bringing officials of the states together to discuss common problems.

State investment planning: The Commission annually provides support to the State governments in their investment planning process. Such support forges an important link in a bottom-up planning system which extends from local governments up through the Commission's regional plan. Commission state investment planning grants are used to plan appropriate economic development strategies, analyze state economic requirements and develop plans of action as necessary to accomplish them.

Ozarks - The five state Ozarks Region of Arkansas, Kansas, Louisiana, Missouri, and Oklahoma has a total land area of 323,496 square miles or 8.9% of the land area of the United States. Its 1979 population is estimated at 16,500,000 or 7.5% of the United States total. The Region encompasses a number of densely populated metropolitan areas and large expanses of sparsely populated rural areas with a large number of small cities, towns, and villages.

The unifying physical characteristic of the region is its interconnected, navigable inland waterway system on the Mississippi, Arkansas, Missouri and Red Rivers. Climatological problems range from the western portion of the region which suffers severe period of aridity to the eastern portion with the continuing hazard of flooding.

The region, as a whole, has long lagged behind the nation in per capita income. Within the region there are severe problems of high unemployment in areas of Louisiana and Missouri, underemployment in much of the rural areas of four States and static population in Kansas. While the region provides almost one-third of the Nation's domestic oil and one-half of its natural gas, its heavy reliance on these diminishing fuels is causing deep concern for the future of the region's economy. While the region's transportation network is generally good, large areas are by-passed by major transportation arteries and certain of its railroads face uncertain futures. The relatively low rate of labor force participation, because of lack of job opportunities, especially in the rural areas, and lack of effective employment development in these rural areas has led to an inability to raise non-federal public capital for the very community facilities required for economic development.

The problems of the region are analyzed and addressed by the approved Regional Economic Development Action Plan, which projects an eight year program of regional action aimed at specific objectives centered in public investment to help create jobs.

The Commission annually reviews its goals and objectives and the progress being made toward them and reaffirms or alters priorities for Commission action. For FY 1980 and FY 1981 the Commission has determined that it should place increased emphasis on the development and utilization of

alternative energy sources, particularly those found in the Region and the development of a strong regional approach and program in international trade. The increased emphasis in these program areas does not denote any reduction in the Commission's commitment to improving the overall conditions of the Region, particularly those in the Human Resources area, but is a recognition of the importance of energy and international trade to the nation's and Region's economic health.

The FY 1981 budget request of $10,638,000 will provide $3,723,300 for planning, research, technical assistance and demonstration projects and $6,914,700 for use in assisting high priority public facility projects through supplementation of basic grant-in-aid projects.

Human resources: The persistent problem of underemployment, especially in the rural areas of the Region, responds to a matching of job opportunities and skills training related to these opportunities. The Commission very early recommended a regional strategy for vocational-technical training geared to the types of industry which are attracted to the Region, in order to help carry out its objectives to raise per capita income. In the past 12 years, using the regional analysis as a basis, the Commission has assisted by supplemental public facility grants, over 70 vocational-technical education projects using as leverage some $11 million of Ozarks funds and $30 million in federal and local funds to provide these modern facilities for the people of the Region. Outside evaluations of these projects has shown that the Ozarks funds stimulated the vocational education system to modernize to meet the needs of industry. During FY 1980 and FY 1981 the Commission will continue to provide assistance to improve vocational technical facilities through the Region.

A major technical assistance effort in FY 1980 will be to analyze the manpower requirements for alternative energy sources development and the designing of the appropriate courses of study to provide the identified skills. Implementation will require funding for facility improvements and new equipment.

Industrial development and international trade: Significant postions of the region have and are participating in the industrial expansion associated with the growing southeastern and southwestern areas of the nation. A major objective of the Commission is assisting rural growth centers to absorb a part of this expansion so as to provide higher paid jobs for the people of the rural areas. The Commission has utilized over $62 million in helping communities create and expand public facilities for industrial growth. An evaluation of those projects by the Commission shows positive employment and income gains associated with every project. This continuing Commission-established evaluation process confirms an earlier independent analysis which showed 8,900 new jobs with annual new income of $61 million directly attributed to 24 Commission assisted projects. The Commission will continue to provide $2 million in financial assistance for high priority industrial development projects in FY 1981.

During FY 1980, the Commission approved an initial international trade program consisting of four major parts -- (a) an analysis of the ability of the Region's products to compete in international trade, identification of the markets for the Region's products, development of a comprehensive regional international trade plan designed primarily to assist small, new-to-export firms, and an implementation strategy with strong emphasis on strengthening and utilizing existing governmental and institutional services; (b) development of an educational program to be utilized in attracting small firms to exporting; (c) developing and hosting a trade fair in the Region to attract foreign buyers for the Region's products; (d) development of literature on the Region's export products, activities, and services, and translating them into appropriate foreign languages for publication.

These activities are well underway and $1 million of FY 1981 funds will be utilized to accelerate the full implementation of the international trade program.

Natural resources: The Ozarks Region is one of the nation's principal suppliers of natural resources such as lead, zinc, iron ore and petroleum. It is the country's major domestic supplier of natural gas. Because of this dominance in natural gas, it is encountering severe problems since far too great a portion of its industry is solely dependent on this fuel. The Commission has completed a regional energy alternative study which contains specific recommendations to the states and the Federal Government. A number of these recommendations require demonstration as to feasibility. They include how to obtain the most effective utilization of major lignite deposits in Arkansas and Louisiana; easing the impact of unit coal trains now traversing the region; and the shifting of industry and public buildings from natural gas to alternative fuels.

The Commission has funded a number of alternative energy related activities such as gasahol, low-head hydro-electric power, methane, coal gasification, and solid waste conversion. Although no increase in funding is requested, the Commission will utilize a larger share of the $1 million for alternative energy related technical assistance and demonstration projects.

Agriculture and forestry: The Region continues to rely on the U.S. Department of Agriculture for major assistance to agricultural well-being. During FY 1980, the Commission provided assistance to a number of small farm related activities including a produce marketing cooperative study, a survey of small farm characteristics, and an identification and promotion program for small farm products.

The Commission also conducted an Agriculture/Energy Conference for agricultural and energy producers and suppliers, as well as government officials, where the problems and opportunities of energy as it relates to the Region's agricultural economy were examined and discussed. During FY 1981 the Commission will continue to provide assistance for high priority agriculture and forestry projects related to small farm activities.

Recreation and tourism: The Commission has helped to finance a small number of state-owned major tourism facilities where it could be shown that the project would generate significant new tourism income. The major program effort of the Commission has been concentrated in a multi-state tourism promotion program seeking new tourism income on a regional basis. Up to $300,000 will be required for this program in FY 1981 and the balance of the funds for assisting in publicly owned tourism and recreation facilities. The key elements in the Commission's regional tourism program are a five state cooperative effort to publicize the Region as a tourism destination together with a series of "package tours" and regional advertisements in key national publications.

Transportation: Several developments in recent years point to major changes in the Region's transportation network. Within the last two decades, four major east-west highways have been built as part of the National Interstate Highway System. In the 1970s, access to the sea was provided to all the states of the Region with the completion of the McClellan-Kerr River Navigation System. This 25,000 mile inland waterway system has become increasingly important to the Region and the Nation as an energy-efficient form of transportation. Changes in air service have also occurred across the Region, as the age, fuel inefficiency, and high unit operating cost of aircraft combine to bring about the decline and deterioration of small community air service. Additionally, after many years of declining use, the Region's railroads are again being looked upon as a significant transportation alternative.

During FY 1979, the Commission invested over $1.3 million in transportation projects designed to improve the effectiveness and efficiency of the Region's transportation network and to make all parts of the Region accessible to adequate transportation services. Technical assistance and demonstration projects accounted for $229,000 of this amount, and included master plans for four non-system airports and the development of an extended county road and bridge program.

The Commission has initiated a small Community Air Service Assistance Program, to assist communities in the Region in preparing for and participating in air service activities relating to the Airline Deregulation Act of 1978. In addition, the Commission began a $100,000 project in

Arkansas to demonstrate the energy, travel time, and cost efficiencies resulting from providing transportation to and from place of employment by vanpool.

It is estimated that 400 automobiles will be taken off the streets and highways through the use of the vanpools, and over 400,000 gallons of gasoline will be saved annually. The requested funds of $555,000 will be utilized for technical assistance, demonstration, and supplemental grants for transportation projects. Priority will be given those projects related to energy savings.

Regional economic analysis: In FY 1979 the Commission began a major revision of its Regional Plan. This revision continues through FY 1980 and FY 1981 and includes an updating of the regional data base, a new economic analysis of the region to fit changing trends and developments and to better align the regional program to coordination with developing federal and state programs. A major emphasis during FY 1981 will be adjusting to new legislative requirements and suggestions and the development and/or adjustment of the Commission goals, objectives, and strategies to reflect recent changes in the nation's and Region's economic and energy conditions.

Government services: With an increasing emphasis by federal line agencies in major urban rehabilitation, the need to effectively support rural/urban centers requiring improved public infrastructure must be borne to a greater extent by the states and localities. To assist the localities the Commission will fund up to $1,029,000 in a continuation of its community development program. In addition the Commission will continue its technical assistance program concerning improvement of the management of those government services which affect the efficiency of economic development delivery systems and regional coordination of federal and state programs.

State investment planning: The Ozarks Regional Commission requires each of its member states to update annually a State Ozarks Development Plan and Program tied to the Regional Economic Development Action Plan. The resulting annual reports include evaluation of previous Ozarks projects and present the goals and objectives of the states' economic development program as they relate to the regional plan. In addition, the states are supported by the grant in their liaison and work functions in helping to carry out and monitor the regional program within each state. This program will require $350,000 in FY 1981.

Pacific Northwest - The Pacific Northwest Regional Commission covers the States of Washington, Oregon and Idaho. The Commission programs focus on commonalities in development problems and opportunities among the three states. The natural resource endowment of the Region is perhaps the foremost commonality among the three states. Therefore, a large percentage of the Commission's resources and attention have been given to activities that make the most efficient and effective use of the Region's natural resources in the areas involving agricultural, fisheries, timber, water resources and energy. In addition, the resources of the Commission will be used to help stimulate other Federal and private sector actions to overcome development problems and to take advantage of opportunities to promote a more positive attitude for the development of the Region. The Commission is continuing its efforts under its International Trade program to promote export expansion for the Region. Planning, studies and investigation, and demonstration activities will be approved which provide the greatest potential for future innovative regional programs and projects. A total of $7,250,000 is requested to carry out the FY 1981 program.

Human resources: The Commission's activity in this category includes manpower training, vocational education, and employment services programs targeted to Pacific Northwest human and economic needs. Health care projects conducted in cooperation with the Department of Health, Education and Welfare are underway in each of the Region's three states. Various projects will continue to be undertaken in an effort to increase and improve access to a rural social services delivery system for the three states.

Industrial development: In FY 1981, the Commission will continue its present efforts to promote regional investment in new industrial enterprises. Development of a more diversified manufacturing base, especially in rural areas, will be pursued as a means of ameliorating the Region's present

severely seasonal and cyclical employment patterns. Improved coordination of land planning and site development with the real needs of the business sector should facilitate maturation of the secondary manufacturing base in highly urbanized areas, thus presenting significantly greater opportunities for siting of satellite industrial operations in rural communities. Organized efforts will be made in each state, with collective coordination at the regional level, to advise and assist in providing new and expanding industries with information and technical services which will facilitate recruitment, training and other assistance to private sector employers and encourage development. The Commission will continue its on-going study of regional economic indicators and will participate in funding projects for industrial park development and port district development.

International trade: The three states of the Region are vigorously pursuing a regional program of foreign trade expansion with the two most significant thrusts of this program being to expand markets for the Region's agricultural and finished wood products commodities. The budget for fiscal year 1981 will allow continuation of the Commission's international trade activities with respect to both wood products and agricultural commodities. Emphasis will be placed on participation in overseas trade shows and cooperative sponsorship of events drawing buyers into the Region. The Commission has established and maintained an office located in Tokyo, Japan, for the past two years. As a result of this office, the Region can compete directly for foreign investment and acquaint Japanese importers with Pacific Northwest products, and provide Pacific Northwest manufacturers with Japanese markets. The Commission has recently sponsored foreign missions to Australia, Venezuela, and China to participate in such activities as a Forest Industry and Machinery Exhibition and Agro-Industrial Show. In addition, the Commission has developed and published a Forest Product Machinery Catalog as a means to stimulate exports of benefit to the Region's economy.

Natural resources: The natural resources program focusses on three resources which are common and economically significant to the Pacific Northwest states. These are water resources, fisheries, and energy.

Water resources: The Columbia Basin water resource links together the economies of the Pacific Northwest states. It provides the base for the Region's agriculture and fish resources, and through hydroelectric development, supplies the greatest share of the Region's electric energy supply. Water transportation to ports hundreds of miles inland has provided the basis for continued economic growth in the Region. To coordinate management and development of this truly regional resource, the Pacific Northwest River Basins Commission, which includes not only the three states of the Regional Commission, but four other adjacent states, was formed. The Commission's role in water resources has been one of coordination with the River Basins Commission. Examination will be continued in the conservation and prudent use of the Region's water resources.

Recent Commission water resource projects have included a Coordinated System of Accessing Water Rights which developed a water rights information system resulting in a uniform reporting format common to all states so data transfer can be easily facilitated. This project has also included the development of a river mile location system and a common stream identification system. The Commission is continuing its efforts to develop a Ground Water Basin Management strategy for the Region.

Fisheries: The Commission will continue to implement prior recommendations of the Columbia River Fisheries Management Plan with emphasis being placed on the development of a multi-state coordination mechanism for fisheries management, and a simulation model of the Pacific Northwest anadromous fish resources as a tool for evaluation of alternative management technicques and policies. The Columbia River Fisheries Council was created by the Pacific Northwest Regional Commission to better coordinate efforts to improve the anadromous fisheries resources of the states of Oregon, Washington and Idaho. The planning, research, and development of anadromous fisheries resources is coordinated through this program. It is expected that this program element will continue through FY 1981. The Commission is continuing funding for the Columbia River Modeling project which is a multi-agency, multi-year effort to quantify contributions of various stocks to the individual fisheries and provide a useful tool to examine changes in management policies. This program is providing data that is

essential to facilitate wise management of the Pacific Northwest salmon and steelhead fisheries. It is anticipated that this program will continue through FY 1982.

In recent years, it has become apparent to the Pacific Northwest that early survival of juvenile salmon in the ocean is a part of the life history of this important fish that is not totally understood. Therefore, the Commission implemented a study to determine the physical and biological parameters that affect the survival of this specie; actual research will continue through FY 1985. The funding of this project will allow anadromous fish managers to more accurately predict harvest of salmon and stocks in both ocean and freshwater fisheries.

Energy: In the Pacific Northwest, energy is a truly regional resource. FY 1981 funding will permit further implementation of the Commission's Northwest Energy Policy Project recommendations. This program would continue assistance for the planning and development of district heating systems utilizing industrial waste heat, biomass, solar and geothermal resources in the Pacific Northwest. The Commission will continue its efforts to promote and motivate innovative energy project demonstrations using innovative but commercially available techniques to supply energy from renewable resources. A few examples of areas of consideration are industrial wind generators, solar to supply industrial processed heat, gasifiers to use biomass to fuel existing natural gas boilers, and the creation of energy efficient farming techniques. The Commission will continue its weatherization program started in FY 1980 consisting of providing assistance which complements and supplements existing state and federal weatherization programs to increase their effectiveness. The program involves the (1) filling of gaps in existing programs, (2) marketing of weatherization programs, and (3) coordination of existing and proposed programs.

Agriculture and forestry: Both agriculture and forestry provide the base for a large proportion of the Region's economy. Both sectors support a large work force directly, and also provide the raw materials for major manufacturing activity. Historically, the growth of the Pacific Northwest has been intimately linked to forestry and agriculture, but the past two decades have witnessed generally declining employment levels, often accompanied, however, by increasing production. In addition, cyclical instability in these sectors has been and continues to be, a major disruptive force in the Region's economy. The Commission's agriculture program has focussed on analysis and impediments to agricultural production (disease, pests, noxious weeds, for example) and the broadening of the agricultural base through introduction of new crops and expanded regional processing of agricultural products. Efforts in this program in FY 1981 will continue to emphasize research and demonstrations leading to expanded production and eradication of impediments peculiar to the area, to expansion of agricultural produce markets, and the protection and enhancement of agricultural resources.

The major emphasis in the regional forestry program has been development of an inventory of timber supplies in the Region plus a projection of future supplies under a variety of management assumptions. This analysis was prompted by reports from the U.S. Forest Service which showed that timber supplies in the Pacific Northwest would probably decline sharply over the next two or three decades. The Commission's regional Forest Productivity study shows that while under conditions of present management practices timber might well decline, the widespread application of modern timber management techniques could negate the declining trend. In order to begin demonstrating the effectiveness of these techniques, the Commission in FY 1976 began a Forestry Incentives Program keyed to non-industrial forest land holdings. The program's intent is to encourage improved management of lands that the Productivity Studies showed were producing timber at a rate considerably below their potential. Early results of the program indicate that modern timber management on these lands may result in a significant production increase. During FY 1980, the Commission sponsored a Non-Industrial Private Forest Inventory and Critical Forest Practice Study. The study will produce information on forest conditions existing on non-industrial private lands. This information will help to accelerate wood fiber production and provide assistance for the landowners with on-going soil surveys. Forest practices on 40,000 different operations are being evaluated to determine which practices should receive special environmental impact statement consideration.

Recreation and tourism: In recent years the Commission has placed greater attention on this program since tourist spending holds a great potential for diversifying the economic base of many Pacific Northwest communities. During FY 1980 the Commission expanded its tourism promotion activities to international markets with the goal of encouraging off-season travel in order to reduce the seasonal employment effects on the tourist industry. The key elements in the Commission's regional tourism program is a cooperative effort to publicize the Region as a tourism destination together with a series of package tours and regional advertisements in national publications, and other media. In FY 1981, the Commission will continue its efforts to market energy-wise pre-planned experiences all year long and further develop the Region's potential for new dollars by utilizing energy-conscious pre-planned experiences.

Regional economic analysis: The Commission feels that maintaining and improving a set of economic resource data is necessary to sound programming. Thus a relatively small, but continuing, proportion of funding, will be allocated to data collection and analysis in Fiscal Year 1981. Since FY 1975, the Commission has been involved in a rewarding technology transfer program which is expanding the capability of state and local governments through the use of satellite imagery, high altitude remote sensing, and other space age techniques. Begun as an experimental effort by the National Aeronautics and Space Administration, U.S. Geological Survey, and the Commission, the program now has expanded in national scope, application, and significance. During FY 1979, the Commission completed the initial establishment of data access facilities in strategic locations in the Region, and during FY 1981 will continue to provide assistance in expanding the use of the scientific data in forestry, agriculture, and land use and other disciplines now in use. In addition, resources will be expended during FY 1981 to update portions of the Commission's long-range economic development plan.

State investment planning: Fiscal Year 1981 funding of the investment planning of the member states will provide the continued capability of each state to determine its own economic development priorities. The commonalities in these priorities provide the basis for the Commission's programs.

Southwest Border - The Commission has completed its initial assessment of the development needs of the region and identified specific actions to be taken within the States to promote balanced growth and economic development. Project activities of a very limited nature have been funded to assist the potential of solar energy in the region as an alternative energy resource to improve economic and living conditions in low-income areas; to increase production of guayule to promote this alternative source of natural rubber for national use; to further international trade to other countries and foreign investment in the region; and to establishment of a data and information resource system in the region to facilitate research and analysis on a wide range of subjects affecting growth and development in the border areas of the United States and Mexico.

No significant departures from the areas of program emphasis in Fiscal Year 1980 have been incorporated in the requirements for FY 1981. With only one year of operations in implementing the regional plan, only limited inroads have been made in achieving the basic objectives of the program. Major improvements will require sustained efforts over a 5- to 10-year period, considering the high levels of unemployment and the low-income levels in the region. The Commission would continue to place priority on industrial development and related activities which will increase job opportunities. Solar, geothermal, and wind energy development would also be given a high priority for domestic and foreign investment in the region. In addition, a few areas in the region with basic problems in health, vocational training, housing or other support services would be assisted in getting essential, corrective activities under way.

The Commission is initiating a multi-faceted regional program that will result in a more positive environment for stimulating economic development in the region. Some of the region's most serious employment and income problems could be alleviated if it can be demonstrated that private sector investments will bring a reasonable return. Additionally, improvements in health conditions and skills abilities will demonstrate the value of the local workforce and serve as an incentive to attract business development and expansion. The recognized potential of the region's natural energy resources will provide a further opportunity to promote economic growth, but will require a full assessment of the resulting impact on environmental

and social conditions. The region will also be better prepared to address its transportation needs. Recent cooperative relations between the United States and the Government of Mexico also provide opportunities for resolving some of the major border issues and the Commission programs will complement these efforts.

The Commission's initial efforts in FY 1980 will attempt to avert a further decline of the basic social and economic conditions in the region. These efforts will provide incentives to encourage potential private sector investors and to make the economy of the region less dependent on governmental support. The Commission is requesting $6,505,000 to continue its regional development program activities in Fiscal Year 1981.

Human resources: The basic health and educational needs of people in the region will be addressed through demonstration programs to prepare residents of the border area for greater participation in development opportunities. Such efforts are essential to remove barriers to public and private sector investment in the region. Priority attention will be given to the expansion of vocational education programs, especially in developing skills to meet anticipated growth in such areas as energy development, electronics, and food processing.

Industrial development and international trade: The Commission will cooperate with the Economic Development Administration in sponsorship of a business investment program to promote the development and expansion of private enterprises in the border region. Support will be provided for small business industrial development programs in several border communities, including technical assistance and supplemental grants to assist in the development of public facilities necessary for economic development. Foreign investment in the region will be encouraged through promotion in national and international media to inform foreign investors on the economic potential of the border areas.

Natural resources: The Commission will aid in developing the potential of the region's natural resources in order to become an energy surplus area. Specific areas for further research and development are in the fields of solar energy, geothermal energy, petra-agriculture, and fossil fuel. These alternate energy sources will be used in the production of electricity to increase productivity in agriculture and industrial development. The Commission's efforts will also include alternate energy use for low-income and rural homes to reduce the economic burden of high fuel costs.

Agriculture and forestry: The Commission will support agricultural production programs for arid lands. Its efforts to further development and commercialization of guayule as an alternative source of natural rubber, will continue in view of the economic potential in several areas of the region. Exporting of the region's agricultural commodities will also be supported.

Recreation and tourism: The climate and character of the Southwest make tourism and recreation a significant economic factor throughout the region. Cooperative efforts between the United States and the Government of Mexico to promote tourism offer significant promise for the future. The Commission's tourism efforts in 1980 will concentrate on developing cultural and recreational attractions along the border.

Transportation: Access to markets is the life-force of business and economic development. An examination of the region's available transportation resources indicates the need for more convenient access to non-regional markets. Considering the time and non-Commission resources necessary to achieve a better transportation system, short-term efforts will concentrate on increasing goods and services in areas close to the region, such as Los Angeles, Albuquerque, Phoenix, Dallas, San Antonio and Houston.

Regional economic analysis: The Commission will complete its comprehensive regional development plan in FY 1980. Regional planning efforts in FY 1981 will be provided through the joint efforts of the staff of the regional office of the Commission and the offices of the States and Federal members, under the state investment planning category.

Government services: Areas in the region that will be involved in demonstration efforts to promote economic development will receive some limited support for improving public infrastructure. The Commission will also provide technical assistance to help improve the management of government services.

State investment planning: Extensive support for the regional development program is provided through the State offices of the Commission which will continue to update their State development plans and facilitate the activities and programs approved by the Commission in support of the regional plan.

Upper Great Lakes - The Upper Great Lakes Regional Commission serves the northern "cutover" region of the three states of Wisconsin, Michigan and Minnesota, which have a common economic and social history and share long-term economic problems, caused largely by the rapid, unplanned exploitation of their timber, mineral, fishery and agricultural resources in the late 1890's and early 1900's. By identifying these common long term problems and drawing upon the substantial resources of universities, state and local government agencies, private sector business leaders, and civic leadership, the Commission identifies opportunities for new economic growth and formulates and implements action programs and projects to ameliorate or correct such economic problems. The 12 year history of the Commission program shows that direct investments of some $51.8 million in UGLRC projects has "leveraged" a total investment of $314 million dollars. There is a direct correlation between these investments and the visible economic improvement in many areas of the region. The Commission has invested another $25.7 million in technical assistance projects in the region. The FY 1981 budget request of $6,465,000 will provide $4,202,000 for supplemental grants and $2,263,000 for technical assistance, planning and demonstration projects.

The most significant development in the Commission's 12 year history is the rather sudden reversal of long-term unfavorable population trends. Commission-financed studies document that UGLRC counties are now growing more rapidly than metropolitan counties, and more rapidly than the three states as a whole. This creates new opportunities for successful economic investments in the future, but also places new burders on the region to create additional job opportunities which will be needed by future in-migrants. 800,000 new members are projected to be added to the labor force of the region by the year 2000.

The public investment strategy of the Upper Great Lakes Regional Commission identified in the long-term plans and the yearly investment goals are aimed at:

creating a more favorable economic climate for expansion of key growth-generating industries such as recreation-tourism, service industries, mineral extraction and processing industries, small manufacturing, and industries based on agriculture, forestries and fishing;

identifying, helping to preserve and improve, and publicizing unique scenic and recreational resources with national appeal, such as the Apostle Islands National Lakeshore, Voyageurs National Park, Isle Royale National Park, Porcupine Mountains State Park, and the scenic Circle Tour around Lake Superior. Promotion of this "network of star attractions" is a key element in a strategy to obtain substantially increased investment and incomes from the rapidly growing recreation industry and the related boating, hunting, fishing and outdoor industries;

protecting the quality of the environment by encouraging carefully planned growth with maximum citizen input, and by coordinating and integrating local, state and Federal development programs;

improving the rail, highway, air and Great Lakes transportation system of the region to encourage recreation-tourism and also to lower freight costs and improve two-way trade between the region and domestic and foreign markets;

equalizing vocational-education and manpower skill training opportunities in a region which has had an indequate local tax base, temporarily declining populations, and limited political recognition;

identifying energy related problems and opportunities in the region, and developing plans to deal with them. For example, the cold climate and distance from energy sources creates problems; on the other hand, recent massive in-shipments of western coal and innovative developments in better utilization of forest and alternative fuels such as peat and methane gas create new opportunities;

coordinating and integrating -- under the Governor and state development plans at the state level and under the Commission and its regional plan at the regional level -- a broad spectrum of economic development programs.

Regional action planning: With limited resources for both planning and implementing economic development projects, the Commission has elected to employ a small planning staff of its own and tap the substantial resources of the three states and the substate planning and development districts which all three states have. Commission-funded "technical assistance" projects as well as "supplemental grants" are reviewed to assure that they deserve high priority in state and regional development plans. The Commission provides a mechanism for integrating state economic development planning and state uses of federal funds with the grant-making authority of agencies such as EDA, FHA, HEW, Heritage Conservation and Recreation Service, and the National Park Service. Such interagency planning helps assure greater public benefits from all investments, and emphasizes the "leverage" potential of limited commission funds which "trigger" local, state, Federal and private sector investments many times as large as the small Commission investment.

Human resources: Commission studies show a strong attachment to the area by present and former residents, and demonstrate that a major asset is its still substantial human resources. Commission efforts have centered on equalizing education and training capabilities so that manpower would not have to leave the region to be developed and so that other areas would not have competitive manpower advantage in attracting and holding employers. Expansion of Federal funds for vocational and manpower training has caused the Commission to carefully review all of its requests for training assistance to make certain that all sources of funds are being used to their highest advantage. Special emphasis is being given to training for new vocational opportunities in the region based on the resources found there, which will reinforce existing growth trends, and not threaten the environment. To date, the Commission has made over 371 project investments totalling $13,974,491 in the human resource category.

Industrial development: The region must maintain the industries it has and attract new industries to offset highly seasonal employment patterns, to provide adequate employment and incomes for present residents and expected increases in future residents. Working with state and local industrial development agencies, the Commission has identified industries most suited to the region, created a network of excellent industrial parks throughout the region with good water, sewer and transportation linkups, and is testing demonstration programs to enable communities to construct shell buildings to attract industries. Centers in all three states have been staffed and funded to provide management and other technical assistance to industries and small businesses. Future efforts will concentrate on filling up industrial parks already built and developing industries related to the region's unique resources, especially mining and forest products. Major new mineral discoveries forecast a reversal of declining employment in mining.

The more than 227 industrial site projects supported by the Commission over the past nine years have had total costs exceeding $115 million. The first phase of a regional evaluation of these investments indicate that job increases in industrial development projects in Wisconsin were significant.

Natural resources and environmental protection: The Commission must plan carefully to achieve broad-based economic growth without threatening natural attractions which form the base of its outstanding tourist potential. Research and demonstration projects have pioneered in developing low cost waste treatment systems for small communities, to overcome an obstacle to development and at the same time protect valuable natural resources. Research has sought ways to identify impacts of massive new mineral extraction and possible refining and smelting developments. Grants have made possible improved local planning activities to assure that expected developments are compatible with Coastal Management plans and state and Federal environmental standards.

Also under this category, the Commission has undertaken an energy conservation and information program to provide the Region and the States with the systems and policy base for intelligent use of energy supplies. In FY 1975, the Commission began investigations of new energy sources in the Region, concentrating on the use of its vast peat resources as a basic fuel and its potential for gasification.

Recreation and tourism: Because of the limited national growth of manufacturing employment and the special nature of the region, recreation and tourism offers the most outstanding immediate potential for rapid economic development. Commission efforts center on specific steps to offset energy related problems of the tourist industry, encourage year-round recreation and tourism (to reduce the previous seasonability of the industry); to attract both capital investments and tourist dollars from populous areas outside the region; to protect and promote the "network of natural attractions" already there and to help develop related facilities such as ski hills, marinas, cross country ski trails and tourist trains; to improve the management skills of the many small business persons who comprise most of the region's resort industry, and who face serious problems; to improve air, rail and bus transportation for tourists visiting the region, and to promote "package tours" tying together transportation, lodging and recreational activities. Special Commission publications will identify the "package" -- the recreational opportunities of the region -- and publicize them in metropolitan areas outside the region. Professional travel writers have been brought to the region and shown its special qualities. The Lake Superior Circle Tour will continue to be promoted as a way to encourage public understanding of the total regional network of recreational resources of the region, rather than just one site.

Transportation: Development of an adequate, all-mode transportation system for the region remains a high priority. The Commission has succeeded in restoring rail passenger service between Minneapolis-St. Paul and Duluth-Superior, a vital link in recreation as well as trade and business. Railroad car ferry service across Lake Michigan has been carefully studied and temporarily assisted to prevent serious economic consequences if abandoned. Numerous rail studies have been financed to assist communities in generating revenues needed to maintain service and fight off abandonment. Extensive investments have been made in rail and highway links to industrial sites. Extensive airport investments have greatly improved air service, but such requests have stopped because of more liberal funding from other agencies. Air travel assistance presently centers on attracting third level service to additional communities and making such service profitable by stimulating recreation and tourism patronage.

State investment planning: To provide the necessary planning basis for the Commission's public investment strategy, the Commission has funded each State with State Public Investment Planning grants. These grants are used to plan, administer, and evaluate the Commission's programs and to fund specific technical assistance projects which aid the States in the investigation and analysis of economic development potential.

62-212 O - 80 - 30

New Commissions - The 1980 budget requested funds to establish four new commissions. At the time that this budget was prepared, action had not been completed on the 1980 request. New commissions will develop regional long-range comprehensive plans which will address the needs of the Region in order to develop a comprehensive program for providing technical assistance, planning, and demonstration projects to generate economic opportunities and foster regional development. Under pending reauthorization legislation, new commissions will also be able to supplement federal grant-in-aid programs.

Changes for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Four Corners	...	$ 8,701	...	$ 8,637	...	-$64

In order to strengthen the Commission staff role in the initiation and development of projects and to promote and develop programs having greater regional impact, the Commission is proposing to transfer $64,000 from the program budget to the Commission staff budget. The Commission is proposing an increase of $300,000 for its Agriculture and Forestry program from $750,000 to $1,050,000 to accelerate the priority low water use agriculture program keyed on crops that combine low water and energy demand, high market potential, and promise of expanding the Region's industrial base. An increase of $156,000 for Government Services, from $2,344,000 to $2,500,000, is required for the Commission's contribution to the second year activities of the MX Missile Program. These increases, as well as the overall program decrease of $64,000 will be accomplished by reducing the Human Resources program by $360,000, from $1,160,000 to $800,000, and by reducing Recreation and Tourism by $160,000, from $360,000 to $200,000. Fewer training and rural health care projects will be funded in FY 1981, and the Commission will eliminate consideration of special state and sub-state tourism development projects such as the Colorado High Plains Tourism Development, Utah Snowmobile Resort Development, and Greater Nogales Area Development presently underway, and provide only for a maintenance level of support to the regionwide Tourism Promotion project sponsored by the Commission, the Tourism Departments of the five States, and the private sector.

Ozarks	...	10,633	...	10,638	...	+5

An increase of $1,000,000, from $2,820,000 to $3,820,000, is requested for Industrial Development and International Trade in order to accelerate the implementation of the Regional International Trade Program. The key focus of the program will be assistance to small, new-to-export firms. In order to offset that increase, the Transportation program will be reduced by $995,000, from $1,550,000 to $555,000. The Commission is also proposing to increase Regional Economic Analysis from $300,000 to $800,000 in order to revise and update the regional plan so as to better conform it to changing data and to the revision of federal and state programs. This increase will be accomplished by reducing Government Services from $1,529,000 to $1,029,000.

Upper Great Lakes	...	6,477	...	6,465	...	-12

In order to help offset built-in increases in the Commission's staff budget, the program budget will be decreased by $12,000, and the reduction will be applied to Transportation, which will decrease from $800,000 to $788,000.

New Commissions	...	1,600	...	2,000	...	+400

By decreasing one-time start-up costs in the 1980 budget and transferring contractual costs for studies from the administrative budget, the program budget can be increased by $400,000, from $1,600,000 to $2,000,000. This will provide four new commissions an average of $500,000 each for program development and implementation in FY 1981.

Activity: Development programs
Subactivity: Office of Regional Development

	1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Regional development (total requirements).....	...	$ 50 (415)	...	$50	...	$50	...	...

Goals and Objectives

Goals: To carry out the Secretary's responsibilities to provide coordination and policy guidance to the Federal Cochairmen of the Regional Commissions, as provided by law, and to provide technical assistance to the Commissions to further the purposes of the Act.

Objectives: To provide studies, plans, data, and other technical assistance in support of each Region.

Base Program

The 1981 budget request for regional development, $50,000, will be used in support of the Secretary's responsibilities to provide coordination and policy guidance to the Federal Cochairmen of the Regional Commissions, as provided by law. The Special Assistant to the Secretary for Regional Development also provides technical assistance to the Commissions. This request would fund such activities as review and evaluation of Commission comprehensive long-range economic development plans, review and analysis of requests to form Commissions or change regional boundaries, assistance in the areas of energy and natural resource development, provision of economic data, support for improved state and regional management and planning capability, and participating in policy and training conferences to further the objectives of the Regional Commissions.

FY 1979 funding included the development by the Bureau of Economic Analyses of State quarterly economic development data, a pilot project for the Regional Growth Policy Process, a study on balanced economic growth, and participation in the development of Civil Aeronautics Board policy on airline service to small communities.

Activity: Administration
Subactivity: Federal Administration

	1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains	9	$ 396 (433)	9	$ 428	9	$ 415	...	-$13
Four Corners	9	374 (407)	9	431	9	417	...	-14
New England	9	384 (494)	9	429	9	415	...	-14
Old West	9	459 (498)	9	507	9	488	...	-19
Ozarks	9	366 (376)	9	398	9	386	...	-12
Pacific Northwest	9	410 (496)	9	449	9	402	...	-47
Southwest Border	7	318 (338)	7	369	7	356	...	-13
Upper Great Lakes	9	360 (405)	9	398	9	377	...	-21
New Commissions	...	...	16	1,380	16	944	...	-436
Office of Regional Development	18	546 (747)	21	799	21	778	...	-21
Total requirements	88	3,613 (4,194)	107	5,588	107	4,978	...	-610

Goals and Objectives

Goals: To effectively, efficiently, and responsibly administer the regional commission program and to foster mutually supportive Federal-State development programs.

Objectives: Develop, review, approve, and evaluate program proposals; monitor development programs, projects, contracts, and grants; provide specific expertise as needed to direct regional development programs; and coordinate Commission programs with other Commissions and with other Federal, State, and local agencies.

Base Program

Provide for monitoring, evaluation, and liaison functions, and administration of program funds, to ensure that the Federal Government's interests are protected.

Decreases in FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains Regional Commission	9	$428	9	$415	...	-$13

The decrease of $13,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increase, and a reduction in purchased services. The object class detail for the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$3,000
Other services	-10,000
Total	-13,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Four Corners Regional Commission	9	$431	9	$417	...	-$14

The decrease of $14,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increases. The object class detail for the decrease follows:

Object Class	Amount
Other personnel compensation	-$6,000
Travel and transportation of persons	-7,000
Standard level user charges	-1,000
Total	-14,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
New England Regional Commission	9	$429	9	$415	...	-$14

The decrease of $14,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increases, and a reduction in purchased services. The object class detail for the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$4,000
Other services	-10,000
Total	-14,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Old West Regional Commission	9	$507	9	$488	...	-$19

The decrease of $19,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay raises, and a reduction in purchased services. The object class detail for the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$8,000
Other services	-11,000
Total	-19,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ozarks Regional Commission	9	$398	9	$386	...	-$12

The decrease of $12,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increases, and an increase in equipment purchases offset by a reduction in purchased services. The object class detail for the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$5,000
Other services	-10,000
Equipment	+3,000
Total	-12,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Pacific Northwest Regional Commission	9	$449	9	$402	...	-$47

The decrease of $47,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increases, and a reduction in purchased services. The object class detail of the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$6,000
Other services	-41,000
Total	-47,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Southwest Border Regional Commission	7	$369	7	$356	...	-$13

The decrease of $13,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increases, and an increase in space rental offset by a reduction in purchased services. The object class detail of the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$5,000
Standard level user charges	+4,000
Other services	-12,000
Total	-13,000

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Upper Great Lakes Regional Commission	9	$398	9	$377	...	-$21

The decrease of $21,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of the cost of October, 1979 pay increases, and a reduction in purchased services. The object class detail for the decrease follows:

Object Class	Amount
Travel and transportation of persons	-$4,000
Other services	-17,000
Total	-21,000

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
New Commissions	16	$1,380	16	$944	...	-$436

The decrease of $436,000 in 1981 is due to decreasing estimated personnel costs by absorbing part of the October, 1979 pay increases and to a reduction in non-recurring start-up costs requested in the 1980 budget. The decrease by object class detail follows:

Object Class	Amount
Permanent positions	-$12,000
Other personnel compensation	-147,000
Total compensation	-159,000
Personnel benefits	-9,000
Other services	-268,000
Total	-436,000

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of Regional Development	21	$799	21	$778	...	-$21

The decrease of $21,000 in 1981 is due to the requirement to reduce travel and to absorb 40 percent of October, 1979 pay increases. The object class detail for the decrease follows:

Object Class	Amount
Other personnel compensation	-$5,000
Travel and transportation of persons	-6,000
Other services	-10,000
Total	-21,000

Activity: Administration
Subactivity: Administrative Grants

	1980 Currently Available		1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Coastal Plains	...	$ 300	...	$ 300	...	$ 300	...	...
Four Corners	...	211	...	236	...	300	...	+$64
New England	...	350	...	350	...	350	...	...
Old West	...	200	...	225	...	225	...	...
Ozarks	...	340	...	340	...	340	...	...
Pacific Northwest	...	125	...	140	...	174	...	+34
Southwest Border	...	200	...	200	...	200	...	...
Upper Great Lakes	...	180	...	191	...	210	...	+19
		(181)						
New Commissions	...	...	...	1,120	...	1,120	...	...
Total requirements	...	1,906	...	3,102	...	3,219	...	+117
		(1,907)						

Goals and Objectives

Goals: Effective coordination of regional commission activities by responsible review, evaluation, approval, implementation and monitoring of development programs and projects.

Objectives: To support the non-federal staffs of the Commissions in developing and implementing Commission programs.

Base Program

The Federal Government, as required by law, provides 100 percent of the financing for the administrative staffs of New Commissions, and 50 percent of the costs of other Commissions, with the States in each Region sharing the balance of the costs.

Increases in FY 1981

	1981 Base		1981 Estimate		Inc. (+) or Dec. (-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Four Corners Regional Commission	...	$236	...	$300	...	+$64

The increase of $64,000 in 1981 will be for a grant to the Commission to provide one-half of the cost of increases in pay and other expenses and three additional non-federal positions. The Commission intends to play a more active role in the initiation and development of projects, and rely less on the origination of outside applications. This change is consistent with the intention to promote and develop programs having greater regional impact. Such programs which are currently underway include geothermal energy development and the commercialization of indigenous agricultural products such as guayule, which can produce a natural rubber, and jojoba, which can produce a wide range of products from lubricating oil to cosmetics. The Commission is also working closely with federal agencies, such as the Department of Defense, the U.S. Geological Survey and the Farmers Home Administration, in the development and administration of cooperative programs for which the Commission can obtain technical expertise and provide liaison and coordination with State and local government agencies.

Pacific Northwest Regional Commission	...	140	...	174	...	+34

The increase of $34,000 in 1981 will be for a grant to the Commission to provide one-half of the cost of increases in pay and other expenses and for an executive director and two program monitors to oversee project compliance. These additional positions will strengthen central administration, management, and accountability in compliance with the intent of pending legislation.

Upper Great Lakes Regional Commission	...	191	...	210	...	+19

The increase of $19,000 in 1981 will be for a grant to the Commission to provide one-half of the cost of increases in pay and other expenses and the addition of an executive director.

Summary of Requirements by Object Class
(dollar amounts in thousands)

Appropriation: Regional development programs

Object class		1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount	Emp. 12/31
11	Personnel compensation:										
11.1	Permanent positions	107	101	$ 3,287	107	101	$ 3,275	...	...	-$12	66
11.3	Positions other than permanent	13	10	216	10	5	58	-3	-5	-158	8
11.5	Other personnel compensation			2			2			...	
	Total	120	111	3,505	117	106	3,335	-3	-5	-170	74
Other objects:											
12	Personnel benefits			296			286			-10	
21	Travel and transportation of persons			322			274			-48	
22	Transportation of things			5			4			-1	
23.1	Standard level user charges			207			211			+4	
23.2	Communications, utilities, and other rent			310			310			...	
24	Printing and reproduction			52			52			...	
25	Other services			843			455			-388	
26	Supplies and materials			53			53			...	
31	Equipment			45			48			+3	
41	Grants, subsidies, and contributions			68,753			69,199			+446	
	Total requirements			74,391			74,227			-164	

Justification by Object Class
(dollar amounts in thousands)

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. (+) or Dec. (-) Pos.	Inc. (+) or Dec. (-) Av. No.	Inc. (+) or Dec. (-) Amount	Emp. 12/31
11.1 Permanent positions										
General schedule	21	21	$ 580	21	21	$ 580	...	...	...	12
Executive level	12	12	633	12	12	633	...	...	...	8
Comparable to general schedule.	74	68	2,074	74	68	2,062	...	...	-$12	46
Total, permanent positions	107	101	3,287	107	101	3,275	...	...	-12	66
11.3 Positions other than permanent										
General schedule	1	1	10	1	...	5	...	-1	-5	...
Daily and hourly rate employees	5	4	153	...	...	...	-5	-4	-153	3
Comparable to general schedule.	7	5	53	9	5	53	+2	...	...	5
Total, positions other than permanent	13	10	216	10	5	58	-3	-5	-158	8
11.5 Other personnel compensation										
Overtime			2			2			...	
12.1 Personnel benefits										
Civil Service Retirement			232			231			-1	
Federal Insurance Contributions Act (FICA)			12			2			-10	
Health insurance			40			41			+1	
Life insurance			12			12			...	
Total, personnel benefits			296			286			-10	
21.0 Travel and transportation of persons										
Per diem			82			69			-13	
Air fare			203			168			-35	
Other common carrier			3			3			...	
Privately-owned automobiles			11			11			...	
GSA vehicle			2			2			...	
Other			21			21			...	
Total, travel and transportation of persons			322			274			-48	
22.0 Transportation of things			5			4			-1	

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc. (+) or Dec. (-) Pos.	Inc. (+) or Dec. (-) Av. No.	Inc. (+) or Dec. (-) Amount	Emp. 12/31
23.1 Standard level user charges.....			$ 207			$ 211			+$4	
23.2 Communications, utilities and other rent										
Federal Telecommunications System.....			156			156			...	
Other telephone, telegraph, and teletype services.....			52			52			...	
Postal services by USPS.....			10			10			...	
Other space rental.....			28			28			...	
Rental of office copying equipment.....			64			64			...	
Total, Communications, utilities, and other rent.....			310			310			...	
24.0 Printing and reproduction										
Envelopes.....			2			2			...	
Other printing and reproduction			50			50			...	
Total, printing and reproduction			52			52			...	
25.0 Other services										
Training:										
Civil Service Commission.....			6			6			...	
Maintenance of equipment.....			2			2			...	
GSA reimbursable services.....			2			2			...	
Centralized Departmental services			179			179			...	
Other major items:										
Studies and evaluations.....			654			266			-388	
Total, other services.....			843			455			-388	
26.0 Supplies and materials										
Miscellaneous administrative supplies.....			53			53			...	
31.0 Equipment										
Office machines and equipment..			45			48			+3	
41.0 Grants, subsidies, and contributions										
Grants.....			68,753			69,199			+446	

BIOGRAPHY OF MR. SOPONIS

Mr. ALEXANDER. Since this is your first appearance before this committee Mr. Soponis, we will insert your biography at this point in the record.

[The information follows:]

BIOGRAPHY OF MENTO (CHUCK) SOPONIS

Mr. Mento (Chuck) Soponis is the U.S. Department of Commerce, Acting Associate Deputy Secretary.

Mr. Soponis was born on May 19, 1944, in Minersville, Pennsylvania. He earned an A.B. degree in politics from Princeton University in 1966 and a J.D. degree from George Washington University in 1969.

As Acting Associate Deputy Secretary, Mr. Soponis is responsible for relations between the Commerce Department and the business community, for maintaining liaison with other government agencies, coordination of the Department's field programs, and representing the Secretary in matters relating to regional development commissions.

Mr. Soponis also serves as the Commerce Department's liaison with the White House on all non-career personnel matters and assists the Deputy Secretary in developing and implementing policy. The Regional Offices of the Secretary coordinate their activities through the Office of Regional Affairs.

He previously served as confidential assistant to Anne Wexler, former Deputy Under Secretary appointed as Special Assistant to President Carter. Under Wexler, Mr. Soponis worked with agency heads, policy staffs and field offices to improve intradepartmental coordination of various Commerce programs.

Before coming to the Commerce Department, Mr. Soponis worked in the Office of Political Coordination for the Carter/Mondale Transition Office during the transitional phase of the present Administration.

From 1975 to 1977 he served as legislative counsel to Illinois Congressman Tim L. Hall, and from 1972 to 1975 was a partner in the Stamford, Connecticut law firm of Brennan, Dichter and Brennan. From 1969 to 1972, he was an associate in the Durey and Pierson law firm, also in Stamford.

While living in Stamford, Mr. Soponis served as a Community Mental Health Center Director, was a founding member and director of the Stamford Ambulance Corps and was president of the Stamford Jaycees. He served on the executive committee of the Stamford Fair Housing Committee and ran unsuccessfully for First Selectman (mayor) in New Canaan.

GENERAL STATEMENT

Mr. ALEXANDER. We would be pleased to hear your statement at this time.

Mr. SOPONIS. Thank you, Mr. Chairman. Thank you for the opportunity to appear before you to present the revised 1981 budget request of $43,838,000 for the Regional Development Program.

This budget request is $30,389,000 less than the January budget of $74,227,000, and reflects the difficult budget decisions that President Carter has made as the Federal budgetary response to rising inflation.

This reduction defers funds for new commissions and reduces funds requested for the existing Commissions. The Commissions estimate that supplemental funding of public works facilities will be reduced from $23,059,000 estimated in the January request to $9,791,000, and that funding for technical assistance, planning, and demonstration projects will be reduced from $40,921,000 estimated in the January request to $28,361,000.

Although direct project funding will be reduced, the Commissions will retain and enhance their more important roles in program planning and coordination at Federal, State, and sub-state levels.

We believe that the Commissions are sufficiently mature and flexible to respond positively to these reductions and will use this opportunity to examine and execute more effective alternative approaches to fulfill the regional development mission. We expect more precise targeting of Commission funds. We expect, in the aggregate, greater proportionate outlays for regional activities addressing the needs of two or more States.

Lastly, we believe that the Commissions will more aggressively pursue what we call the growth policy process whereby Commissions will identify better utilization of Federal and State investments and Federal policy adjustments designed to meet regional needs and priorities.

In short, Mr. Chairman, these budget cuts will occasion some redirection of Commission activities. Nevertheless, the Commissions retain sufficient resources to continue to make important contributions to regional development.

REAUTHORIZING LEGISLATION

The funding authorization for this program expired at the end of September, 1979. Reauthorizing legislation has been passed by both the House and the Senate and is currently in conference. The administration supports the reauthorization.

We cannot say with complete assurance what the Congress will determine on the final reauthorizing legislation, but many of the basic provisions of the program are consistent in both bills. The major focus of the legislation is on development processes and management improvements and will clarify the functions of the Commissions and the roles of the Secretary of Commerce and the Federal Cochairmen within the program.

The Federal Cochairmen are responsible for fostering a collaborative setting in which both State and Federal members jointly determine regional development policy, and for presenting, in behalf of the Commissions, a regional development plan, annual investment strategy or program, growth policy recommendations, legislative recommendations, and reports on the activities of the Commissions.

The Federal Cochairmen are also responsible for coordination of Commission programs with Federal departments and agencies. A Regional Development Council, composed of the Federal Cochairmen, has been recently established as a mechanism for consultation with the Department of Commerce regarding policy and administrative improvements.

One of the main thrusts of the new legislation concerns the problem of myriad government programs at Federal, State, and local levels. There is a problem not only in the numbers of programs but also in the ways that they affect one another.

THE REGIONAL GROWTH POLICY PROCESS

The legislation will provide, through the Commissions, a mechanism for addressing some of the problems, at least in areas affecting regional development. The Commissions will be authorized to develop and implement a regional growth policy process which will

be coordinated with development policies and programs at all levels.

The regional growth policy process will include a multi-year regional development plan, annual investment programs or strategies, and annual regional growth policy recommendations. The President will be authorized to establish or to use an existing senior-level interagency committee or mechanism to provide program coordination and support for the regional development plans, programs, and regional growth policy recommendations of the Commissions.

The purpose of this provision is to provide a channel for the States to make known their policies and decisions on developmental projects to the Federal program managers whose programs can affect those decisions. The process provides for assistance, participation, and coordination among development programs and planning activities of Federal, State, and sub-state organizations. There are also provisions for the participation of States, local governments, the private sector, and sub-state planning and development organizations in comprehensive development planning.

The growth policy process enhances the participation of all levels of government in the identification and implementation of both national and sub-national development policies. This strengthens the role of the Commissions and the participating States in responding to such policies.

NATIONAL POLICIES AT THE REGIONAL LEVEL

In looking at just three program areas, affecting airline deregulation, trade development, and energy, we can see how the Commissions can respond to the implementation of national policies having strong regional dimensions.

REGIONAL AIRLINE DEREGULATION

Regional airline deregulation has resulted in the loss of air service to small towns and communities. Responding to this regional concern is close to a classic problem in regionalism: the effects are not confined to just the individual communities; the responses, in the form of logical routes and schedules, must be worked out so that the service is productive and profitable; and there are often interstate issues that must be dealt with.

The Commissions successfully have worked with the Civil Aeronautics Board, State Departments of Transportation, and local communities to prevent or mitigate the loss of such service. The Commissions have provided research and data for presentation to the CAB, have assisted the CAB in developing policy on air service to small communities, have been represented before the CAB in current matters concerning the Small Community Air Service Program, and have participated in public meetings on new programs.

The Commissions assisted local communities in responding to CAB questions on the Small Community Air Service Program, commented on CAB rule-making and participated in a seminar on the program. The Commissions also assisted communities in meeting facilities requirements for participating in CAB market development programs. A number of Commissions have also supported

demonstrations of small community airline service through technical assistance to commuter airline companies.

EXPORT PROMOTION

Export promotion is another national policy issue with strong regional aspects. With the emphasis given exports throughout the country and with the disposition for any number of State and local governments to try to capitalize on that growing trend, the Commissions have been able to bridge over some of the potential inefficiencies and duplications by centralizing various trade promotion activities and efforts.

The Commissions have participated in trade fairs, trade missions, reverse investment seminars, and workshops. They also took part in a joint Commerce/Commission conference on developing the foreign and domestic potential of marketing underutilized species of fish.

The Commissions have provided analysis of the region's products, identification of markets, assistance to firms that are new to export operations, and trade fairs to attract foreign buyers to the region. One Commission developed literature on its region's products, activities, and services and had it translated into foreign languages for publication.

In sum, the Commissions have proceeded on the basis that there are some trade development activities that can be economized, with the result that regional benefits can be realized at less cost than if the same things were done independently and singly by separate States or cities.

ENERGY

In energy, the Commissions have pursued development of alternative sources of energy, conservation, policy development, and information systems. They are also concerned with the socio-economic impacts of large-scale energy development. These activities have included geothermal development, solar heating, and wind energy conversion, water conservation and hydropower development, and renewable energy development.

The latter includes biomass conversion and the use of wood for heating and power generation. As with the other policy areas, the principal emphasis has been to economize the research and support by helping the States avoid duplication and repetition, while securing energy benefits for the whole region.

REGIONAL BOUNDARIES

In regard to new regions and boundary modifications, the pending legislation will provide for the Secretary to recognize appropriate development regions upon the written request of the Governors of the States in the region. Each area of the nation can be included in no more than one region, and each region is to be multi-state. Some areas not now in a development region will seek to join existing regions. Some have done so.

Additional funds have not been requested in this budget to accommodate boundary adjustments in existing regions, and the allocation of appropriated funds, which is based on a formula at the

62-212 O - 80 - 31

direction of the Congress, will not be adjusted from the allocation in the budget request without guidance from the Committee.

ADMINISTRATIVE IMPROVEMENTS

There are a number of provisions in the pending legislation concerning administrative improvements. One of these would require the Secretary to adopt procedures and regulations which would include provisions relating to records to be kept by Commissions and recipients of Commission funds, administrative policies and procedures of the Commissions, and the establishment and operation of a management information system. Each Commission will also be required to employ an executive director as the chief administrative officer of the Commission.

On a positive note, for the last several months, the Federal Cochairmen, the Governor-members of the Commissions and the department have worked to develop a collaborative process to facilitate program improvements, better communication and a closer working relationship. As a result of that work, all Commissions and the department have signed an agreement which more clearly delineates our roles and mutual responsibilities under the authorizing statute. By mutual agreement, we have decided to utilize the Regional Development Council, composed of the Federal Cochairmen, as the focal point of a collaborative process which includes the Governors and the department.

This concludes my statement. Mr. Chairman, the Federal Cochairmen and I would be pleased to answer any questions.

Mr. ALEXANDER. Thank you very much, Mr. Soponis. We appreciate your statement. I would like to ask you some questions.

FISCAL YEAR 1980 SUPPLEMENTAL REQUEST

The Regional Commissions are currently operating under a Continuing Resolution for fiscal year 1980. What is the operating funding level under that Resolution?

Mr. SOPONIS. It is $62,800,000.

Mr. ALEXANDER. The President intends to withdraw the pending fiscal year 1980 supplemental request of $11,205,000. What would be the impact on the program if the Congress accedes to the President's proposal?

Mr. SOPONIS. We would operate at the funding level the Commissions have been operating at for this fiscal year to date, $62,800,000.

STATUS OF AUTHORIZATION

Mr. ALEXANDER. Do you know the status of the authorization bill which is now pending in conference?

Mr. SOPONIS. It is in conference.

Mr. ALEXANDER. Would you like to expand upon that? Have you kept up with the status of the conference? Can you outline the major issues remaining to be resolved prior to agreement?

Mr. SAULINO. The last we heard, the Committee has not called another conference, and, beyond that, we just don't know.

PROPOSED TITLE CHANGE

Mr. ALEXANDER. I noticed that the title that you are proposing for this program for fiscal year 1981 is the Regional Development Program. The former title was the Regional Action Planning Commissions. Of what significance, if any, is this change in the title of the program?

Mr. SOPONIS. The role envisioned in the pending legislation is that the Commissions would be more active in development activities, the regional growth process. Planning is an integral part of what they do, but it is not the sole activity that would be carried out by the Commissions.

Mr. ALEXANDER. I don't think I understand that.

Mr. SOPONIS. The nomenclature of regional action planning commissions implies that planning is their sole function. Their function goes beyond planning, and includes the coordination of development activities within their region, based upon plans that will be developed and are developed, relying upon sub-state and local planning units and State units to develop a regional plan that takes into account all of these.

In addition, there is project money that takes them beyond the planning stage.

PLANNING FUNCTION

Mr. ALEXANDER. Do you envision planning on a regional basis which would replace the scope that is now envisioned by the sub-state regions?

Mr. SOPONIS. If you would repeat the question.

Mr. ALEXANDER. How is the Regional Development Program going to get into planning which goes beyond the State and the sub-state process that we are familiar with?

Mr. SOPONIS. Those plans will be incorporated in the regional plan and the Commissions will have the opportunity to take those in the framework of the entire region in dealing with the States and Federal agencies and the interaction that they will have in attempting to influence the Federal programs that are going into the region.

Mr. ALEXANDER. To what extent will that replace the State function?

Mr. SOPONIS. I don't think it will replace the State function at all.

Mr. ALEXANDER. To what extent will it replace the Federal function?

Mr. SOPONIS. The intent is to make the Federal function more efficient and more responsive to the regional need.

Mr. ALEXANDER. How has your action with reference to energy coordination and planning made the Federal function more efficient?

Mr. SOPONIS. As an example, energy activities have taken place in several of the Commissions, and I would ask your leave to have several of the Federal Cochairmen explain the kinds of activities they have undertaken.

EXPORT ACTIVITIES

Mr. ALEXANDER. You mentioned export activities. How would the Regional Development Program coordinate with the President's Export Council, and how would your activities make the effort of the President's Export Council more efficient?

Mr. SOPONIS. The President's Export Council is a policy function. The Commission export program is a hands-on operation where the Commissions are dealing in cooperation and consultation with the International Trade Administration, both in assisting and complementing ITA's efforts to involve more of the businesses within their region on a coordinated basis to aggregate those interested in trade.

Mr. ALEXANDER. You mentioned a minute ago that your new role would encompass planning. Would not planning encompass policy?

Mr. SOPONIS. Yes.

Mr. ALEXANDER. Then how would your role in developing policy based upon plans make the efforts of the President's Export Council more efficient?

Mr. SOPONIS. An example I could give is that several of the Commissions recently conducted regional trade missions. Based upon their experience and the results from those, one of which was more closely allied with existing procedures, and one of which was somewhat independent of those, provides us a way to examine those procedures.

Mr. ALEXANDER. Aren't you, in effect, duplicating the efforts of the President's Export Council?

Mr. SOPONIS. I don't believe so.

APPROPRIATION COMMITTEE INVESTIGATION

Mr. ALEXANDER. The Appropriations Committee has conducted an investigation of this program, and I would like to refer to some of the Surveys and Investigative Staff findings in order to pursue a line of questions.

The Investigative Staff was directed to review the operations of the Regional Action Planning Commission Program including the extent to which the program has achieved regional objectives, as opposed to State and local objectives; the extent to which the program duplicates planning and technical assistance, and demonstration programs of EDA or other Federal agencies; the extent to which demonstration projects have resulted in permanent improvements or new programs; and an assessment of the accounting and budgetary practice of the Commissions.

The Investigative Staff found that under the current program, the Department of Commerce and the Commissions have a number of interrelating roles and responsibilities. However, a clear and mutually agreed definition of the relationship has never been put into effect. As a result, an adversary relationship has developed over policy direction and operations of the Commissions.

Why has cooperation been a problem in the past?

Mr. SOPONIS. There has been a dynamic tension about the extent of the authority of the Secretary of Commerce. The authorizing legislation refers to coordination of Commission activity, does not mention supervision, but with the mandate of making sure that

Federal funds are effectively expended, the Secretary and the Department have felt that there was a need for a certain amount of supervision.

That had been a problem in the past.

Mr. ALEXANDER. Mr. Soponis, are you saying that you support a stronger role for the Governors in the decisionmaking process over how funds are expended in the pursuit of the objectives of the Regional Development Program?

Mr. SOPONIS. we have arrived at a sense of collaboration through an agreement that was reached where the Governors, the member-Governors, the Federal Cochairmen, and the Department would work together.

Mr. ALEXANDER. Is the Congress privy to that agreement?

I think it would be relevant for you to make that agreement known to the Congress, and you may do so at this point in the record by submitting a copy of that agreement as part of your testimony.

Mr. SOPONIS. Fine. Thank you.

[The following information was submitted:]

REGIONAL DEVELOPMENT PROGRAM OPERATIONS AGREEMENT

An agreement between the Regional Development Commissions and the Secretary of Commerce has not been finalized. A copy will be forwarded to the Committee as soon as the agreement has been approved by all parties involved.

THE REGIONAL DEVELOPMENT COUNCIL

Mr. ALEXANDER. Mr. Soponis, what, if anything, could be done to improve that relationship in the future, and if you have any plans, what role would the Regional Development Council play in those plans?

Mr. SOPONIS. Currently, we are working with the Regional Development Council as part of this agreement, which I understand was forwarded to the authorizing committees when it was reached——

Mr. ALEXANDER. Was it forwarded to the Appropriations Committee?

Mr. SOPONIS. I don't believe so.

Mr. ALEXANDER. Then in the future, all such communications that are directed to the Congress should be directed to the Appropriations Committee as well as the authorizing committee.

Mr. SOPONIS. A point well taken.

The Regional Development Council will be more actively involved than the Federal Cochairmen have been previously in the policy considerations and determinations involving the Regional Commissions.

SUPPLEMENTAL GRANTS

Mr. ALEXANDER. With respect to planning objectives, the Investigative Staff found that some Commissions are spending an inordinate amount of their resources on supplemental grants. The projects are generally public works type projects, which primarily benefit State and local interests at the expense of regional concerns.

In fiscal year 1979, four Commissions—the Coastal Plains, Four Corners, Ozarks and Upper Great Lakes—accounted for $20.4 mil-

lion, or 95 percent of the total of $21.6 million expended by all the Commissions on supplemental grants. These Commissions also had the poorest performance regarding the amount of resources spent on regional projects with some Commissions devoting as little as 10 percent to regional concerns. What are you going to do to improve this performance concerning more regionally-oriented efforts?

Mr. SOPONIS. The pending legislation stresses the need for regionality in the expenditure of funds. As a practical matter, with this budget there is going to be a reduction of approximately 58 percent in the amount of money allocated to supplemental grants by the Commissions.

I might note that you used the term inordinate amount of money. There has never been direction or guidance from the Congress as to what is an appropriate amount of money expended in supplemental grants.

Mr. ALEXANDER. We have tried.

Mr. Soponis, why do you think that the overall level of performance in each regional commission would improve with such programs, and where?

Mr. SOPONIS. Excuse me, which programs?

Mr. ALEXANDER. Supplemental grants.

Mr. SOPONIS. The supplemental grant program was intended as a financing mechanism to assist communities or state agencies to participate in Federal programs if they are otherwise entitled, but are unable to meet the matching requirements.

The use of this money allows them to take advantage of programs that otherwise would not be available to them. The important thing is to assure that they take into account the regional plan and the regional needs in those projects that are to be supported.

REGIONAL PLANS

Mr. ALEXANDER. Mr. Soponis, do you have these regional plans, and, if so, to whom are they made known?

Mr. SOPONIS. Each Commission has a regional plan, and I do believe they were made available to this Committee's investigative staff.

Mr. ALEXANDER. I think it would be relevant for you to submit those plans to the Appropriations Committee, because we have not had the opportunity to have access to that information in the past.

Mr. SOPONIS. We would be happy to do so. As plans are approved in the future, we will submit copies to the Committee.

FEDERAL COORDINATION

Mr. ALEXANDER. With respect to the issue of duplication, the Investigative Staff found that while Commission programs are generally not duplicative, the Commissions have a difficult task in avoiding duplication and must coordinate their programs with numerous other Federal programs available for economic development.

What mechanism, if any, would you propose to ensure that the Federal Cochairmen do not approve programs that are duplicative?

Mr. SOPONIS. The President's memorandum of January 19, 1979, charges all Federal agencies involved in programs within regions to take into account the regional plans, and activities of the Regional Commissions and, has instructed the Federal regional councils to pay greater attention to the plans and to provide cooperation. The Federal Cochairmen have taken a more active role in those councils, where the senior officials for each of the agencies within that region meet. The Interagency Coordinating Council chaired by Mr. Watson, also is charged with ensuring that these things are taken into account.

RESTRICTION ON DEMONSTRATION PROJECTS

Mr. ALEXANDER. The pending authorization legislation for the Commission program would place restrictions on demonstration projects, including limiting Commission demonstration programs support to five years. How would Commission demonstration programs be affected by the five-year funding limitation?

Mr. SOPONIS. It would alter their choice of which demonstration projects to support.

MONITORING AND EVALUATION

Mr. ALEXANDER. The Investigative Staff also found that some Commissions have not yet developed and implemented adequate monitoring or evaluation systems to measure the impact of their demonstration projects on regional development, while the amount of jobs created or the industry attracted locally may be identified with the demonstration program's impact on regional employment or industrial development cannot be adequately assessed. What steps would be proposed to provide for independent evaluations of these demonstration programs in order to provide more objective assessments of their value with respect to regional economic development?

Mr. SOPONIS. Several of the Commissions currently are reviewing their monitoring and evaluations controls. They are working with the Department and the Inspector General's office. We also will be providing training for the Commission staffs, so that we can increase their capability without increasing resources to do a professional job in that area.

ACCOUNTING AND BUDGETARY CONTROLS

Mr. ALEXANDER. With respect to accounting and budgetary controls, the Investigative Staff found that while the new procedures and regulations appear adequate for providing fiscal and management control over Commissions, compliance cannot be assured without improved oversight activities. What plans do you have for ensuring that the Commissions effectively implement the recently promulgated regulations?

Mr. SOPONIS. The Office of the Inspector General for the Department of Commerce will meet with the Federal Cochairmen, and is working with our office and the Commissions to develop a systematic plan to provide that—

Mr. ALEXANDER. When do you expect that plan to be developed?

Mr. SOPONIS. It is in process.

Mr. ALEXANDER. How long have you been working on it?

Mr. SCHULDER. Mr. Chairman, I am Dan Schulder, in the Office of Regional Development. Our office has met with the Inspector General and the Chief of Audits. We are scheduling a formal meeting with the Federal Cochairmen for the purpose of discussing with them their progress, that is, the Commissions' progress, in meeting the requirements of the regulations.

We also expect within the next two to three months to be running a training session, one in the West and one in the East of the Nation to assist the Commissions in the application of the requirements of the regulations.

Further, Mr. Chairman, we expect the Inspector General to schedule appropriate audits for some or all of the Commissions in the coming year.

Mr. ALEXANDER. You project your plan to be completed and submitted by what date?

Mr. SCHULDER. I will give you a date 90 days from today, Mr. Chairman, and submit it to this committee.

Mr. ALEXANDER. Thank you very much.

[The following statement was submitted subsequent to the hearing:]

A description of activities for ensuring that the Commissions effectively implement the recently promulgated regulations will be submitted to the Committee by August 17, 1980.

COORDINATION AND POLICY GUIDANCE

Mr. ALEXANDER. The fiscal year 1981 budget request for the Regional Commission Program includes $50,000 to provide coordination and policy guidance to the Federal Cochairmen. How will you provide the Federal Cochairmen with policy guidance?

Mr. SOPONIS. The Office of Regional Development will be the primary resource for the Regional Development Council, and will be providing staff assistance for them in addition to its regular duties.

Mr. ALEXANDER. How do you plan to achieve that? Do you plan to contract that out? Are you going to hire more staff or rely upon what you have, and, if so, who?

Mr. SOPONIS. I would like to call on Mr. Schulder to answer that.

Mr. SCHULDER. For the moment, sir, the President has precluded hiring more staff. That $50,000 figure is to be used for a variety of purposes, including research, consultant contracts, as well as general support for activities of the office.

In terms of policy guidance, our office will be working with and has been working with, the Federal Cochairmen. When the Governors are sufficiently organized, they will participate in this to discuss both the existing and pending Federal policies affecting this program, so that those policies are not promulgated by the Department without assessing its impact on the operations of the Commissions and/or the State members.

We intend, over the coming year, to upgrade our ability to evaluate the operations of the Commissions, since the pending legislation would call for an annual evaluation of each Commission. We

expect to be called upon to monitor the activities of the Commissions.

We have recently invested, through a consulting contract, in designing State development plan models and State and regional investment models, and those are the examples of the way we would use that $50,000 in the coming year under the proposed budget.

Mr. ALEXANDER. Mr. Soponis, I think before I go any further, I would like to call on Mr. O'Brien, the ranking minority member of the committee, who may have some questions.

Mr. O'BRIEN. I have just one, Mr. Chairman.

AUDITS BY THE OFFICE OF THE INSPECTOR GENERAL

Mr. Soponis, the Investigative Staff in its review, touched on a number of problems. With respect to the Commissions, the investigative staff complained of the failure of the Office of the Inspector General to audit the Commissions on a regular basis.

Commerce has requested 90 additional positions for the Office of the I.G. for fiscal year 1981. Will any of these positions be assigned to the Regional Planning Commission audit function?

Mr. SOPONIS. I don't know how to answer that question specifically, but generally the Commissions would be put into the regular audit system adopted by the Inspector General.

Mr. O'BRIEN. Do you have a comment?

Ms. PORTER. The new Inspector General has its own process, but the normal process was used to establish the audit plan for the year and given the resources, we have a number of staff-years that we have to do the audits; we rank the programs on a variety of criteria, among them the need for audits, the request of the committee, and so forth; so that I am sure that the Regional Commissions will have a high priority in the audits for the coming year, and I would be pleased to speak to the Inspector General, who is not here now and communicate the committee's intentions.

Mr. O'BRIEN. Thank you very much.

Thank you, Mr. Chairman.

Mr. ALEXANDER. Thank you, sir.

NEW COMMISSIONS

With respect to the funding of new Commissions, the investigative staff discovered that numerous improvements to the Commission program could result from the new legislation that is presently pending in Congress on the extension of the Public Works and Economic Development Act of 1965. However, time would be needed by the existing Commissions to implement the changes and assess the progress that would be made. Adding new Commissions during the time that the new changes would be implemented and evaluated may further complicate the program's direction. Is this the reason why the President is proposing not to fund any new Commissions in fiscal year 1980 or fiscal year 1981?

Mr. SOPONIS. I think budgetary considerations were as important as putting the new legislation into effect.

Mr. ALEXANDER. How much of the $30,389,000 proposed reduction is associated with the decision not to fund any new Commissions?

Mr. SOPONIS. I don't know the answer.

Ms. PORTER. It would be $2 million.

Mr. ALEXANDER. Where would the remainder of the reduction be applied?

You can provide that for the record, if you don't have that information available at this time.

Mr. SOPONIS. It is allocated by formula to each of the Commissions, Mr. Chairman.

Mr. ALEXANDER. Would you like to provide a more definitive answer for the record?

Mr. SOPONIS. Yes, sir, we would be happy to.

[The information follows:]

REGIONAL DEVELOPMENT PROGRAM FISCAL YEAR 1981 BUDGET REVISIONS

[Dollars in thousands]

	January budget	Revised budget	Changes
Coastal Plains	$9,715	$6,051	−$3,664
Four Corners	9,354	5,826	−3,528
New England	8,522	5,308	−3,214
Old West	8,441	5,258	−3,183
Ozarks	11,364	7,076	−4,288
Pacific Northwest	7,826	4,874	−2,952
Southwest Border	7,061	4,398	−2,663
Upper Great Lakes	7,052	4,392	−2,660
New Commission	4,064	. . .	−4,064
Office of Regional Development	828	655	−173
Total	74,227	43,838	−30,389

SUPPLEMENTAL GRANT REDUCTION

Mr. ALEXANDER. With respect to the $25,828,000 reduction proposed for development programs of existing Commissions, how much of that amount would be for supplemental grants?

Mr. SOPONIS. It is in excess of $13 million.

Mr. ALEXANDER. You may submit the exact amount for the record.

[The information follows:]

Supplemental Grant Reductions total $13,268,000.

PLANNING AND TECHNICAL ASSISTANCE

Mr. ALEXANDER. How much would remain in the amended request for planning and technical assistance grants?

Mr. SOPONIS. The amount is $28,361,000.

Mr. ALEXANDER. How much for this purpose would be eliminated by the budget amendment?

Mr. SOPONIS. I will provide you with that information for the record.

[The information follows:]

Reductions for planning and technical assistance grants total $14,560,000.

Mr. ALEXANDER. Mr. Early, Mr. Soponis has just completed answering a number of questions concerning the activities of the

Regional Development Program. Those questions had to do with the duplication of effort that might have been experienced in the past by Federal agencies, State agencies, and sub-state planning districts.

Would you like to ask any questions?

POSITIONS

Mr. EARLY. Yes, I would. How many positions do you have authorized now that are not filled?

Mr. SOPONIS. Seven.

Mr. EARLY. Is there any reason why they are not filled?

Mr. SOPONIS. At the moment, there is a freeze on filling those positions.

Mr. EARLY. And that is why they are not filled?

Mr. SAULINO. There is a normal hiring lag on turnover.

Mr. ALEXANDER. Mr. O'Brien, do you have any further questions?

Mr. O'BRIEN. Nothing further, Mr. Chairman.

Mr. ALEXANDER. We have a number of questions from Mr. Andrews, which we shall ask you to answer for the record. We shall also insert in the record following Mr. Andrews questions a copy of the report of the Surveys and Investigations staff concerning the Regional Commissions. Thank you very much, Mr. Soponis.

Mr. SOPONIS. Thank you, Mr. Chairman.

[The following questions were submitted for the record by Mr. Andrews:]

1. I understand the Commerce Department made the original recommendation to the Office of Management and Budget to cancel the Title V Regional Commission program. The total Commerce cut in terms of outlays is 9 percent. The Commission cut is 32 percent.

Doesn't the Department realize it has the responsibility only for coordinating the Commissions, not directing them?

The Secretary is responsible for both the program and the coordination of the Federal Cochairmen. Section 601 of the Public Works and Economic Development Act of 1965, as amended, states: "The Secretary shall administer this Act and, with the assistance of an Assistant Secretary of Commerce, in addition to those already provided for, shall supervise and direct the Administrator created herein, and coordinate the Federal cochairmen appointed heretofore or subsequent to this Act."

2. Who in Commerce made the decision to abolish the Commissions and, failing that, to cut their budgets by 40 percent?

The time available to develop proposed budget reductions was limited. On late Friday afternoon of February 29, the Department received instructions from the Office of Management and Budget (OMB) to propose recommendations for budget reductions. The recommendations concerning the Regional Commissions covered a wide range and were approved by the Secretary before going to OMB. These options were offered for the President's review in view of the fact that he wanted to take a particularly hard look at all programs involving State and local governments. The Administration is determined to stop inflation, and we are all committed to support the President in this endeavor.

3. How can Commerce justify the wide discrepancy in budget cutting?

In order to prepare the revised budget, the Administration went through the time-consuming, complex process of re-examining every agency's programs to identify areas to cut, rather than simply imposing a flat, across-the-board percentage reduction from each agency's total budget.

March 3, 1980

MEMORANDUM FOR THE CHAIRMAN

Re: Operations of the Regional Planning Commissions

By directive dated August 2, 1979, the Committee requested an investigation of the operations of the Regional Action Planning Commissions in the Department of Commerce.

This report is based on the Investigative Staff's review of five of eight existing Commissions. Time constraints did not permit a full-field review of the remaining three Commissions. These Commissions will be reviewed prior to Committee markup of the FY 1981 appropriations bill and the results set forth in a memorandum report.

Respectfully submitted,

Anthony J. Gabriel

Anthony J. Gabriel, Director
Surveys and Investigations Staff
House Appropriations Committee

C. R. Anderson
Chief of the Surveys and
Investigations Staff
House Appropriations Committee

TABLE OF CONTENTS

		Page
	SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS	i
I.	INTRODUCTION	1
	A. Directive	1
	B. Scope of Review	1
II.	REGIONAL COMMISSIONS AND COMMERCE DEPARTMENT--A STRAINED RELATIONSHIP	3
	A. Basis for the Conflict	3
	B. At Odds--The Secretary's Responsibilities Versus Regional Commissions Autonomy	4
III.	COMMISSIONS REGIONAL OBJECTIVES--NOT YET FULLY REALIZED	7
	A. Regional Development Plans--Not Very Useful	7
	B. Supplemental Grants--Often Unrelated to Regionally Established Priorities	8
IV.	REGIONAL COMMISSIONS PROGRAMS--COMPARABLE BUT NOT DUPLICATIVE	11
	A. Comparable Federal Programs	11
	B. A Myriad of Federal Assistance Programs	12
	C. Regional Commissions Funding Flexibility Demonstrated	14
	1. Weatherization	14
	2. Immunization	14
V.	REGIONAL COMMISSIONS DEMONSTRATION PROJECTS WORTHWHILE AND INNOVATIVE--PERMANENT RESULTS NOT YET EVIDENT	16
	A. Typically Worthwhile Demonstrations	16
	1. Rail Rehabilitation Project	16
	2. Energy Potential Through Bio-Conversion of Agricultural Wastes	17
	B. Some Cautions and Legislative Improvements	18

		Page
VI.	ACCOUNTING AND BUDGETARY PRACTICES CAN BE IMPROVED--OVERSIGHT IS ESSENTIAL	20
	A. Commerce Support Services	20
	1. Accounting Services	20
	2. Budget	21
	B. Oversight	22
	1. Weakness in Commissions Internal Controls	22
	2. Auditing	23
VII.	NEW COMMISSIONS--ADDED COMPLICATIONS	24

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The initial Public Works and Economic Development Act of 1965 created a unique new set of public institutions to deal with economic conditions in "lagging regions" of the country. The Regional Planning Commission program was unique because of its broad mission to promote economic development, assist in meeting the regions' special problems, and establish a Federal-State-local approach to regional developments. Also, it would test whether Governors and Federal Cochairmen could effectively make policy, plan, and influence other Federal, State, and local spending to benefit the regions.

Fifteen years and $600 million later, the verdict on the effectiveness of the Commissions' performance is mixed. Recent evaluations agree that they have not fulfilled all expectations, but most conclude that the regional concept is worth keeping. Some typical observations made about the Commissions are--they have been generally successful in securing the active participation and involvement of Governors, at least in part because of the flexible funding provided. While the Commissions have been successful through use of their supplemental grant authority in stimulating development of multi-agency funded projects to address specific development efforts, these projects have generally been unresponsive to regionwide plans or priorities. Also, Commissions have not been successful in influencing policies and practices of Federal agencies outside of those projects specifically funded by the Commissions.

Up to this point, the Commissions have been struggling to define their role and to carve out a place in the Federal system for themselves and to increase their funding levels and program authorities.

The current authority for this program expired at the end of FY 1979, and new legislation to reauthorize the program was being considered by a Conference Committee of the Congress at the time this report was prepared. The legislation presently before Congress (Regional Development Act of 1979), would establish a nationwide system of Regional Development Commissions with a much broader mandate. Also, the Executive Branch has moved to modernize and strengthen the role of the Commissions by instituting a new "regional growth policy process" to assist the Commissions to implement regional development plans and annual investment programs.

These legislative and administrative actions will lead to significant changes in policy, programs, and delivery systems of the Commissions. No longer will they be concerned only with encouraging economic development for depressed areas. The Commissions will be involved in a wide variety of domestic policy areas with the purpose of reconciling national goals with regional, State, and local goals and working to alter harmful regional impacts of national policies.

These changes could signal a turning point in the development of the Federal system in this country. The expansion of the Regional Commissions to provide almost complete nationwide coverage with a much broader mandate, puts in place a nationwide network of public institutions which are becoming increasingly multifunctional and whose power, although limited, has been steadily growing.

The Regional Commission Program coordinated by the Department of Commerce are Federal-State partnerships. Each Commission is composed of a Federal Cochairman appointed by the President and the Governors of the participating States. All substantive decisions made by a Commission require the presence of a quorum of the State members and the affirmative vote of the Federal Cochairman and a majority of the State members. Currently, 8 Commissions are operational and they include all of 24 States and parts of an additional 10 States. They are Coastal Plains, Four Corners, New England, Old West, Ozarks, Pacific Northwest, Southwest Border, and Upper Great Lakes. Three additional Commissions--Mid Atlantic, Mid America, and Mid South have been designated, but not yet funded.

Regardless of the intended new role and authorities for the Regional Commissions, the Investigative Staff believes that there are a number of issues that must be addressed and resolved if the Commissions are to effectively carry out their mission.

Regional Commissions and Commerce Department--A Strained Relationship

A longstanding adversary relationship exists between the Commissions and Commerce which is affecting policy direction and administration of the program. Under existing legislation, Commerce and the Commissions have a number of interrelating roles and responsibilities. However, the parties have been unable or unwilling to recognize the parameters of their shared authority, sort out their role responsibilities, and establish a cooperative working relationship. The Commissions have never accepted being under the purview of the Secretary of Commerce, and Commerce has never clearly established its overall role with regard to the Commissions.

In authorizing the Regional Commission Program, Congress intended to establish Federal-State partnerships. The Commissions are not Federal agencies; they are joint Federal-State entities authorized to engage in a variety of development planning and assistance activities. They receive their funding from the Secretary of Commerce, who exercises administrative and program oversight along with the Presidentally appointed Federal Cochairmen. It is this shared authority aspect of the Federal role that is at the heart of the controversy.

At Odds--The Secretary's Responsibilities
Versus Commissions Autonomy

The legislated responsibilities of the Secretary include assuring the proper administration and accountability of Federal funds committed to the program. This reponsibility has generally been discharged through secretarial guidelines, administrative and budgetary assistance, and accounting and auditing support services. However, the need for stronger and more extensive centralized administrative control became apparent after the detection of fraudulent activity in one of the Commissions. A comprehensive Commerce Inspector General audit of the remaining Commissions did not uncover any further incidences of fraud, however, they did identify and report extensive control weakneses in the operations of the Commissions. The controversy generated over the issuing of formal regulations by the Secretary for improved administrative control of the Commissions illustrates the adversary nature of the relationship.

In June 1978, new draft regulations were prepared by Commerce, but publication was delayed pending receipt of the Uniform Commission Code (UCC), which the Regional Commissions proposed in lieu of the new secretarial regulations. The Commissions code was submitted to the Secretary in April 1979. The Secretary's draft regulations incorporated portions of the UCC and were published in June 1979 for comment. The preamble suggested that the UCC, when approved by the Secretary as meeting minimum regulatory requirements, would take effect instead of the secretarial regulations. Meanwhile, the UCC had been amended and adopted by all eight Commissions and a third draft was submitted to the Secretary in July 1979. The Secretary determined that the code still did not meet minimum Federal requirements and withheld approval. Later, the Commerce General Counsel advised the Secretary that a self-regulating Commission code was not sufficient to meet the legislative responsibilities imposed on the Secretary. The final November 1979 Secretary's regulation reflect that opinion by making the UCC supplemental to the Secretary's regulations.

Most of the comments received on the draft regulations during the comment period were from Governors; their comments were similar--the UCC should be adopted instead of the secretarial regulations. Commission members also expressed their opinion to the Secretary that they should be self-governing, and that the primary responsibility for establishing operating policy or direction of operations should not be set by only one member (Federal) of the partnership. Initially, Commerce was sympathetic and responsive to the desire of the Commissions for their own code, but apparently grew weary of the long delays in code development and resistance to Federal requirements, and decided the code did not satisfy the Secretary's legislated responsibilities.

Ironically, the content of the Secretary's regulations had not been controversial, nor were the criticisms of the UCC really substantive. In fact, the contents of the two documents do not

62-212 O - 80 - 32

differ significantly, certainly not so drastically that cooperative parties earnestly seeking to resolve their differences could not have resolved them. The basic reason the Regional Commissions so strongly contested the issuing of the secretarial regulations was not content. What was challenged was the Secretary's authority to unilaterally issue such regulations.

The Secretary had compelling reasons to act, a fact recognized by the Regional Commissions. A more cooperative relationship would have allowed a mutually satisfying resolution to this problem. Instead, repeated confrontations over this issue have further divided the parties and made the relationship even more strained.

Despite the conflict over the UCC issue, the Secretary's new regulations will, in the opinion of the Investigative Staff, provide the basis for adequate administrative control.

Congress Provides An Opportunity for Improved Communication and Cooperation

The Regional Development Act of 1979 recognized a need for improved communication and cooperation between the Secretary and the Regional Commissions. The act provides for a new Regional Development Council to be established comprising all of the Federal Cochairmen. After consultation with the Council members, the Secretary will appoint one member to serve as chairperson and one as vice chairperson. Presumably, the chairperson will be the focal point and spokesman for the Federal Cochairmen for Federal policy coordination with Commerce. This mechanism could substantially improve communications regarding administration and policy direction of the Commission program. The new legislation has provided the vehicle and opportunity to resolve many of the current problems and for encouraging future cooperation. It remains only for the persons appointed to these positions to demonstrate their commitment to the program by recognizing the sensitive relationships involved and the roles and the responsibilities of all the participants. For the Commission program to be successful, everyone must honor the Federal-State partnership concept.

Conclusion

The Commission program is being adversely affected by continuing conflict over the respective roles and responsibilities of Commerce and the Commissions. The existing legislation provides for a shared authority, however, a clear and mutually agreed definition of this relationship has never been in effect. As a result, there is continuing controversy over administration and policy direction. The new Economic Development Act of 1979 provides an opportunity for improved communication and cooperation through the establishment of the Regional Development Council.

Recommendation

The Committee may wish to require the Secretary of Commerce and the Chairperson of the Regional Development Council to develop

a Memorandum of Understanding, which will provide for clear and mutually agreed definitions of their shared authority and responsibilities for establishing policy and operating procedures of the Commission program.

Commissions Regional Objectives--
Not Yet Fully Realized

A number of the Commissions continue to devote a major portion of their resources to State and local oriented projects. Generally, these are Commissions that have historically relied heavily on supplemental grants in carrying out their programs. Often these projects are "brick and mortar" public works type projects that are unrelated to regionally established plans or priorities. Unless such projects, even though viewed as worthwhile by the Commissions, cumulatively and directly relate to regional priorities and plans, their impact on regional development is too fragmented to be recognized and their justification as "regional" projects are very questionable.

Regional Development
Plans--of Little Use

The initial legislation required the Commissions to develop a regional development plan. These plans were intended to be comprehensive long-range economic plans. In actuality, they are little more than an elaboration of the initial justification for designating and forming Regional Commissions. The plans typically include extensive demographics on regional conditions, resources, and problems. They also include extremely broad Commission objectives which have little use as planning tools. There is too wide a gulf between the scope of the regional plan and the reality of what is possible with the available funds. Literally any project can, under the scope of the regional plan, be justified as having regional application. This view is supported by the requirement that an application for supplemental grants be made through the State in which the project is located and requires the approval of the State member. The record shows that very few projects presented to a Commission by the State member have been rejected; some have been "withdrawn" for further consideration, but few have been rejected.

To date, many of the Commissions have had little success in linking State or substate planning to regional concerns or in limiting grants to projects that are consistent with regional plans.

Supplemental Grants

In FY 1979, the Supplemental Grants Program accounted for Commission expenditures of $21.6 million. Some Commissions committed as much as 70 percent of their budgets to supplemental grants. These grants are used mostly for public works type projects such as water and sewer systems, industrial parks, vocational schools, clinics, rail spurs, access roads, parks, and tourist attracting facilities.

Considerable criticism has been directed at the Commissions concerning their use of supplemental grants. The primary complaint mentioned is that the projects are totally unrelated to regional concerns. A FY 1974 Joint Commerce/OMB Report to Congress concluded that the Commissions had been ineffective in coordinating other Federal grant programs through their authority to provide supplemental grant funds. This observation seems equally applicable today.

It appears that there is a correlation between the Regional Commissions use of supplemental grants and the accomplishment of regional projects. In FY 1979, four of the eight Commissions accounted for $20.4 million or 95 percent of the total of $21.6 million expended on supplemental grants. These four Commissions also had the poorest performance regarding the percentage of funds devoted to regional projects.

The regional versus local issue has vexed the Commissions for many years. They have long been criticized for allocating too much of their resources to public works type projects. Because of this some have viewed the Commissions as little more than conduits for Federal funds to the States to provide "a few more dollars for the Governors."

There needs to be better balance by the Commissions in their use of supplemental grants. While there has been some movement away from State and local oriented projects, the movement has been too slow. Some Commissions are devoting up to 70 percent of their resources to supplemental grants for State or local projects, while devoting as little as 10 percent for regional projects.

Conclusion

Some of the Regional Commissions are devoting an inordinate amount of their resources to State and local oriented projects and very little to regional projects. Generally, these Commissions are those that rely heavily on supplemental grants to carry out their programs. Most of these projects are public works "brick and mortar" type projects that have little relationship to regionally established plans or priorities. In FY 1979, four Commissions accounted for $20.4 million of the $21.6 million spent by all the Commissions on supplemental grants. At the same time, these same Commissions had the poorest performance with regard to regional projects, devoting as little as 10 percent of their funds to regional programs as contrasted to 90 percent for other Commissions.

Recommendation

The Committee may wish to require the Secretary of Commerce and the Regional Commissions to emphasize the regional aspects of projects funded with supplemental grants consistent with program objectives. The Secretary and the Regional Commissions should also be required to establish a monitoring mechanism to assure that adequate resources are applied to regional projects by each

Commission. In addition, an annual status report on the progress achieved in this area would be beneficial to the parties concerned and to the Committee.

Regional Commissions Programs--
Comparable but Not Duplicative

Although programs of the Regional Commissions were often comparable to programs of the Economic Development Administration (EDA) and other Federal agencies, duplication of effort was not evident. The Commissions generally exercised reasonable care to assure that duplication was kept to a minimum through communication with Federal agencies operating in their areas. The Commissions generally directed their assistance at worthwhile projects which, even though qualified, could not be reached through other Federal grant-in-aid programs because of agency priorities or funding limitations.

Because Federal assistance programs for economic development are so numerous and involve so many different agencies, some duplication would appear inevitable. A selected list of Federal programs and agencies shows that over 30 different programs, sponsored by at least 12 different agencies, provided assistance for planning, technical assistance (including demonstrations projects), and money grants for public facilities. These are the same general program areas in which the Commissions carry out their activities. A senior EDA official expressed the opinion that there was probably more duplication between EDA, Farmers Home Administration (FmHA), and HUD programs than between EDA and the Commission program.

Commissions Funding Flexibility

Probably the area in which the Regional Commissions best demonstrate their unique place in area development is where the Commissions are able to use their flexible funding once a need has been recognized. Generally, these are areas that cannot be reached by other agencies because of program restrictions, priorities, or funding limitations. For example, the New England Regional Commission was able to provide $4 million over the past 4 years to use with approximately $24 million from Federal agencies to weatherize the homes of low-income families. These homes might not have otherwise been weatherized because of restrictions placed on the use of Department of Energy program funds, which prevented the hiring of critically needed skilled and supervisory field personnel to carry out weatherization work and to supervise unskilled CETA workers. In FY 1979, DOE regulations were changed to provide more flexibility over the use of their program funds and the Commission was reassessing the need for continued funding support for this program.

The Health Directors of Idaho, Oregon, and Washington felt that it was necessary to undertake an immunization program in the region's elementary schools. They approached the Public Health Service (PHS) of the Department of Health Education and Welfare (HEW) for assistance. PHS agreed to provide a grant for a staff and vaccine to carry out the project. However, a review

of the intended project disclosed that the school systems' records were not adequate to proceed with the project. Medical records and other needed information were missing or incomplete. One-time clerical support was needed to work with the Health Directors to provide adequate record systems. The States approached the Pacific Northwest Regional Commission (PNRC) for a grant to hire the clerical help. PNRC agreed to participate in the project and provided a supplemental grant to PHS for $628,000 to be used with PHS's grant of $857,000 and local Governments contributed $546,000 to make possible a regional immunization program.

These examples demonstrate the Commissions unique funding flexibility to fill gaps between recognizable needs and other agencies program limitations. In addition, these examples meet the regional test in that the entire region benefited from these projects.

Conclusion

There is an overriding need for an interagency coordinating mechanism to develop comprehensive regional plans and to coordinate assistance activities. The Economic Development Act of 1979 authorizes the establishment of such a mechanism to provide program coordination and support for regional development plans, programs, and regional growth policy recommendations through the Commissions' planning process. Federal agencies are to participate in developing and implementing each Commission's regional development plan and to consult with the appropriate Commission in advance of providing financial assistance to multistate organizations engaged in development activities.

Regional Commissions Demonstration Projects Worthwhile and Innovative--Permanent Results Not Yet Evident

Demonstration projects generally have the potential for permanent improvements, new programs, or new facilities. However, the Commissions have not yet devised and implemented adequate monitoring or evaluation systems to effectively measure the degree of potential versus actual benefits realized. Consequently, they have not been able to confirm or communicate the success of their projects, nor are they prepared to make informed planning decisions based on their historical experience.

The Economic Development Act authorizes the Commissions to undertake innovative projects and demonstrations employing new methods and techniques designed to further regional development. Commission projects have been conducted in a number of categorical areas such as, energy impacts, transportation, vocational education and health care, industrial development, agriculture and forestry, natural resources, and others. Typically, demonstration projects undertaken by the Commissions are those that are: (1) too speculative for inclusion in line agency programs, (2) not sufficiently developed for Federal agency recognition, and (3) priority and

funding limitations preclude adoption by line agencies even when recognized as feasible and worthwhile. Demonstration projects generally involve the acquisition of knowledge designed to answer such questions as, Is a project feasible? How can certain resources be developed? or, How can a technical problem be solved? Hopefully, obtaining positive answers to these questions will pave the way for public or private investment.

Following, is an example of an innovative and worthwhile demonstration project undertaken by a Commission that has resulted in potential long-range benefits.

Energy Potential Through Bio-Conversion of Agricultural Wastes

In FY 1975, the Four Corners Regional Commission provided a grant to initiate a study of the feasibility for converting agricultural wastes--primarily cattle manure--into methane natural gas. Lamar, Colorado, a small agricultural community of 8,500 people with a feedlot for 50,000 cattle, was the site selected for the project. The city's electric utility depended on natural gas for its primary fuel which had become increasingly difficult to obtain. The initial phase of the study completed in March 1977 concluded that: (1) agricultural wastes could be converted into methane at a cost competitive with other sources of domestic synthetic fuels, and (2) the dwindling supply of fossil fuels warranted development of this type of a renewable fuel source.

These research results encouraged the Four Corners Regional Commission to pursue the study further and fund a second phase to determine the optimum engineering design and plant costs for a bio-conversion facility to meet 40 percent of Lamar's power needs. The plant costs for the demonstration facility was estimated to be $14.2 million. In FY 1978, FmHA agreed to provide a loan for this amount to the city of Lamar. Additional funding of $1.4 million was being pursued through DOE to complete the final design and engineering for the project and construction of this first of a kind facility was expected to begin in 1980. Through FY 1978, the Four Corners Regional Commission had invested nearly $428,000 in this project.

The potential results of their demonstration project is a permanent facility that will provide about 40 percent of the power needs of the city of Lamar through conversion of agricultural wastes to methane gas. In addition, the facility is expected to provide permanent employment for 17 persons. The project also appears to have regional application because there are several other sites in Arizona, Colorado, and New Mexico with a sufficient concentration of feedlot wastes to support a bio-conversion facility. Lastly, this project is in agreement with the national policy of developing alternate and renewable sources of fuel supplies.

Although the contractor furnished comprehensive reports to the Commission upon completion of each of the phases of the project, the Commission had not provided for an independent evaluation

of the project to determine its benefits. Therefore, until potential benefits of this project are formally assessed, including the Commission's role, its applicability to other Commissions or interested parties cannot be disseminated. This is unfortunate, since this project is the first of its kind in the Nation and could prove to be of enormous benefit to other localities and to the country as a whole. The data shown in the description of this project along with the reported results had to be extracted by the Investigative Staff from various contractor reports and other Commission sources.

Legislative requirements contained in the Economic Development Act of 1979 would overcome these program deficiencies by requiring the Federal Cochairman to determine in advance, in what way the project is innovative and what it is intended to demonstrate. The Federal Cochairman must also certify that there is a reasonable plan to evaluate the results of the project by an independent source and disseminate the results. In addition, the legislation provides safeguards to prevent prolonged funding by limiting the funding of any demonstration project for a maximum of 5 years.

Accounting and Budgetary Practices Can Be Improved--Oversight Is Essential

Commissions accounting and budgetary practices have been improved, but further strengthening is necessary. The recently published Secretary's regulations and Commissions administrative procedures could provide the necessary improvement, if they are effectively implemented and adequate oversight is maintained.

The Secretary of Commerce has primary responsibility for assuring proper administration and accountability of Federal funds appropriated to the Commission program. The Secretary discharges this responsibility through regulations, Commission-issued procedures, and by furnishing budget, accounting and audit services. Prior Commerce fiscal and administrative standards for the Commissions had proved to be inadequate. The Commerce Inspector General's Audit Report, dated February 1979, pointed out numerous weaknesses in the Commissions policies and procedures especially in the area of grant and contract administration. As a result, in November 1979, the Secretary amended the regulations on the Regional Commissions to provide for improved accountability over the use of Federal funds.

While the new procedures and regulations appear adequate to provide for improved fiscal and management standards for the Commissions, it appears that a weak link in the system may be in providing adequate oversight to ensure compliance. In the opinion of the Investigative Staff, current oversight efforts at all levels need to be improved.

Oversight Weakness in Internal Controls

The Commissions were not making enough onsite visits to ensure effective oversight of projects, grants, studies, and other undertakings. Some Commissions relied almost exclusively on progress reports as their primary monitoring device. While a grantee's failure to submit a timely progress report would generally cause the Commission to withhold payment, the reported progress was seldom confirmed through an onsite visit.

The Commissions requirement for monitoring and evaluating grantees' performance is an integral part of the internal control system to ensure that the Commissions are getting what they pay for. All Commissions procedures address the need for onsite visits and include provisions for their performance, usually by a Commission or State employee. However, the records show that onsite visits are seldom made.

A review of staff travel records, at the Commissions visited, showed that although there was frequent travel to meetings, conferences, preapplication hearings, etc., travel for "onsite inspection" was made infrequently.

The Investigative Staff observed that the failure of the Commissions to provide for sufficient onsite visits weakened their internal control system. Relying too heavily on progress reports as a monitoring device is an unacceptable approach and could leave the Commissions vulnerable to fraudulent practices. While the Upper Great Lakes fraud incident was compounded by a number of internal control lapses, it could have been detected much earlier if an effective monitoring system had been in place and periodic onsite visits made.

Auditing

The principal management tool the Secretary has available for exercising oversight of Commission activities, is the Office of Audits in the Office of the Inspector General. However, the Inspector General is currently authorized 106 auditors to audit the multiplicity of programs making up Commerce's $6 billion budget.

The Inspector General in scheduling audits ideally would like to provide for reviews of all programs at periodic intervals. However, priorities must be established within available resources. A responsible official of the Office of Inspector General informed the Investigative Staff that, in the audit priority rankings, the Regional Commissions would receive a very low priority.

The recently completed audit of the Commissions (February 1979) was undertaken only because of concern about the possibility of widespread fraud. To undertake the review required the Inspector General to stop other scheduled reviews and devote nearly all of his audit resources (3,100 man-days or about 15 man-years) to the Commission effort.

While the audit showed fraudulent activities to be isolated, the audit was highly critical of some of the policies, procedures, and practices employed by the Commissions in carrying out their operations. In addition, the auditors found that Commerce had not been effective in coordinating, guiding, and directing Commission activities.

Conclusions and Recommendations

The Investigative Staff believes that the Regional Commissions should be audited on a regular recurring basis to ensure that they are efficiently and effectively carrying out their mission. While it is recognized that it is not possible, with the limited audit resources available, to make a comprehensive audit of all Commissions at one time, the Inspector General should be required by the Secretary of Commerce to undertake the audit of at least one Commission, each year. Further, when audit resources of the Inspector General are increased, the level of audits of the Regional Commissions should be increased commensurably.

New Commissions--Added Complications

The Regional Commission Program has not always satisfied its proponents' expectations or realized its full potential. Before considering funding new Commissions, the Investigative Staff feels that the existing Commissions should be allowed time to implement the changes legislated by the Economic Development Act of 1979 and to assess the results. Permitting new Commissions to begin operations before resolving problems with the existing ones, will further complicate the Commission program.

I. INTRODUCTION

A. Directive

The Investigative Staff was directed to review the operations of the Regional Action Planning Commission Program including: (1) the extent to which the program has achieved regional or multi-state planning objectives as opposed to State or local objectives; (2) the extent to which the program duplicates the planning, technical assistance, and demonstration programs of the Economic Development Administration (EDA) or other Federal agencies; (3) the extent to which demonstration projects have resulted in permanent improvements, new programs, or facilities; and (4) an assessment of the accounting and budgetary practices of the Commissions.

B. Scope of Review

The Investigative Staff reviewed overall policies, procedures, and practices followed by the Commission in administering the program authorized by Title V of the Public Works and Economic Development Act of 1965, as amended. Also assessed was the role of the Department of Commerce (Commerce) in coordinating and guiding Commission operations. Early in the investigation, it became evident that the Regional Commissions Program had been adversely affected by a longstanding conflict between Commerce and the Commissions. At the heart of the conflict is the Federal partnership aspects of the program and how to sort out the role responsibilities of the Federal participants--the Secretary and Federal Cochairmen. Accordingly, the scope of the review was expanded to identify the reasons why the Federal parties were unable to establish a clear and mutually agreed definition of the relationship and establish a collaborative working relationship. Also assessed were the possible impacts on the overall program of the three newly designated Regional Commissions. Commission and Commerce records containing budgetary, financial, contractual, grant, and program data were examined and to the extent possible, analyzed. Also examined were pertinent reports, manuals, regulations, and special studies.

In Washington, D.C., the Investigative Staff held discussions with the Federal Cochairmen of the eight currently operating Regional Commissions; the Special Assistant to the Secretary of Commerce; the Acting Director, Office of Regional Development; and appropriate officials of the department's Office of Inspector General, General Counsel, and Economic Development Administration.

During the review, five Regional Commissions were visited: Four Corners, New England, Pacific Northwest, Southwest Border, and Ozarks. The Investigative Staff reviewed operations and examined pertinent project files and records, visited demonstration projects, attended Commission meetings, and discussed Commission policies and programs with appropriate officials of States and Federal Regional Councils. The remaining Commissions currently

in operation--Old West, Upper Great Lakes, and Coastal Plains--will be visited by the Investigative Staff prior to Committee markup of the FY 1981 appropriation bill.

II. REGIONAL COMMISSIONS AND COMMERCE DEPARTMENT--A STRAINED RELATIONSHIP

The strained relationship which exists between the Commissions and the Department of Commerce is adversely affecting the Commission program. Under existing legislation, Commerce and the Commissions have a number of interrelating roles and responsibilities. However, a clear and mutually agreed definition of the relationship has never been in effect. The Commissions have never accepted being under the purview of Commerce, and Commerce has never clearly established its overall role with regard to the Commissions. As a result, a longstanding adversary relationship has developed over both administration and policy direction.

A. Basis for the Conflict

In authorizing the Regional Commission Program, Congress intended to establish Federal/State partnerships. The Commissions are not Federal agencies, they are, rather, joint State/Federal entities authorized to engage in a variety of development planning and assistance activities. They receive their funding from the Secretary of Commerce, who exercises administrative and program oversight along with the Presidentially appointed Federal Cochairmen.

The Regional Commissions were patterned after the Appalachia Regional Commission. Both are composed of a Presidentially appointed Federal member, a Federal Cochairman, and State members who are Governors of the States in the respective regions. A major difference is where each of the organizations is placed and the lines of authority to be followed. The Commissions report to the Secretary of Commerce, who is charged with providing coordination and liaison between the Commissions and the Federal Government and who is also charged with providing policy guidance and direction to the Federal Cochairmen. Appalachia, however, is an independent commission which reports directly to the White House. In addition, its funds are appropriated to the President, who turns them over to the Appalachia Federal Cochairman for distribution. The Regional Commissions would like to share Appalachia's autonomy but by legislation must remain within Commerce. Instead of accepting the will of Congress, the Commissions have continually challenged the Secretary's authority, because they were and are of the opinion that the original legislation provided broad authority for the Commissions to manage their own affairs.

In addition to the question of power balance between Commerce and the Commissions, other factors have contributed to their strained relationship.

Federal Cochairmen, appointed by the President with the advice and consent of the Senate, rank with Assistant Secretaries, but feel they have not been accorded that stature within Commerce. In addition, despite the Secretary's legislated responsibilities, the Federal Cochairmen feel that they--not Commerce--represent the

Federal establishment to the Commissions. Historically, Commerce Secretaries have not been readily accessible to Commission members, Federal or State. Usually, Federal Cochairmen in carrying out the Commissions' programs must deal with the Special Assistant for Regional Development, a secretarial appointee, who carries out the Secretary's functions, generally through Commerce's Office of Regional Development (ORD). There have been 13 Special Assistants appointed in the past 13 years and this frequent turnover of Commerce officials has been a major factor in the inability of the Commissions and Commerce to establish a satisfactory and cooperative working relationship.

Congress Provides an Opportunity for Improved Communication and Cooperation

The Regional Development Act of 1979 recognized a need for improved communication and cooperation between the Secretary and the Regional Commissions. The act provides for a new Regional Development Council to be established comprising all of the Federal Cochairmen. After consultation with the Council members, the Secretary will appoint one member to serve as chairperson and one as vice chairperson. Presumably, the Chairperson will be the focal point and spokesman for the Federal Cochairmen for Federal policy coordination with Commerce. This mechanism could substantially improve communications regarding administration and policy direction of the Commission program. Also, Commerce's ORD and the Commissions would be brought closer together, since ORD will provide staff support for the Council, and its Director will be appointed by the Secretary only after consultation with the Council Chairperson. The new legislation has provided the vehicle and opportunity to resolve many of the current problems and for encouraging future cooperation. It remains only for the persons appointed to these positions to demonstrate their commitment to the program by recognizing the sensitive relationships involved and the roles and the responsibilities of all the participants. For the Commission program to be successful, everyone must honor the Federal/State partnership concept.

B. At Odds--The Secretary's Responsibilities Versus Regional Commissions Autonomy

Among the legislated responsibilities of the Secretary for the Commissions program, are to assure its proper administration and accountability for Federal funds committed to the program. This responsibility has generally been discharged through secretarial guidelines, ORD administrative and budgetary assistance, and furnishing support services such as accounting and auditing. Until recently, formal administrative control was provided through the guidelines and Commissions initiated operating procedures. However, a Commissionswide Commerce audit indicated stronger administrative requirements were needed and the Secretary promulgated new regulations in November 1979. The issuing of formal secretarial regulations, as opposed to the UCC which the Commissions had recently adopted and proposed in lieu of the Secretary's regulations, was

strongly contested primarily on the issue of secretarial authority to unilaterally issue such regulations and not on the substance of the regulations.

The Secretary also provides, through ORD, administrative and budgetary services to the Commissions. However, the Commissions are not totally satisfied with what they perceive as "bureaucratic" handling of the assistance requested and/or furnished. The Commissions are also dissatisfied with the accounting and auditing services provided primarily because they feel that Commerce has not sufficiently distinguished the unique needs of the Commissions or recognized adequately the partnership role between the parties apart from other Commerce programs. At the heart of the disagreements is that the Secretary's authorities and responsibilities have not been accepted by the Commissions, and the administrative needs of the Commissions have not been effectively communicated to or understood by Commerce. The controversy generated over the formal regulations issued by the Secretary for improved administrative control of the Commissions program illustrates the nature of the problem.

The secretarial guidelines issued in 1970 were replaced with final administrative regulations published in the November 23, 1979, Federal Register. The necessity for more extensive administrative control became apparent from the detection and prosecution of a project officer's illegal use of funds in one Commission. A comprehensive Commerce Inspector General audit of the remaining seven Commissions did not turn up any further illegalities; however, the auditors identified and reported extensive administrative control weaknesses. These events showed the existing secretarial guidelines to be inadequate for assuring proper administration and accountability.

In June 1978, new draft regulations were prepared by Commerce, but publication was delayed pending submission of the UCC which the Commissions proposed in lieu of the new secretarial regulations. The UCC was submitted in April 1979. The Secretary's draft regulations incorporated portions of the UCC and were published in June 1979, for public comment. The preamble suggested that the UCC when approved by the Secretary, as meeting minimum regulatory requirements, would take effect instead of the regulations. Meanwhile, the UCC had been amended and adopted by all eight Commissions and a third draft was submitted to Commerce in July 1979.

Most of the comments received on the draft regulations were from Governors; their comments were similar--the UCC is preferable to the Secretary's regulations. Commission members also expressed their opinion that they should be self-governing and that primary control of operating policy or direction of operation should not be set by one member (Federal) of the partnership. Initially, Commerce was sympathetic and responsive to the Commissions desire for their own code, but apparently grew weary of the long delays in code development and resistance to Federal requirements and decided on the advice of the Commerce General Counsel that the code did not satisfy the Secretary's legal responsibilities.

The final November 1979 regulations reflect that opinion by making the UCC supplemental to the Secretary's regulations, to be used as criteria against which compliance would be measured in subsequent audits or evaluations. Ironically, the content of the Secretary's regulations had not been controversial nor were the criticisms of the UCC content really substantive. In fact, the contents of the two documents do not differ significantly, certainly not so drastically that cooperative parties determined to resolve the differences could not have resolved them. The Secretary had compelling reasons to strengthen the administrative controls, a fact recognized by the Commissions. A more cooperative relationship would have allowed a mutually satisfying resolution to this problem. Instead, repeated confrontations over this issue have further divided the parties and made the relationship even more strained.

Despite the conflict over the code issue, promulgation of the Secretary's regulations will, in the opinion of the Investigative Staff, provide the basis for adequate administrative control. A general dissatisfaction with other Commerce-furnished administrative services, based on being subjected to Commerce program priorities, apparently has some validity since the Commissions are barely recognized in Commerce priority rankings. However, the dissatisfaction stems from insufficient communications which are basically a product of the adversary relationship.

III. COMMISSIONS REGIONAL OBJECTIVES--NOT YET FULLY REALIZED

Although there is some movement toward more regional or multi-state programs, a number of the Commissions continue to devote a major portion of their resources to State and local oriented projects. Generally, these Commissions have historically relied extensively on supplemental grants to carry out their programs. While these projects are viewed as worthwhile by the Commissions, they often result in the funding of numerous unrelated "brick and mortar" public works type projects that have no apparent relationship to regionally established plans or priorities. Unless such projects cumulatively and directly relate to regional plans and priorities, their impact on regional development is too fragmented to be recognized and their justification as regional projects are very questionable.

There are sufficient concerns of a legitimate regional nature in energy, natural resources, human resources, transportation, and economic development that need to be the focus of the Regional Commission program and coordinating activities.

A. Regional Development Plans--Not Very Useful

The preparation of a regional plan has always been a primary function of the Commissions. These plans are intended to guide Federal and State actions in the regions so that public and private investments enhance one another instead of working at cross purposes. The plans are also supposed to identify the strength and the weaknesses of regional conditions so that regional goals and programs could be defined.

The FY 1975 Regional Development Act gave particular attention to the regional planning process and required the Commissions to submit a copy of the plans to the authorizing committees. These plans were intended to be comprehensive long-range economic plans. In actuality, they are little more than an elaboration of the initial justification for designating and forming Regional Commissions. The plans typically include extensive demographics on regional conditions, resources, and problems. They also include extremely broad Commission objectives which have little use as a planning tool. There is too wide a gulf between the scope of the regional plan and the reality of what is possible with the available funds. Literally, any project brought to the Commissions attention can, under the scope of the regional plan, be justified as having regional application. This view is supported by the requirement that application for supplemental grants be made through the State in which the project is located and requires the approval of the State member. The record shows that very few projects presented to the Commissions by the State member have been rejected; some have been "withdrawn" for further consideration, but few have been rejected.

62-212 O - 80 - 33

To date, many of the Commissions have had little success in linking State or substate planning to regional concerns or in limiting grants to projects that are consistent with regional plans.

B. Supplemental Grants--Often Unrelated to Regionally Established Priorities

Commission supplemental grants were designed to reduce the local share of projects which were originally financed under other Federal grants-in-aid programs. Commission funds are transferred to the basic grant agency to be handled as part of the basic grant to the applicant. In 1979, the Supplemental Grants Program accounted for expenditures of $21.6 million with some Commissions expending as much as 70 percent of their resources on supplementals. These grants are used mostly for public works "brick and mortar" type projects such as, water and sewer systems, development of industrial parks, vocational schools, clinics, railroad spurs, access roads, parks, and tourist attracting facilities.

Under the initial legislation, the Commissions were given only planning and coordinating responsibilities. Program or supplemental funds of their own were not provided. The supplemental grant authority was provided in the 1967 amendments to the act. The original legislation provided that supplemental funds were to be used solely to increase the Federal contribution beyond the limit set in specified Federal grant programs, but not more than 80 percent of the project cost. In 1969, the Commissions were authorized to make "first dollar" grants. The new language provided that the Commissions contribution could represent all of the Federal portion of the project costs up to 80 percent.

Considerable criticism has been directed at the Commissions over their use of supplemental grants. The primary complaint mentioned is that the projects are often totally unrelated and their "regional" impacts cannot be measured. A FY 1974 Joint Commerce/OMB Report to the Congress concluded that the Commissions had been ineffective in coordinating other Federal grant programs through their authority to provide supplemental grant funds, although they could continue to serve as useful planning instruments on a multistate level.

Regional Versus Local

Different patterns on the use of funds exist among the Commissions with respect to the type of grants selected to carry out their programs--Technical Assistance or Supplemental Grants.

The following table illustrates the wide variances in use of supplemental grants by the Commissions during FY 1979. It also shows the estimated amount of the Regional Commissions resources devoted to regional programs.

FY 1979 SUPPLEMENTAL GRANT PROGRAM
REGIONAL COMMISSIONS

Commission	FY 1979 Appropriations	Supplementals	Percent of Resources for Supplemental Grants	Percent of Estimated Resources Devoted to Regional Programs
Coastal Plains	$ 9,546,000	$ 4,473,308	47.0 %	30 %
Four Corners	9,698,000	3,203,205	33.0	10
New England	8,425,000	-0-	-0-	90
Old West	8,475,000	467,516	.6	90
Ozarks	11,120,000	7,793,218	70.0	30
Pacific Northwest	7,795,000	686,958	9.0	40
Upper Great Lakes	7,145,000	4,963,370	70.0	10
Southwest Border	N/A	N/A (New Commission)	N/A	N/A
Total	$62,204,000	$21,587,575	35.0 %	
New Commissions	1,041,000			
Regional Coordination	631,000			
Total FY 1979 Estimate	$63,876,000			

It is interesting to note that four of the eight Commissions accounted for $20.4 million, or 95 percent of all the supplemental grants made. These Commissions also had the poorest performance with regard to the percentage of resources devoted to regional programs.

It appears that there is a correlation between Commissions use of supplemental grants and the mandate to be regional in scope. Commissions who continue to rely heavily on supplemental grants have relatively poor performance in accomplishing regional programs. Those who do not rely extensively on supplemental grants to carry out their programs perform much better with regard to regional programs.

The regional versus local issue has plagued the Commissions for many years. The Commissions have long been criticized for allocating too much of their resources to public works "brick and mortar" type projects that have no relationship to regionally established development plans and priorities. As a result, some have viewed the Commissions as little more than conduits for Federal funds to the States to provide "a few more dollars for the Governors."

The Regional Commissions need to be reminded that the regional aspect of the Commission program is the unique quality that distinguishes their program from similar Government programs concerned with economic development. The basic function of the Regional Commissions is to fashion a development program for the whole region, concentrating on priority problems and regionwide opportunities. The program should also produce annual development strategies for the region, specific investment programs, and identified means to achieve them.

IV. REGIONAL COMMISSIONS PROGRAMS-- COMPARABLE BUT NOT DUPLICATIVE

Regional Commissions programs generally do not duplicate the planning, technical assistance, or demonstration programs of EDA or other Federal agencies although their programs are often quite comparable. Rather, Commission efforts are most often intended to reach worthwhile projects, which even though qualified, could not be reached through other Federal grant-in-aid programs because of agency priorities or funding limitations.

Because Federal assistance programs for area development are so numerous and involve so many different agencies (see index on page 13), some duplication of effort would appear inevitable. However, the Commissions generally exercise reasonable care to ensure that duplication is kept to a minimum by communicating and coordinating their efforts with Federal agencies operating in their areas. A senior EDA official suggested that there was probably more duplication between EDA, FmHA, and HUD programs than between EDA and Commissions activities.

A. Comparable Federal Programs

Federal programs for assisting area economic development consist of delivering specific types of assistance to communities. The three general types of programs pertinent to this review involve planning, technical assistance (including demonstration projects), and money grants for various types of public facilities.

Planning Programs which receive Federal assistance, are supported at the multistate regional level, the State level, substate multicounty (district) level, and sometimes at county and city levels. The idea of planning support envisions not only the preparation of a written document which is intended to set forth goals, objectives, strategies, and program priorities, but also the employment of professionals who coordinate and manage programs, prepare applications on behalf of local entities, and engage in other activities designed to influence the flow of Federal and other funds into these areas. Nearly all Federal programs support some type of planning efforts. In the Regional Commission program, planning falls under the technical assistance authority.

Technical Assistance Programs supported by Federal funds involve investigations and studies, research demonstration projects, and training programs, etc., designed to show the feasibility of the project, how certain resources can be developed, or how a particular technical problem can be solved. Technical assistance is most often provided by contractual arrangements with specialized consultants; also utilized are agencies of the Federal Government, suitable institutions, or grants to State and local Governments. All of the Federal programs support Technical Assistance Programs.

Public Works Programs involve the largest Federal expenditure for area economic development. The types of public works for which grants are provided include: water and sewer systems, development of industrial parks, vocational schools, hospitals and clinics, access roads, railroad spurs, parks, and tourist attracting facilities. Some of the programs provide direct "first dollar" grants for the project, in addition to supplemental grants designed to enable State and local entities to participate in Federal grant-in-aid programs for which the local entity lacks financial resources to provide its full matching share.

Delivery Systems employed by the Federal agencies to provide this assistance vary greatly. For example, Farmers Home Administration (FmHA) projects are processed from the applicant to the county supervisor, through the FmHA to approval. By contrast, the Regional Commissions delivery system involves the applicant, the local multicounty development district, the State and the Joint Federal-State Regional Commission. When a supplemental grant is involved, the Regional Commission system also involves the Federal agency and its processing system. The Economic Development Administration (EDA) uses development districts in its delivery system, where such districts exist, but the agency also processes some projects on a direct one-to-one relationship with the project applicant. The development districts, the counties, and the cities deal directly with EDA, and they seldom are required to secure State approval of their projects.

B. A Myriad of Federal Assistance Programs

To place Federal economic assistance programs in perspective and to show the magnitude of this assistance, the following index is provided. The index identifies 30 of the more significant Federal planning and grant programs for area development, exclusive of Regional Commissions programs. The grants are listed under the major categories applicable to them; some grants can be used in several or in all four program areas. While very different patterns of use of funds exist among the individual Commissions reflecting their perceived regional needs, their programs fall into the same major categories.

INDEX OF SELECTED PLANNING ASSISTANCE AND GRANT PROGRAMS

Economic and Community Development

Economic Development Administration

-- Title I - Grants (and Loans) for Public Works Development Facilities

-- Title III - Section 304 Governors' Discretionary Public Works and Development Facilities Grants (and Loans)

-- Title IV - Special Economic Adjustment Grants

Department of Housing and Urban Development

-- 701 Planing Grants

-- Title I - Community Development Grants

Department of Agriculture - Rural Development Service

-- Title VI, Section 603 - Rural Development Coordination

Department of Agriculture - Farmers Home Administration

-- Water and Waste Disposal Systems Loans and Grants

-- Community Facilities Loans

-- Business and Industrial Grants (and Loans)

Environmental, Conservation and Natural Resources

Environmental Protection Agency

-- Section 208 Water Quality Management Planning

-- Title II Construction Grants for Waste Water Treatment Works

-- Subtitle D Resource Conservation and Recovery (Solid Waste) Plant

-- Subtitle D Solid Waste Program Implementation Grants

Department of Agriculture - Soil Conservation Service and Farmers Home Administration

-- Resource Conservation and Development Planning

1. Resource Conservation and Development Loans and Cost-Sharing
2. Small Watershed Program
3. Soil and Water Conservation

Department of Interior - Bureau of Outdoor Recreation

-- Outdoor Recreation (Open Space) Land and Water Conservation Funds Grants

Human Service

Department of Health, Education and Welfare - Public Health Service

-- Health System Agencies

Department of Health, Education and Welfare - Office of Human Development

-- Aging Programs - Area Planning

-- Aging Programs - Social Services

Department of Justice - Law Enforcement Assistance Administration

-- Law Enforcement Assistance - Comprehensive Planning Grants

-- Law Enforcement Assistance Block Grants

Transportation

Department of Transportation - Highway Administration and Urban Mass Transportation - Administration

-- Section 134 Transportation Planning

-- Urban Mass Transportation Planning

1. Section 122 Off-System Roads
2. Economic Development Highway Program
3. Urban Mass Transportation Capital Improvement Grants and Loans

Department of Transportation - Federal Aviation Administration

-- Airport Planning Grant Program

-- Airport Development Aid Program

It is apparent from the multiplicity of available Federal assistance programs and the numerous agencies involved, that there is an overriding need for an interagency coordinating mechanism to develop comprehensive regional plans to avoid duplication of planning and other activities. The Economic Development Act of 1979 authorizes the establishment of such a mechanism to provide program coordination and support for regional development plans, programs, and regional growth policy recommendations of the Commissions. Federal agencies are to participate in developing and implementing each Commission's regional development plan and to consult with the appropriate Commission in advance of providing financial assistance to multistate organizations engaged in development activities.

C. Regional Commissions Funding Flexibility Demonstrated

Probably the area in which the Regional Commissions best demonstrate their unique place in area development is where the Commissions are able to recognize and fund worthwhile projects, which even though qualified, cannot be reached by other agencies because of program restrictions, priorities, or funding limitations. It is also probably true that because of the Commissions flexibility to work in concert with the other agencies to extend the scope of grants-in-aid projects, or to provide funding where Federal or State legislation has left funding voids that the Commissions activities appear to duplicate other agency programs. The following examples of projects funded by various Commissions under technical assistance and supplemental grant authorities illustrate the funding flexibility of the Commissions in carrying out their missions.

1. Weatherization

The New England Regional Commission (NERCOM) has provided $4 million over the past 4 years to weatherize the homes of low-income families. These funds were distributed to local Community Action Agencies (CAA's) to use with approximately $24 million of funds provided by the weatherization programs of the Community Services Administration (CSA) and the Department of Energy (DOE) and manpower training programs including CETA. NERCOM funds were used to fill the gaps in weatherization program activities created by restrictions or limitations on allowable uses for CSA and DOE weatherization funds. NERCOM funds were used by 70 CAA's in the 6 States to hire critically needed skilled and supervisory field personnel to carry out weatherization work and supervise unskilled CETA workers. Changes made to DOE regulations in January 1979 reduced the need for NERCOM support and NERCOM is currently reassessing the need for continued support of this program.

2. Immunization

The Health Directors of Idaho, Oregon, and Washington felt that it was necessary to undertake an immunization program in the region's elementary schools. They approached the Public Health Service (PHS) of the Department of Health Education and

Welfare (HEW) for assistance. PHS agreed to provide a grant for staff and vaccine to carry out the project. However, PHS's initial review of the intended project disclosed that the school system's records were not adequate to proceed with the project. Medical records and other needed information were missing or incomplete. To overcome this problem, there was a need for one-time clerical support to work with the Health Directors to provide an adequate record system. The States approached the Pacific Northwest Regional Commission (PNRC) for a grant to hire the clerical help. PNRC agreed to participate in the project and provided a supplemental grant to PHS for $628,000 to be used with PHS's grant of $857,000 and local Governments contribution of $546,000 to make possible a regional immunization program.

These two examples demonstrate the Commission's unique funding flexibility to fill gaps between recognizable needs and other agencies program limitations. In addition, these initiatives met the regional test in that the entire region benefited from these projects. The same cannot be said, however, for many other projects funded by the Commissions. As noted earlier in this report, the Investigative Staff is concerned about the large number of public works type projects funded by some Commissions, where the benefits accrue only to individual States and cannot be identified with any regional plan or priority.

V. REGIONAL COMMISSIONS DEMONSTRATION PROJECTS WORTHWHILE AND INNOVATIVE--PERMANENT RESULTS NOT YET EVIDENT

Demonstration projects generally have the potential for permanent improvements, new programs, or new facilities. However, the Commissions have not yet devised and implemented adequate monitoring or evaluation mechanisms to effectively measure the degree of potential versus actual benefits realized. Consequently, they have not been able to confirm or communicate the success of their programs, nor are they prepared to make informed planning decisions based on their historical experience.

A. Typically Worthwhile Demonstrations

The Economic Development Act authorizes the Commissions to undertake innovative projects and demonstrations employing new methods and techniques designed to further regional development. Commission projects have been conducted in a number of categorical areas such as, energy impacts, transportation, vocational education and health care, industrial development, agriculture and forestry, natural resources, and others. Typically, demonstration projects undertaken by the Commissions are those that are: (1) too speculative for inclusion in line agency programs, (2) not sufficiently developed for Federal agency recognition, and (3) priority and funding limitations preclude adoption by line agencies even when recognized as feasible and worthwhile. Demonstration projects generally involve the acquisition of knowledge designed to answer such questions as, Is a project feasible? How can certain resources be developed? or, How can a technical problem be solved? Hopefully, obtaining positive answers to these questions will pave the way for public or private investment.

The following are examples of innovative and worthwhile demonstration programs undertaken by the Commissions that had beneficial results.

1. Rail Rehabilitation Project

Program funds were made available by NERCOM to improve the track and structures of New England rail carriers. Grants provided to the rail carriers pay for the labor cost of rehabilitating projects with the rail carriers assuming the responsibility for the cost of materials and supervision needed to complete the project.

Since FY 1976, the Commission has invested approximately $14.7 million to rehabilitate about 450 miles of track. This has leveraged about $20 million from the rail carriers for materials and supervision of about 600 new workers previously unemployed. According to NERCOM, all the rail rehabilitation projects which received Commission funds were beyond the capacity of the rail carrier to undertake privately and for which there were no other Federal sources of monies available.

The immediate benefits claimed for this project include the safety and operational effectiveness of the rail system. In addition, the program has supported the employment of approximately 600 persons for the duration of the rail carrier construction season. Moreover, other benefits claimed for this project include opening new routes to Trailor on Flatcar traffic, and rebuilding classification yards to reduce the time for reclassification and to prevent accidents which were becoming alarmingly frequent at certain locations.

NERCOM states that this investment continues to contribute to the financial viability of the regions rail carriers, attract additional traffic to secure increased market share for rail, and encourage industry location and expansion around improved facilities. Unfortunately, NERCOM was unable to provide hard data to support these claims. NERCOM was only now beginning a formal evaluation of the project to determine its impact even though the program is in its fifth and probably concluding year.

2. Energy Potential Through Bio-Conversion of Agricultural Wastes

In FY 1975, the Four Corners Regional Commission provided a grant to initiate a study of the feasibility for converting agricultural wastes--primarily cattle manure--into methane natural gas. Lamar, Colorado, a small agricultural community of 8,500 people with a feedlot for 50,000 cattle, was the site selected for the project. The city's electric utility depended on natural gas for its primary fuel which had become increasingly difficult to obtain. The initial phase of the study completed in March 1977 concluded that: (1) agricultural wastes could be converted into methane at a cost competitive with other sources of domestic synthetic fuels, and (2) the dwindling supply of fossil fuels warranted development of this type of a renewable fuel source.

These research results encouraged the Four Corners Regional Commission to pursue the study further and fund a second phase to determine the optimum engineering design and plant costs for a bio-conversion facility to meet 40 percent of Lamar's power needs. The plant costs for the demonstration facility was estimated to be $14.2 million. In FY 1978, Farmers Home Administration (FmHA) agreed to provide a loan for this amount to the city of Lamar. Additional funding of $1.4 million was being pursued through DOE to complete the final design and engineering for the project and construction of this first-of-a-kind facility was expected to begin in 1980.

Through FY 1978, the Four Corners Regional Commission had invested nearly $428,000 in this project. The role of the Commission in this project illustrates the unique funding flexibility of the Regional Commissions. The Commission was able to provide funds for a highly speculative project that was beyond the reach of most Federal grant-in-aid programs. The Commission supported the project through the feasibility determination stage to the point where the project was sufficiently developed to attract other sources of funding for completion of a permanent facility.

The potential results of this demonstration project is a permanent facility that will provide about 40 percent of the power needs of the city of Lamar through conversion of agricultural wastes to methane gas. In addition, the facility is expected to provide permanent employment for 17 persons. The project also appears to have regional application because there are several other sites in Arizona, Colorado, and New Mexico with a sufficient concentration of feedlot wastes to support a bio-conversion facility. Lastly, this project is in agreement with the national policy of developing alternate and renewable sources of fuel supplies.

Although the contractor furnished comprehensive reports to the Commission upon completion of each of the three phases of the project, the Commission had not provided for an independent evaluation of the project to determine its potential benefits. Therefore, until the arrangements are made to assess this project, including the Commission's role, its applicability to other Commissions or interested parties cannot be disseminated. This is unfortunate, since this project is the first of its kind in the Nation and could prove to be of enormous benefit to other localities and to the country as a whole. The data shown in the description of this project along with the reported results had to be extracted by the Investigative Staff from various contractor reports and other Commission sources.

B. Some Cautions and Legislative Improvements

While the projects described above are innovative and worthwhile and may result in major benefits to their regions, there are some negative aspects inherent in the Regional Commissions demonstration project role. Some projects will fail. That is the nature of demonstrations and the risk of failure must be recognized. It is interesting to note that one component of the bio-conversion study was a casualty. The algae water purfication system in the Lamar plant design had to be discarded because of the cost and the inability of the system to produce the desired results. More troubling, however, is that sometimes the Commissions are faced with a difficult decision on whether to continue or terminate the project because the benefits are difficult to measure. Experience shows that generally project support is continued.

Also, worthwhile projects are directed to Commissions by other agencies who are aware of the Regional Commissions funding flexibility. Often, these projects have no known relevance to regional goals and decisions to support such projects are simply a reaction to applicants without adequate consideration of regional applicability or feasibility.

The Economic Development Act of 1979 provides safeguards to prevent prolonged funding by limiting the funding of any demonstration project for a maximum of 5 years. (The Pacific Northwest Regional Commission has imposed a stricter limit of 3 years.) In addition, the legislation requires Federal Cochairmen to determine,

in advance, how the project is innovative and what it is intended to demonstrate. The Federal Cochairmen are also required to certify that there is a reasonable plan to evaluate the results of the project by an independent source and to disseminate the results.

These legislative requirements should help to overcome a major deficiency in the Regional Commission program--the lack of formal project evaluations. The legislation requires the Commissions to establish in advance and implement consistent methods and procedures for identifying innovative demonstrations and to provide for formal evaluation mechanisms in order to fully demonstrate the benefits to be derived from proposed demonstration projects.

VI. ACCOUNTING AND BUDGETARY PRACTICES CAN BE IMPROVED--OVERSIGHT IS ESSENTIAL

Commissions accounting and budgetary practices have been improved, but further strengthening is necessary. The recently published Secretary's Regulations and Commission Administrative Procedures could provide the necessary improvement, if they are effectively implemented and adequate oversight is maintained.

The Secretary of Commerce has primary responsibility for assuring proper administration and accountability of Federal funds appropriated to the Commission program. The Secretary discharges this responsibility through regulations, Commission issued procedures, and by furnishing budget, accounting and audit services. Prior Commerce fiscal and administrative standards for the Commissions had proved to be inadequate. The Commerce Inspector General's Audit Report, dated February 1979, pointed out numerous weaknesses in the Commissions policies and procedures especially in the area of grant and contract administration. As a result, in November 1979, the Secretary amended the regulations on the Regional Commissions to provide for improved accountability over the use of Federal funds.

While the new procedures and regulations appear adequate to provide for improved fiscal and management standards for the Commissions, it appears that a weak link in the system may be in providing adequate oversight to ensure compliance. In the opinion of the Investigative Staff, current oversight efforts, at all levels, need to be strengthened.

A. Commerce Support Services

Commerce's support for the Commissions includes providing accounting, auditing, administrative, and budgetary services. Additionally, a comprehensive computerized management information system is being developed for the Commissions.

1. Accounting Services

Accounting services are furnished to the Commissions through the Commerce Accounting Division on a reimbursable basis. Disbursements, including payroll, are also handled by the Accounting Division, except for supplemental grant transfers to other Federal agencies which are handled by the ORD Budget Office. These services include establishing registers for allotments, obligations, expenditures, disbursements, and providing monthly financial reports to the Commissions. The Accounting Division modified the Commerce accounting system for application to the Commissions. Having Commerce provide centralized accounting services is an important internal control against improper payments by separating the payment activity from the operating activities. Some Commissions have not been satisfied with the accounting services received. The report formats are too detailed for the Commissions rather simple needs,

plus difficulty has been encountered in receiving accurate and timely reports. According to the Accounting Division, more simple and useful formats could easily be furnished if precise Commissions needs were better communicated and understood by the Accounting Division. Accuracy and timeliness problems appear related to increasing demands placed on the Accounting Division without any increase in personnel. These demands involve a large increase in documents requiring processing, almost 35 percent in less than 2 years. The increased documents reflect new Commissions and more transactions by existing Commissions.

The Investigative Staff concluded that generally the accounting services provided by Commerce to the Commissions were adequate to meet their needs. The issues relative to improved formats, accuracy, and timeliness could readily be resolved by better communication of precise needs by the Commissions to Commerce and the recognition by Commerce that the increased workload imposed on the Accounting Division requires additional resources.

Auditing services are performed by the Commerce Inspector General's Office. As described later in the oversight section, the Inspector General's audit resources are insufficient to review, on a timely basis, all the Commerce components for which it is responsible. The relatively small Commission program is assigned a low audit priority when placed in perspective with other larger Commerce programs. Consequently, unless extenuating circumstances exist, such as the Upper Great Lakes fraud incident, Commissions cannot reasonably rely on the Inspector General to satisfy their audit requirements. This has apparently been confirmed through unanswered requests by the Federal Cochairmen to Commerce for audit services.

2. Budget

Annual appropriation requests of the Commissions are submitted to Congress by the Secretary who allocates funds to the Federal Cochairmen for administrative expenses, technical assistance, and supplemental grant services of the Commissions. The ORD Budget Office is responsible for providing advice and assistance to the Commissions on budget matters. Although the Commissions felt the budget assistance they received from ORD was first rate, they objected to the necessity of having to submit their annual budget through the Secretary. They felt that they should control their own budgets and submit them directly to OMB.

The budget development process of the Commissions starts with the Governors and the Federal Cochairmen who jointly select program priorities. The ORD Budget Office assists the Commissions during budget development by providing outlay projections, costs estimates, appendices, and object class breakdowns. The Regional Commissions budget is then submitted by ORD to the Department Budget Officer. Subsequently, internal hearings are held in which the Federal Cochairmen and the Special Assistant for Regional Development participate. The Department Budget Office then submits

the budget with recommended funding levels to the Assistant Secretary for Administration. The established funding levels can be appealed by the Federal Cochairmen to the Secretary of Commerce. As a final step within the department, the Regional Commissions budget is incorporated into the overall Commerce budget and submitted to the Office of Management and Budget (OMB). Hearings are held before OMB budget examiners in which the Federal Cochairmen and Special Assistant for Regional Development participate. The Commissions may appeal funding levels set by OMB to the President. The Commerce budget is then incorporated into the President's Budget and is submitted to Congress. The ORD budget office monitors the Commission budget progress during the entire budget formulation process and prepares for the Congressional hearings including preparation of budget justifications.

The Federal Cochairmen and the Special Assistant for Regional Development appear jointly before the Appropriation Committees to discuss Commissions budgets. Appropriations for the Commission program are made to the Secretary of Commerce, who, in turn, allocates the funds through ORD Budget Office to the Federal Cochairmen by formula.

The Investigative Staff concluded that the budgetary practices of the Commissions were adequate to ensure that the Commissions participated fully in the budget development process, had sufficient right of appeal at all levels of review, and had their "day in court" before the Appropriation Committees of Congress. The budget advice and assistance provided by the ORD Budget Office throughout budget formulation and execution were excellent.

B. Oversight

1. Weakness in Commissions Internal Controls

The Commissions were not making enough onsite visits to ensure effective oversight of projects, grants, studies, and other undertakings. Some Commissions relied almost exclusively on progress reports as their primary monitoring device. While a grantee's failure to submit a timely progress report would generally cause the Regional Commissions to withhold payment, the reported progress on the report was seldom confirmed through an onsite visit.

The Regional Commissions requirement for monitoring and evaluating grantees' performance is an integral part of the internal control system to ensure that the Commissions are getting what they pay for. All Commissions procedures address the need for onsite visits and include provisions for their performance, usually by a Commission or State employee. A review of staff travel records, at the Commissions visited, showed that although there was frequent travel to meetings, conferences, preapplication hearings, etc., travel for "onsite inspection" was made infrequently.

The Investigative Staff observed that the failure of the Commissions to provide for sufficient onsite visits weakened their internal control system. Relying too heavily on progress reports as a monitoring device is an unacceptable approach and could leave the Commissions vulnerable to fraudulent practices. While the Upper Great Lakes fraud incident discussed earlier in the report was compounded by a number of internal control lapses, it could have been detected much earlier if an effective monitoring system had been in place and periodic onsite visits made.

2. Auditing

The principal management tool the Secretary has available for exercising oversight of Commissions activities, is the Office of Audits in the Office of the Inspector General. However, the Inspector General is currently authorized 106 auditors to audit the multiplicity of programs making up Commerce's $6 billion budget.

The Inspector General in scheduling audits ideally would like to provide for reviews of all programs at periodic intervals. However, priorities must be established within available resources. A responsible official of the Office of Inspector General informed the Investigative Staff that in the audit priority rankings, the Regional Commissions would receive a very low priority.

The recently completed audit of the Commissions (February 1979) was undertaken only because of concern about the possibility of widespread fraud. To undertake the review required the Inspector General to stop other scheduled reviews and devote nearly all of his audit resources (3,100 man-days or about 15 man-years) to the Commission effort.

While the audit showed fraudulent activities to be isolated, the audit was highly critical of some of the policies, procedures, and practices employed by the Commissions in carrying out their operations. In addition, the auditors found that Commerce had not been effective in coordinating, guiding, and directing Commission activities.

The Investigative Staff believes that the Regional Commissions should be audited on a regular recurring basis to ensure that they are efficiently and effectively carrying out their mission. While it is recognized that it is not possible, with the limited audit resources available, to make a comprehensive audit of all Commissions at one time, the Inspector General should be required to undertake the audit of at least one Commission, each year. The effect of even one annual audit would serve to put the other Commissions on notice that their operations could be audited at any time.

62-212 O - 80 - 34

VII. NEW COMMISSIONS--ADDED COMPLICATIONS

The Regional Commission Program has not always satisfied its proponents' expectations or realized its full potential. Before considering funding new Commissions, time should be allowed to implement the changes legislated by the Economic Development Act of 1979, and to assess the results. Permitting new Commissions to begin operations before resolving problems with the existing ones will further complicate the Commission program.

The original mandate of the Regional Commissions to assist economically lagging areas has been expanded to include growth management. Along with the expanded mandate, numerous improvements have been provided for in the new legislation. These include improved administrative procedures, planning processes, and Federal/State coordination. Cumulatively, these changes may significantly alter the Commissions direction, as well as their operations. A major effort by all existing Commissions will be needed to implement these changes successfully.

Three new Commissions have already been designated by the Secretary but they have not been funded--Mid-America, Mid-South and Mid-Atlantic. The designated Commissions consist of whole States, plus counties which are not included in the Appalachia Regional Commission (ARC). The proposed partial State Commissions require Governors to participate in two Commission programs, one sparsely funded and the other generously funded. The Regional Commissions and the ARC have distinctly different mandates which may also complicate the role of "dual" members. The new planning processes required by the new legislation will cause some other complications, since planning data for these partial State Commissions must be gathered on a substate basis for the Regional Development Plan and the Annual Plan. These plans will then have to be coordinated with ARC plans, along with other planning activities affecting the region.

Another problem facing new Commissions is the difficulty in participating in multiple Federal Regional Councils (FRC) that are aligned differently. Even though the Commissions are expected to utilize FRC's for discharging their Federal/State program coordination responsibilities, the FRC's have not proven to be effective vehicles for this coordination, especially in those Commissions aligned differently. New England is the only Commission geographically aligned with an FRC; it is also the only Commission that has effectively utilized the FRC to achieve desired results. While total uniformity may not be possible, the current Commission/FRC alignment is generally not serving anyone effectively.

Whether Commission realignment to make them compatible with existing Federal regions is warranted or exclusively whole State Commissions are essential are questions which must ultimately be answered. The existing Commissions provide the contrasts necessary to assess the various alternatives, however, the assessment would

probably be more valuable after the new legislated changes have been implemented. The comprehensive program review suggested by the Senate Committee on Environment and Public Works could be the vehicle to provide answers to these questions. It requires an Administration review, 18 months following enactment of the Economic Development Act of 1979, which allows ample time for implementation and assessment. The resulting report could provide Congress information necessary to decide the future and direction of the Commission program.

* * * * *

WEDNESDAY, APRIL 16, 1980.

MARITIME ADMINISTRATION

WITNESSES

SAMUEL B. NEMIROW, ASSISTANT SECRETARY FOR MARITIME AFFAIRS
RUSSELL F. STRYKER, ASSISTANT ADMINISTRATOR FOR POLICY AND ADMINISTRATION
MASON G. NOTTINGHAM, DIRECTOR, OFFICE OF BUDGET AND PROGRAM EVALUATION
ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION
NANCY A. RICHARDS, DEPUTY DIRECTOR FOR BUDGET, OFFICE OF BUDGET AND PROGRAM EVALUATION

Mr. EARLY [presiding]. The committee will come to order. We are now going to consider the budget of the Maritime Administration. The amended fiscal year 1981 budget request for the Maritime Administration totals $216,306,000 in new budget authority. This amount is a decrease of $3,071,000 from the original budget request for the Maritime Administration for fiscal year 1981. This amount is also $34,384,000 more than the appropriations for fiscal year 1980 that have been enacted to date for the Maritime Administration.

In addition to the request for the new budget authority, the President's budget also includes an amended budget request for liquidation of contract authority in the amount of $333,196,000. The amount is a decrease of $14,501,000 from the original request for fiscal year 1981 for the operating-differential subsidies item.

Finally, the budget proposes a limitation of $1,200,000,000 on total commitments to guaranteed loans under the Federal Ship Financing Fund. The budget also proposes language to limit the total obligations for the principal amount of direct loans for the Federal Ship Financing Fund in the amount of $250,000,000.

At this time, we will insert the original set of justification material in the record and the separate set of justifications in support of the budget amendment.

[The justification materials follow:]

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION

Operating-Differential Subsidies
Revised Estimates
Fiscal Year 1981

Funding

Request pending	$347,697,000
Proposed amendment	-14,501,000
Revised request	333,196,000

STATEMENT OF PURPOSE AND NEED

This amendment reduces the 1981 request by eliminating subsidies for Russian grain carriage and the Great Lakes Atlantic Steamship Company. This action would reduce 1981 outlays by $14.5 million.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
249	Operating-Differential Subsidies (Liquidation of Contract Authority)	$347,697,000	-$14,501,000	$333,196,000

Statement of Purpose and Need

This amendment reduces the 1981 request by eliminating subsidies for Russian grain carriage and the Great Lakes Atlantic Steamship Company. This action would reduce 1981 outlays by $14.5 million.

Appropriation: Operating-differential subsidies

Summary of Requirements
(Dollar amounts in thousands)

Comparison by activities:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
Liner and bulk carrier operators	...	$347,697	...	-$14,501	...	$333,196

Justification for Proposed Amendment

Activity: Liner and bulk carrier operators

(Dollar amounts in thousands)

	1981 Pending Request		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Liner operators.....	...	$269,313	...	- $ 9,201	...	$260,112
Bulk carrier operators.....	...	41,998	...	- 5,300	...	36,698
Payment of prior years obligations.....	...	36,386	...	...	...	36,386
Total Requirements	...	$347,697	...	- $14,501	...	$333,196
Liner operators	...	$269,313	...	- $ 9,201	...	$260,112

This reduction is proposed as a part of the President's anti-inflation program and reflects the elimination of proposed subsidy for the Great Lakes Atlantic Steamship Company.

Bulk carrier operators	...	$ 41,998	...	- $ 5,300	...	$ 36,698

This reduction is proposed as a part of the President's anti-inflation program and reflects the elimination of subsidy for Soviet grain carriage.

STANDARD FORM 300
Bureau of the Budget
Circular No. A-11, Revised
300-101

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION
OPERATING-DIFFERENTIAL SUBSIDIES
(LIQUIDATION OF CONTRACT AUTHORITY)

A-11-39C

Program and Financing (in thousands of dollars)

Identification code 13-1709-0-1-403	~~XXX~~ 1981 Request Pending	~~XXXXX~~ 1981 Proposed Amendment	~~XXXXX~~ 1981 Revised Request
Program by activities:			
10.00 Liner and bulk carrier operators (costs - obligations) (object class 41.0).....	348,502	-16,302	332,200
Financing:			
Budget authority.....	348,502	-16,302	332,200
Budget authority:			
Current:			
40.00 Appropriation.....	347,697	-14,501	333,196
40.49 Portion applied to liquidate contract authority.....	-347,697	+14,501	-333,196
43.00 Appropriation (adjusted)....	...	...	...
Permanent:			
69.10 Contract authority (indefinite; Public Law 90-81).....	348,502	-16,302	332,200
Relation of obligations to outlays:			
71.00 Obligations incurred, net.....	348,502	-16,302	332,200
Obligated balance, start of year:			
72.40 Appropriation.....	...	...	...
72.49 Contract authority.....	178,489	...	178,489
Obligated balance, end of year:			
74.40 Appropriation.....	...	...	...
74.49 Contract authority.....	-179,294	+1,801	-177,493
77.00 Adjustments in expired accounts..	...	...	...
90.00 Outlays.....	347,697	-14,501	333,196

STANDARD FORM 300
Bureau of the Budget
Circular No. A-11, Revised
300-101

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION
OPERATING-DIFFERENTIAL SUBSIDIES
(LIQUIDATION OF CONTRACT AUTHORITY)

A-11-39C

MA-6

Status of Unfunded Contract Authority (in thousands of dollars)

Identification code 13-1709-0-1-403	XXX	XXXXX	XXXXX
	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
Unfunded balance, start of year.....	178,489	...	178,489
Contract authority (permanent, indefinite).....	348,502	-16,302	332,200
Appropriation to liquidate contract authority.....	-347,697	+14,501	-333,196
Unfunded balance, end of year.....	179,294	-1,801	177,493

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Operating-differential subsidies

Object class	1981 Request Pending Pos.	Av. No.	Amount	1981 Proposed Amendment Pos.	Av. No.	Amount	1981 Revised Request Pos.	Av. No.	Amount
Other objects:									
41 Grants, subsidies, and contributions.....	...	...	$347,697	...	...	-$14,501	...	...	$333,196

Justification by Object Class

41.0 Grants, subsidies, and contributions			
Other non-government contracts.....	$347,697	-$14,501	$333,196

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION

Research and Development
Revised Estimates
Fiscal Year 1981

Funding

Request pending	$18,750,000
Proposed amendment	- 2,450,000
Revised request	16,300,000

STATEMENT OF PURPOSE AND NEED

This amendment reduces the 1981 request for research and development. This action would reduce 1981 outlays by $2.4 million.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
250	Research and development	$18,750,000	-$2,450,000	$16,300,000

Statement of Purpose and Need

This amendment reduces the 1981 request for research and development. This action would reduce 1981 outlays by 2.4 million.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Research and development

Comparison by activities:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
Advanced ship development.....	...	$4,990	...	...	...	$4,990
Advanced ship operations.....	...	3,965	...	- $490	...	3,475
Research facilities.....	...	5,765	...	-1,960	...	3,805
Maritime technology.....	...	4,030	...	...	...	4,030
Total requirements.....	...	$18,750	...	-$2,450	...	$16,300

Justification for Proposed Amendment

Activity: Advanced ship operations

(Dollar amounts in thousands)

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Competitive shipping.....	...	$1,235	...	-$340	...	$ 895
Ship performance and safety.....	...	1,230	...	...	...	1,230
Cargo handling.....	...	750	...	...	...	750
Port and intermodal development.	...	750	...	-150	...	600
Total requirements	...	$3,965	...	-$490	...	$3,475
Competitive shipping.....	...	$1,235	...	-$340	...	$895

The amendment eliminates part of the originally proposed increase for the development and implementation of a fleet management system to define and solve management problems such as ship scheduling, financial analysis, market forecasting, traffic analysis, competitive analysis and resource utilization.

Port and intermodal development.	...	$750	...	-$150	...	$600

The amendment withdraws funding for one port planning study.

Activity: Research facilities

Research facilities.....	...	$5,765	...	-$1,960	...	$3,805

The amendment withdraws a system enhancement initiative. The interactive bridge capability for the Computer Aided Operations Research Facility (CAORF) will not be developed in 1981, and expanded CAORF projects in support of Port and Tanker Safety Act (PL-95-474) objectives will not be accomplished.

STANDARD FORM 300

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION
RESEARCH AND DEVELOPMENT

A-11-39C

Program and Financing (In thousands of dollars)

Identification code
13-1716-0-1-403

	XXX 1981 Request Pending	XXXX 1981 Proposed Amendment	XXXX 1981 Revised Request
Program by Activities:			
1. Advanced ship development	4,990	...	4,990
2. Advanced ship operations	3,965	-490	3,475
3. Research facilities	5,765	-1,960	3,805
4. Advanced maritime technology	4,030	...	4,030
Total, direct program costs	18,750	-2,450	16,300
Reimbursable program	1,500	...	1,500
10.00 Total program costs, funded 1/ obligations	20,250	-2,450	17,800
Financing:			
11.00 Offsetting collections from: Federal Funds	-1,500	...	-1,500
21.40 Unobligated balance available, start of year	...	...	...
24.40 Unobligated balance available, end of year	...	...	...
40.00 Budget authority (appropriation)	18,750	-2,450	16,300
Relation of obligations to outlays:			
71.00 Obligations incurred, net	18,750	-2,450	16,300
72.40 Obligated balance, start of year	32,647	...	32,647
74.40 Obligated balance, end of year	-32,647	...	-32,647
90.00 Outlays	18,750	-2,450	16,300

1/ Includes capital investment as follows: 1981 $100 thousand (Mono cost: 21.3) (Mono cost: 3) (Mono cost: 3) (Mono cost: 4.9)

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Research and development

Object Class	1981 Request Pending Pos.	1981 Request Pending Av. No.	1981 Request Pending Amount	1981 Proposed Amendment Pos.	1981 Proposed Amendment Av. No.	1981 Proposed Amendment Amount	1981 Revised Request Pos.	1981 Revised Request Av. No.	1981 Revised Request Amount
Other objects:									
25 Other services	...	...	$18,540	...	...	-$2,450	...	...	$16,090
26 Supplies and materials	...	...	130	...	...	...	...	...	130
31 Equipment	...	...	80	...	...	...	...	...	80
Total requirements	...		18,750	...	...	-2,450	...	...	16,300

Justification by Object Class

25.0 Other services									
Other	...	...	18,540	...	...	-2,450	...	...	16,090
26.0 Supplies and materials									
Other	...	...	130	...	...	...	...	...	130
31.0 Equipment									
Other	...	...	80	...	...	...	...	...	80

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION

Operations and Training
Revised Estimates
Fiscal Year 1981

Funding		Employment	Perm. Pos.	Average Total Employment
Request pending.....	$65,627,000	Request pending.....	1,277	1,321
Proposed amendment.....	- 621,000	Proposed amendment.....	....	.....
Revised request.....	65,006,000	Revised request.....	1,277	1,321

STATEMENT OF PURPOSE AND NEED

This amendment reduces the 1981 request for development of waterborne transportation systems and for general administration. This action would reduce 1981 outlays by $600 thousand.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
251	Operations and Training	$65,627,000	-$621,000	$65,006,000

Statement of Purpose and Need

This amendment reduces the 1981 request for development of water-borne transportation systems and for general administration. This action would reduce 1981 outlays by $621 thousand.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Operations and training

Comparison by activities:	1981 Request Pending Perm. Pos.	1981 Request Pending Amount	1981 Proposed Amendment Perm. Pos.	1981 Proposed Amendment Amount	1981 Revised Request Perm. Pos.	1981 Revised Request Amount
Development of waterborne transportation systems	187	$ 7,552	...	$ -260	187	$ 7,292
National security support capability	252	8,083	...	...	252	8,083
Merchant Marine Academy	259	18,201	...	...	259	18,201
State marine schools	...	6,680	...	...	...	6,680
Use of waterborne transportation systems	244	7,943	...	...	244	7,943
General administration	335	17,168	...	-361	335	16,807
Total requirements	1,277	$65,627	...	$ -621	1,277	$65,006

Justification for Proposed Amendment

Activity: Development of waterborne transportation systems

(Dollar amounts in thousands)

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ship construction subsidy.....	90	$2,915	...	...	90	$2,915
Advanced ship development and construction.....	34	1,326	...	...	34	1,326
Capital construction funds.....	18	472	...	...	18	472
Maritime labor and education...	16	780	...	-$120	16	660
Supplementary training.....	23	1,882	...	-140	23	1,742
Civil rights.....	6	177	...	...	6	177
Total requirements.....	187	7,552	...	-260	187	7,292

Maritime labor and education — 16 | $780 | ... | -$120 | 16 | $660

The amount requested for contract services to implement and administer the conversion of state marine school cadet allowances to loans is decreased from $270,000 to $150,000, a reduction of $120,000. These funds were requested for development of an automated system to maintain administrative and financial records of state marine school cadet loans. This system will be developed and implemented over a two-year period rather than one year as previously planned. Legislation (H.R. 5451) changing state marine school cadet allowances to loans is still under consideration by the House Merchant Marine and Fisheries Committee.

Supplementary training — 23 | $1,882 | ... | -$140 | 23 | $1,742

As part of the President's anti-inflation program, annual funding for the systematic replacement of equipment at the region radar schools will be reduced from $400,000 to $260,000, a decrease of $140,000. The replacement interval will be increased from approximately seven years to about ten years.

Activity: General administration

(Dollar amounts in thousands)

	1981 Request Pending		1981 Proposed Amendment		1981 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Administrative support below prorated to:						
Development of waterborne transportation systems.....	81	$4,120	...	-$87	81	$4,033
National security support capability.....	69	3,605	...	-76	69	3,529
Merchant marine academy.....	34	1,717	...	-36	34	1,681
State marine schools.....	10	515	...	-11	10	504
Use of waterborne transportation systems.....	141	7,211	...	-151	141	7,060
Total requirements.....	335	17,168	...	-361	335	16,807
Administrative support:						
Executive direction.....	44	1,741	...	...	44	1,741
Policy and planning.....	26	1,001	...	...	26	1,001
Administration and finance.....	158	10,813	...	-361	158	10,452
Line offices.....	107	3,613	...	...	107	3,613
Total requirements.....	335	17,168	...	-361	335	16,807
Administration and finance	158	$10,813	...	-$361	158	$10,452

As part of the President's anti-inflation program, this amendment reduces funding for personnel services by $216,000 to reflect savings related to the current hiring freeze. Although all programs will be affected, the reduction is identified in general administration for ease of presentation. In addition, annual funding for the ADP equipment replacement program will be reduced by $145,000.

STANDARD FORM 300

A-11-39B

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION
OPERATIONS AND TRAINING

Program and Financing (in thousands of dollars)

Identification code 13-1750-0-1-403	XXXX 1981 Request Pending	XXXXX 1981 Proposed Amendment	XXXXX 1981 Revised Request
Program by activities:			
Direct program:			
1. Development of waterborne transportation systems	12,175	-347	11,828
2. National security support capability	12,164	-76	12,088
3. Merchant Marine Academy	22,315	-36	22,279
4. State marine schools	7,210	-11	7,199
5. Use of waterborne transportation systems	15,359	-151	15,208
Total operating costs	69,223	-621	68,602
Unfunded adjustments to total operating costs: Depreciation included above	-2,396	...	-2,396
Total direct program	66,827	-621	66,206
Reimbursable program	17,600	...	17,600
Total program costs, funded [1]	84,427	-621	83,806
Change in selected resources (undelivered orders, operating materials and supplies, accrued annual leave)	-1,200	...	-1,200
10.00 Total obligations	83,227	-621	82,606
Financing:			
Offsetting collections from:			
11.00 Federal funds	-17,590	...	-17,590
14.00 Non-Federal sources	-10	...	-10
21.40 Unobligated balance available, start of year	...	...	...
24.40 Unobligated balance available, end of year	...	...	...
Budget authority	65,627	-621	65,006
	(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

STANDARD FORM 300
Bureau of the Budget
Circular No. A-11, Revised
900-101

A-11-59B

DEPARTMENT OF COMMERCE
MARITIME ADMINISTRATION
OPERATIONS AND TRAINING

Program and Financing (in thousands of dollars)

Identification code 13-1750-0-1-403

	XX XXX	XX XXXXX	XX XXXXX
	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
Budget Authority:			
40.00 Appropriation.....	65,627	-621	65,006
41.00 Transferred to other accounts...	...	...	...
43.00 Appropriation (adjusted)..	65,627	-621	65,006
44.10 Supplemental for wage-board pay raises.....	...	...	...
44.20 Supplemental for civilian pay raises.....	...	...	...
Relation of obligations to outlays:			
71.00 Obligations incurred, net.....	65,627	-621	65,006
72.40 Obligated balance, start of year.....	16,512	...	16,512
74.40 Obligated balance, end of year.....	-14,919	...	-14,919
90.00 Outlays, excluding pay raise supplemental.....	67,178	-621	66,557
91.10 Outlays from wage-board pay raise supplemental.	14	...	14
91.20 Outlays from civilian pay raise supplemental.	28	...	28

1/ Includes capital investment as follows: 1981 request pending, $2,292 thousand; 1981 proposed amendment, -$285 thousand; 1981 revised request, $2,007 thousand.

(Mono cast: 21.5) (Mono cast: 5) (Mono cast: 5) (Mono cast: 4.9)

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Operations and training

Object class	1981 Budget Request Pending			1981 Proposed Amendment			1981 Revised Request		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
11 Personnel compensation:									
11.1 Permanent positions	1,277	1,231	$31,762	...	-8	-$197	1,277	1,223	$31,565
11.3 Positions other than permanent	142	98	1,740	...	...	...	142	98	1,740
11.5 Other personnel compensation			356			...			356
11.8 Special personal services payments			203			...			203
Total	1,419	1,329	34,061	...	-8	-197	1,419	1,321	33,864
Other objects:									
12 Personnel benefits			3,672			-19			3,653
21 Travel and transportation of persons			919			...			919
22 Transportation of things			74			...			74
23 Rent, communications, and utilities:									
23.1 Standard level user charges			1,671			...			1,671
23.2 Other rent, communications, and utilities			1,793			...			1,793
24 Printing and reproduction			340			...			340
25 Other services			11,292			-120			11,172
26 Supplies and materials			3,253			...			3,253
31 Equipment			2,292			-285			2,007
32 Lands and structures			3,060			...			3,060
41 Grants, subsidies, and contributions			3,200			...			3,200
Total, requirements			65,627			-621			65,006

Justification by Object Class
(Dollar amounts in thousands)

Object class	1981 Budget Request Pending Pos.	Av. No.	Amount	1981 Proposed Amendment Pos.	Av. No.	Amount	1981 Revised Request Pos.	Av. No.	Amount
11.1 Permanent positions									
Senior executive service	26	26	$1,301	...	...	...	26	26	$1,301
General schedule	931	899	23,171	...	-8	-197	931	891	22,974
Wage board	245	234	4,639	...	...	...	245	234	4,639
Faculty at USMMA	75	72	2,651	...	...	...	75	72	2,651
Total, permanent positions	1,277	1,231	31,762	...	-8	-197	1,277	1,223	31,565
11.3 Positions other than permanent									
General schedule	105	63	1,033	...	...	...	105	63	1,033
Wage board	31	31	606	...	...	...	31	31	606
Faculty at USMMA	6	4	101	...	...	...	6	4	101
Total, positions other than permanent	142	98	1,740	...	...	...	142	98	1,740
11.5 Other personnel compensation									
Overtime			216			...			216
Employee awards			38			...			38
Other			102			...			102
Total, other personnel compensation			356			...			356
11.8 Special personal services payments									
USPHS Doctors, and Navy personnel at USMMA			203			...			203
12.1 Personnel benefits									
Civil Service Retirement			2,249			-19			2,230
Federal Insurance Contributions Act (FICA)			33			...			33
Health insurance			683			...			683
Life insurance			161			...			161
Employees' Compensation Fund			356			...			356
Uniform allowances			15			...			15
Overseas allowances			75			...			75
Permanent change of station			100			...			100
Total, personnel benefits			3,672			-19			3,653

		1981 Budget Request Pending			1981 Proposed Amendment			1981 Revised Request		
		Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
21.0	Travel and transportation of persons									
	Per diem			$156			...			$156
	Air fare			377			...			377
	Other common carrier			17			...			17
	Privately-owned automobiles			17			...			17
	GSA vehicles			22			...			22
	Midshipmen travel-USMMA			219			...			219
	Local			36			...			36
	Permanent change of station			75			...			75
	Total, travel and transportation of persons			919			...			919
22.0	Transportation of things									
	Reserve Fleet			14			...			14
	Household effects			45			...			45
	USMMA			4			...			4
	Other			11			...			11
	Total, transportation of things			74			...			74
23.1	Standard level user charges			1,671			...			1,671
23.2	Other rent, communications, and utilities									
	Federal Telecommunications System			285			...			285
	Other telephone, telegraph and teletype services			182			...			182
	Postal services by USPS			203			...			203
	Rental of automatic data processing equipment			162			...			162
	Rental of office copying equipment			83			...			83
	Other equipment rental			6			...			6
	Reserve Fleet			167			...			167
	USMMA			666			...			666
	Telephone			(95)			(...)			(95)
	Electricity			(371)			(...)			(371)
	Sewage			(69)			(...)			(69)
	Gas			(11)			(...)			(11)
	Water			(78)			(...)			(78)
	Office copying equipment			(13)			(...)			(13)
	ADP rentals			(29)			(...)			(29)
	Other			39			...			39
	Total, other rent, communications, and utilities			1,793			...			1,793

		1981 Budget Request Pending			1981 Proposed Amendment			1981 Revised Request		
		Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
24.0	Printing and reproduction									
	Publications			$123			...			$123
	USMMA			35			...			35
	Other			182			...			182
	Total, printing and reproduction			340			...			340
25.0	Other services									
	Training:									
	University			25			...			25
	Office of Personnel Management			55			...			55
	Other			155			...			155
	Maintenance of equipment			60			...			60
	GSA alterations and repairs			31			...			31
	Centralized Departmental services			1,404			...			1,404
	Other Federal Agencies:									
	Bureau of Census			150			...			150
	Army			8			...			8
	State			113			...			113
	GSA			109			...			109
	Reserve Fleet			893			...			893
	Professional studies, statistical analyses, forecasts, etc			296			...			296
	Automatic data processing			1,091			-120			971
	USMMA			2,824			...			2,824
	Maintenance and repair of training ships			3,440			...			3,440
	Miscellaneous services			638			...			638
	Total, other services			11,292			-120			11,172

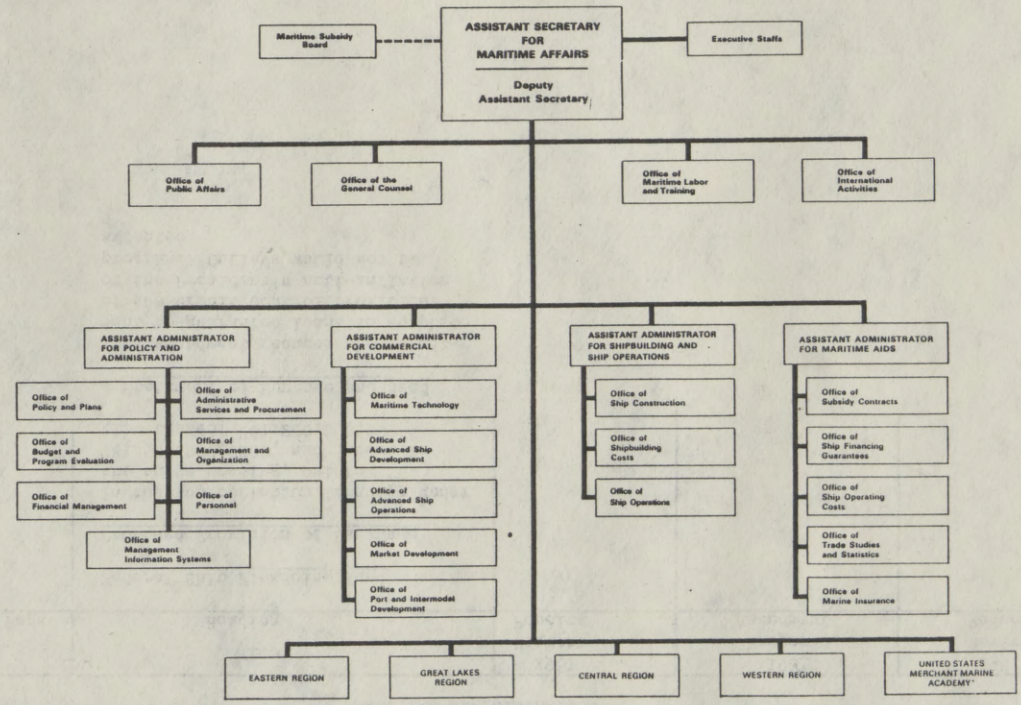
		1981 Budget Request Pending			1981 Proposed Amendment			1981 Revised Request		
		Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
26.0	Supplies and materials									
	ADP supplies			$71			...			$71
	Reserve Fleet			665			...			665
	USMMA			2,131			...			2,131
	Maintenance and repair of schoolships			40			...			40
	Other			346			...			346
	Total, supplies and materials			3,253			...			3,253
31.0	Equipment									
	ADP equipment			554			-145			409
	Office machines and equipment			20			...			20
	Reserve Fleet			12			...			12
	USMMA			1,204			...			1,204
	Other			502			-140			362
	Total, equipment			2,292			-285			2,007
32.0	Lands and structures									
	USMMA			3,060			...			3,060
41.0	Grants, subsidies, and contributions									
	State Marine Schools			3,200			...			3,200

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Budget Appendix Page	Heading	1981 Request Pending	1981 Proposed Amendment	1981 Revised Request
252	Federal Ship Financing Fund Proposed Provision of Language In the appropriation language under the above heading, delete "$1,500,000,000", and insert in lieu thereof "$1,200,000,000". Statement of Purpose and Need This amendment reduces the commitment to guarantee loans in support of the credit control provisions of the President's anti-inflation program. Outlays would not be affected.			

U.S. DEPARTMENT OF COMMERCE
Maritime Administration



*Kings Point, N.Y.

MARCH 29, 1979

62-212 O - 80 - 36

General Statement

Under the authority of the Merchant Marine Act, 1936, as amended, and other legislation, the Maritime Administration is responsible for programs to promote a strong U.S. Merchant Marine for the waterborne carriage of U.S. foreign and domestic commerce and for national defense purposes. Emphasis is placed on increasing the competitiveness and productivity of the U.S. shipping and shipbuilding industries.

The following is a comparison of the 1980 appropriations and the 1981 budget estimates for the programs of the Maritime Administration:

(Dollar amounts in thousands)

Appropriations	1980 Appropriation Perm. Pos.	1980 Appropriation Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) or Dec.(-) Perm. Pos.	Inc.(+) or Dec.(-) Amount	Perm. Emp. 12/31
Ship construction	...	$101,000	...	$135,000	...	+$34,000	...
Operating-differential subsidies (appropriation to liquidate contract authority)	...	256,208 1/	...	347,697	...	+91,489	...
Research and development	...	16,300	...	18,750	...	+2,450	...
Operations and training	1,259	64,622 2/	1,277	65,627	+18	+1,005	1,176
Total	1,259	438,130	1,277	567,074	+18	+128,944	1,176

1/ Excludes proposed program supplemental for $44,307,000.
2/ Excludes pay supplemental of $1,259,000.

Ship construction

The 1981 ship construction program level estimate is $135,000,000. This program will provide for the construction of five dry bulk ships and engineering changes to ships currently under construction.

Operating-differential subsidies

The request for 1981 will provide operating-differential subsidies for 139.6 ship-years of liner operations and 22.0 ship-years of bulk carrier operations, an increase of 8.7 ship-years over 1980. The 1981 program, which covers 147 liner ships and 26 bulk ships, reflects an increase of four liner ships and two bulk carriers over the 1980 program. These changes result from the addition of one new liner operator and the net effects of new ship deliveries and fleet deletions. The estimated subsidy accruals for U.S.-flag operations during 1981 total $348,502,000. Estimated subsidy payments during 1981 total $347,697,000.

Research and development

The 1981 request of $18,750,000 involves an increase of $2,450,000 over the 1980 appropriation. The scope of activity at the Computer-Aided Operations Research Facility (CAORF) at Kings Point, New York will be increased to develop and implement programs in support of the Port and Tanker Safety Act. The funding level for research in fleet management functions also will be expanded.

Operations and training

This appropriation finances costs of administration and direction of Maritime Administration programs, the maintenance of the National Defense Reserve Fleet (NDRF), and the officer training programs at the U.S. Merchant Marine Academy and the State marine schools. The 1981 request of $65,627,000 reflects an increase of $1,005,000 over the 1980 appropriation. The request for 1981 also includes an increase of 18 permanent positions. The proposed program will provide two incremental positions and funding to implement the program to institute service obligations for State marine school cadets and Merchant Marine Academy midshipmen. The request includes an increase of 13 new positions for continued expansion of the Ready Reserve Fleet program and expanded workload in the National Defense Reserve Fleet.

Appropriation Summary Statement

Appropriation: Ship construction

The objective of the Ship construction program is to sustain efficient and competitive U.S. facilities for shipbuilding and ship repair, while encouraging the development of a strong U.S.-flag fleet engaged in foreign commerce. Funds are appropriated for this activity under the basic authority of the Merchant Marine Act, 1936, as amended, and annual authorization acts. These funds provide for the payment to U.S. shipyards of construction-differential subsidies (CDS) which enable the construction or reconstruction of ships for U.S. citizens at prices comparable to those which would be paid for equivalent ships constructed in foreign shipyards.

The Ship construction program includes funding amounting to $292,154,000 during 1980-81, an amount sufficient to fund construction of 10 new ships. The 1980 program includes funding for construction of five new dry bulk ships, two of which are expected to result from the fulfillment of a contingency option on a 1979 contract, and three of which represent new contracting. The 1980 program also includes $18,289,000 for the completion of two barges resulting from a September 1976 contract which was not fulfilled due to the closing of the Seatrain shipyard. The 1980 program, as requested in the 1980 Budget, had also included one LASH ship associated with a Waterman Steamship Corporation replacement obligation. This replacement obligation was fulfilled by Waterman through a 1979 construction contract, and has, consequently, been dropped from the 1980 requirements. The 1981 program includes construction of five additional new dry bulk ships. Legislation has been introduced which will provide incentives to the construction of dry bulk ships. Present conditions indicate that CDS rates near the 50 percent level will be needed for contract awards on most ship types.

The following table shows shipbuilding activity funded since FY 1971, the year the Merchant Marine Act of 1970 was implemented, as well as the projected program levels for 1980 and 1981.

(Dollar amounts in thousands)

Ship Type	FY 1971-79 Combined No. of Ships	FY 1971-79 Combined CDS Cost	FY 1980 Estimate No. of Ships	FY 1980 Estimate CDS Cost	FY 1981 Estimate No. of Ships	FY 1981 Estimate CDS Cost
General cargo ships:						
Barge carrier (LASH)	11	$177,310				
Barge carrier	1	5,371				
Containerships	10	279,861				
Breakbulk ships	3	14,264				
Roll-on/Roll-off (Ro/Ro) ships	7	167,693				
Ro/Ro integrated tug barges	2	16,705		$18,289b/		
Ro/Ro heavy lift ships	2	14,194				
Bulk carrier ships:						
Liquefied natural gas (LNG) carriers	11	270,075				
Chemical carriers	3	82,103				
Ore-bulk-oil (OBO) carrier	2	27,092				
Dry-bulk ships	3	61,127	5	106,865c/	5	$125,000
Tankers:						
up to 40,000 dwt	10	80,726				
40,000 to 100,000 dwt	9	91,866				
200,000 to 300,000 dwt	9	261,793				
300,000 to 400,000 dwt	2	129,973				
Subtotal, new construction	85a/	1,680,153	5	125,154	5	125,000
Conversions and reconstructions	43a/	79,060				
Trade-ins		74,695		20,000		
Engineering, changes, etc		87,616		12,000		10,000
Total program level	128a/	1,921,524	5	157,154	5	135,000
Carryover, start of period		-229,184		-56,154c/		
Carryover, end of period		56,154 c/		...		...
Appropriation(s)		1,748,494		101,000		135,000

a/ A total of 82 ships and 40 reconstructions or conversions have been contracted since the enactment of the Merchant Marine Act of 1970. In order to accurately reflect total fiscal year activities, the numbers presented in the table include three containerships and three conversions contracted in fiscal year 1971 prior to the date of enactment of the 1970 Act.

b/ Provides for the completion of two barges originally contracted in September 1976 with Seatrain Shipbuilding.

c/ Includes $37,865,000 for two dry bulk ships which are presently contracted on a contingency basis and recorded as administrative commitments.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Ship construction

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount
	Appropriation currently available, 1980	...	$101,000
	Financing from prior year appropriations	...	56,154
	1981 base	...	157,154

	Comparison by activity:	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-) Over 1981 Base	
		Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
MA-7	Ship construction subsidy, total requirements	...	$416,991	...	$157,154	...	$157,154	...	$135,000	...	-$22,154
	Financing from prior year appropriations				-56,154				...		+56,154
	Appropriation				101,000				135,000		+34,000

Justification of Program and Performance

Activity: Ship construction subsidy

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ship construction subsidy.....	...	$416,991	...	$157,154	...	$157,154	...	$135,000	...	-$22,154

Goals and Objectives

Goals: To provide for a competitive shipbuilding industry adequate for U.S. emergency mobilization requirements and for a U.S.-flag fleet adequate to meet the commercial and national security shipping requirements of the United States.

Objectives: The objectives of this activity are:

- o to support the construction of safe and efficient U.S.-flag ships that meet the requirements of foreign commerce and national defense of the United States, and which will aid in the development of the foreign commerce of the U.S.;
- o to support increased capability, effectiveness, and productivity in the U.S. shipbuilding industry; and,
- o to provide for continued construction contracting in U.S. shipyards in order to maintain stable employment and increase skill levels necessary to shipbuilding.

Base Program

The basic statutory authority for this activity is found in title V of the Merchant Marine Act, 1936, as amended. In 1970, amendments were adopted to improve the international competitive position of the U.S. Merchant Marine. The Merchant Marine Act of 1970 also established the major national policy objective of maintaining a base of efficient shipbuilding and ship repair facilities.

Subsidy contracts awarded under the 1970 Act through FY 1979 cover the construction of 82 ships and reconstruction, or conversion, of 40 ships, a total production of nearly 6.4 million deadweight tons. These contracts encompass a total of about $4.8 billion in business to U.S. shipyards at a Federal subsidy cost of $1.9 billion.

In the last three and one-half years, 15 CDS contracts have been awarded for the construction of 38 new ships. However, this has not been sufficient to offset the severe impact of the slump in CDS contracting during the 23 months prior to June 1976, when there was no effective construction contracting. This slump was caused by the virtual halt in tanker building following the Arab oil embargo. The overall shipbuilding orderbook backlog has diminished in spite of the recent contracting. Three of the primary shipyards that have been CDS contractors since the 1970 Act immediately require contracts for new vessels in order to maintain an adequate backlog for available facilities and manpower. These are General Dynamics Corp. (Quincy), Bethlehem Steel Corp. (Sparrows Point), and Newport News Shipbuilding and Drydock Co. Other major yards historically involved in CDS construction--National Steel and Shipbuilding Co., Sun Shipbuilding and Drydock Co., Todd Shipbuilding Corp. (San Pedro), Avondale Shipyards, Inc., and Bath Iron Works Corp. currently are projected to have sufficient Navy and/or private work for the immediate future.

Decrease for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ship construction subsidy	...	$157,154	...	$135,000	...	-$22,154

The FY 1981 Ship construction subsidy program of $135,000,000 is projected to provide funding for one contract for the construction of five new dry bulk cargo ships. These dry bulk ships represent anticipated requirements in conjunction with legislation currently before the Congress (H.R. 4769) which would promote construction of dry bulk vessels. This legislation, if enacted, would stimulate an estimated annual demand for subsidized construction of five new dry bulk ships in the 35,000 - 45,000 dwt size range.

The 1981 program is to be totally funded from the requested appropriation of $135,000,000.

The object class detail for this activity is as follows:

Grants, subsidies, and contributions	-$22,154,000

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Ship construction

Object class	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
Other objects:									
41 Grants, subsidies, and contributions	...	...	$157,154	...	...	$135,000	...	...	-$22,154

Justification by Object Class

41.0 Grants, subsidies, and contributions				
Other non-government contracts	157,154	135,000	-22,154	

Appropriation Summary Statement

Appropriation: Operating-differential subsidies

Operating-differential subsidies (ODS) are the primary means of Federal support for the competitive operation of the U.S.-flag merchant fleet engaged in the foreign commerce of the United States. This program assists in the development and preservation of a modern, efficient and competitive U.S.-flag merchant fleet which is adequate to meet both the commercial and national security requirements of the U.S. by providing operating subsidies to American ship operators, if required, to offset differences between U.S. and foreign operating costs.

Subsidy is provided for wage, maintenance and repair, and insurance costs. Subsidizable U.S. wage costs are limited through use of a special non-maritime U.S. wage index developed by the Bureau of Labor Statistics. Wage costs are also partially controlled through the limitation of manning levels for new subsidized vessels. Payments for maintenance and repair and insurance are determined as the difference between the fair and reasonable cost of these items and the cost of the same items of expense if the vessel were operated under the registry of the flag of a substantial foreign competitor.

Operating-differential subsidy is accrued for ship-days of subsidized operation during the fiscal year. Partial subsidy payments from annual appropriations are made during the fiscal year for voyages completed during the year. Additional payments are made for final settlement of prior year accruals as final data concerning actual U.S. and foreign costs become available.

Operating-differential subsidy (ODS) operators are generally awarded 20-year contracts for the payment of ODS for specified ship operations in the U.S. foreign trade. The exception to these long-term contracts are the one-year contracts with operators in the U.S./U.S.S.R. grain trade. These latter, short-term contracts differ from the regular long-term contracts primarily in that the short-term contracts do not require specified amounts of service and provide for the abatement of subsidy under certain circumstances.

Subsidy accruals for U.S.-flag operations during 1981 are estimated to be $348,502,000. This estimate is based on 139.6 ship-years of liner operations, 21.0 ship-years of worldwide bulk carrier operations and 1.0 ship-years of bulk carrier operations in the U.S./U.S.S.R. grain trade. Payment of $37,191,000 of the 1981 accruals will be made in subsequent years.

An appropriation of $347,697,000 is requested for 1981. This appropriation will provide $311,311,000 for 1981 U.S.-flag operations and $36,386,000 for payment of amounts due for operations in prior years.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Operating-differential subsidies

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			...	$256,208
	Financing from prior year appropriations			...	+42,511
	Subtotal			...	298,719
	Proposed program supplemental			...	+44,307
	1981 Base			...	343,026

Page No.	Comparison by activity:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) or Dec.(-) Over 1981 Base Perm. Pos.	Inc.(+) or Dec.(-) Over 1981 Base Amount
MA-12	Liner and bulk carrier operators	...	$300,522	...	$298,719	...	$343,026	...	$347,697	...	+$4,671
	Financing from prior year balances		-93,033		-42,511		-42,511		...	...	+42,511
	Carryover to next fiscal year		+42,511		...		...		...		...
	Appropriation		250,000		256,208		300,515		347,697		+47,182
			(289,625)		(304,755)		(304,755)		(348,502)		

Note. - Dollar amounts in parentheses represent obligations.

Justification of Program and Performance

Activity: Liner and bulk carrier operators

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Liner operators	...	$227,570	...	$235,076	...	$247,456	...	$269,313	...	+$21,857
		(258,249)		(266,705)		(266,705)		(301,549)		(+34,844)
Bulk carrier operators	...	24,572	...	28,383	...	35,097	...	41,998	...	+6,901
		(31,376)		(38,050)		(38,050)		(46,953)		(+8,903)
Payment of prior years obligations	...	48,380	...	35,260	...	60,473	...	36,386	...	-24,087
		(...)		(...)		(...)		(...)		(...)
Total requirements	...	300,522	...	298,719	...	343,026	...	347,697	...	+4,671
		(289,625)		(304,755)		(304,755)		(348,502)		(+43,747)

NOTE: Dollar amounts in parentheses represent obligations.

Goals and Objectives

Goals: To insure the competitive operation of a modern and efficient U.S.-flag merchant fleet which is adequate to support both the commercial foreign trade and national security objectives of the United States.

Objectives: The objectives of this activity are:

- o to provide operating subsidies to American ship operators to offset differences between the costs of U.S.- and foreign-flag ships operating in the essential foreign trades of the United States;
- o to encourage and maintain U.S.-flag participation in the foreign trade of the United States;
- o to encourage the responsiveness of the U.S.-flag fleet to the foreign trade and national security objectives of the United States;
- o to improve the competitive ability of U.S.-owned and operated ships engaged in the U.S. foreign trade; and
- o to encourage the modernization of the U.S.-flag fleet engaged in the U.S. foreign trade.

Base Program

The presence in the United States foreign trade of U.S.-flag ships, owned, operated and manned by citizens of the United States:

- o assures the continuity of regularly scheduled service for imports and exports for United States interests, without the threat of restrictive trade practices which might be imposed if our shipping services were provided exclusively by foreign-flag ships;

- o permits the immediate availability of ships with experienced crews when necessary to aid in the national defense of the United States.

The support and maintenance of a viable U.S.-flag merchant marine has, for these reasons of national defense and economic security, continued to be a policy of national importance. The U.S.-flag fleet has provided support during every major military deployment in the history of the United States. Additionally, the United States, as the world's largest trading nation in both imports and exports, has an interest in maintaining this adequate and dependable mode of transporting its foreign trade.

Operating-differential subsidies are the primary means of Federal support for continuing competitive operations of the U.S.-flag merchant fleet in the foreign trade of the United States. Direct subsidies were first provided to American ship operators under the Merchant Marine Act, 1936. The Merchant Marine Act of 1970 expanded the coverage of operating-differential subsidies to include bulk carrier ships. The 1970 Act also encouraged increased competitiveness by establishing new procedures for the provision of subsidy for wages and subsistence. These new procedures, by limiting the amounts of subsidy provided, are designed to provide incentives to subsidized U.S. operators to hold down cost increases.

Operating-differential subsidies offset the lower ship operating costs of foreign-flag operators for such major items of expense as crew wages, crew subsistence costs on passenger ships, maintenance and repair costs, hull and machinery insurance and protection and indemnity insurance. Subsidy for each of these items of expense is based on the difference between the U.S. costs of these items and foreign costs for similar items of expense.

Liner service:

The subsidized U.S.-flag liner fleet at the end of FY 1979 consisted of 157 ships--four combination passenger/cargo ships and 153 general cargo ships. During 1980, the fleet will experience deliveries of three ships and the trade-in of seventeen ships. Farrell Lines will be trading in 11 to 15 breakbulk ships and receiving delivery of two new containerships. Waterman Steamship Corp. will be trading in three breakbulk ships and acquiring two new LASH vessels. Only one renewal of a long-term ODS contract is expected during the period 1980-1981: Renewal of the 20 year contract covering the continued operation of 23 ships for the American Export Division of Farrell is expected to be signed, effective January 1, 1981.

Bulk carrier service:

The bulk carrier segment of the subsidized fleet is divided into two distinct trades--worldwide and U.S./U.S.S.R grain trades. Bulk carrier ships which operate in the worldwide bulk trade generally receive long-term subsidy contracts and provide an established amount of service in this trade. Bulk carrier ships which operate in U.S./U.S.S.R. grain trade are generally covered by short-term contracts and are not required to provide an established amount of service in this trade. Subsidy for these ships is accrued and paid only when they are actively engaged in voyages related to the U.S./U.S.S.R. grain trade. There were 21 ships operating in 1979 in the worldwide trades. Late in 1980 the bulk operators of the Suwannee River Group will receive delivery of two ships under an existing contract for this trade for a total of 23 bulk ships. During 1979 one ship operated full-time in the U.S./U.S.S.R. grain trade, and the same level of participation is estimated for 1980 and 1981.

Payment of prior years obligations:

Settlement of all balances due for 1976 and prior years' accruals and for about 70 percent of balances due for 1977 and 1978 accruals will be made in 1980. Settlement of all remaining balances for 1977 and over 60 percent of remaining amounts for 1978 will be made in 1981.

Changes for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Liner operators	...	$247,456	...	$269,313	...	+$21,857

The requested increase in 1981 for liner operators is $21,857,000. Changes from the 1981 base reflected in this request are:

(1) the addition of a new operator, Great Lakes Atlantic Steamship Co. (+$9,201,000);
(2) the addition of one ship to Farrell Lines fleet (+$2,148,000);
(3) the reduction of two ships from the Waterman Steamship Corporation fleet (-$3,210,000);
(4) a decrease in idle status (+$2,808,000); and,
(5) the net effect of foreign and domestic cost changes due to escalation and the introduction of a new wage base year (+$10,910,000).

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Bulk carrier operators	...	$35,097	...	$41,998	...	+$6,901

An increase of $6,901,000 in outlays is requested for bulk carrier operators. This reflects one new operator, Equity Carriers, Inc., for .8 ship-years in 1981 (+$1,358,000); annualization of the cost of operations by Suwannee River Group, which will begin service late in FY 1980 (+$3,088,000); and the net effect of foreign and domestic cost changes (+$2,455,000).

Payment of prior years obligations	...	60,473	...	36,386	...	-24,087

A decrease of $24,087,000 is requested for payment of prior years obligations. The 1980 plans provide for the settlement with subsidized operators of balances determined due for operations through 1976 and for approximately 70 percent of amounts due for 1977 and 1978 operations. Settlement of balances due for the remainder of 1977 and over 60 percent of the remaining amounts due for subsidized operations in 1978 will be made in 1981. The request reflects amounts anticipated for billing and subsequent payments under this schedule of settlements.

The object class detail for the increase follows:

Grants, subsidies, and contributions..... +$4,671,000

1980 and 1981 Estimates of Ship-Years and Budget Authority Related to Appropriation
(Dollar amounts in thousands)

	1981 Base			1981 Estimate			Inc.(+) or Dec.(-) Over 1981 Base		
	Ships	Ship-Years	Budget Authority	Ships	Ship-Years	Budget Authority	Ships	Ship-Years	Budget Authority
Liner operators:									
American President Lines, Ltd.....	22	20.6	$30,642	22	20.6	$31,877	...	...	+$1,235
Delta Steamship Lines, Inc.....	24	22.7	56,509	24	22.8	62,623	...	+.1	+6,114
Farrell Lines Incorporated.....	23	22.5	47,828	24	23.4	56,738	+1	+.9	+8,910
Great Lakes Atlantic Steamship Co.....	...	...	...	5	4.8	10,302	+5	+4.8	+10,302
Lykes Bros. Steamship Co., Inc.....	45	41.5	80,333	45	42.4	87,189	...	+.9	+6,856
Moore-McCormack Lines, Incorporated....	10	9.2	19,874	10	9.5	22,259	...	+.3	+2,385
Prudential Lines, Inc.....	3	2.8	6,977	3	2.8	8,219	...	...	+1,242
Waterman Steamship Corporation.....	16	14.7	24,542	14	13.3	22,342	-2	-1.4	-2,200
Subtotals, Liner operators:									
Current year accruals.....	143	134.0	266,705	147	139.6	301,549	+4	+5.6	+34,844
Subsidy payable in subsequent fiscal years.....			-19,249			-32,236			-12,987
Net subsidy payable in year of accrual.....			247,456			269,313			+21,857

	1981 Base			1981 Estimate			Inc.(+) or Dec.(-) Over 1981 Base		
	Ships	Ship-Years	Budget Authority	Ships	Ship-Years	Budget Authority	Ships	Ship-Years	Budget Authority
Bulk carrier operators:									
Aeron Marine Shipping Company	2	1.7	$3,157	2	1.7	$3,368	...	...	+$211
American Shipping, Inc.	1	.8	1,455	1	.8	1,551	...	...	+96
Aquarius Marine Company	1	.8	1,558	1	.8	1,666	...	...	+108
Aries Marine Shipping Company	2	1.7	3,138	2	1.7	3,337	...	...	+199
Atlas Marine Company	1	.8	1,600	1	.8	1,692	...	...	+92
Chestnut Shipping Company	2	1.7	3,372	2	1.7	3,563	...	...	+191
Equity Carriers, Inc.	...	...	...	1	.8	1,518	+1	+.8	+1,518
Margate Shipping Company	3	2.6	4,754	3	2.6	5,405	...	...	+651
Moore-McCormack Bulk Transport, Inc.	3	2.6	4,639	3	2.6	5,347	...	...	+708
Pacific Shipping, Inc.	1	.8	1,467	1	.8	1,560	...	...	+93
Suwannee River Group	2	.2	211	3	2.5	3,663	+1	+2.3	+3,452
Worth Oil Transport Company	1	.8	1,587	1	.8	1,684	...	...	+97
Zapata Products Tankers, Inc.	4	3.4	5,618	4	3.4	6,599	...	...	+981
U.S./U.S.S.R. Grain Trade	1	1.0	5,494	1	1.0	6,000	...	...	+506
Subtotals, bulk trade:									
Current year accruals	24	18.9	38,050	26	22.0	46,953	+2	+3.1	+8,903
Subsidy payable in subsequent fiscal years			-2,953			-4,955			-2,002
Net subsidy payable in year of accrual			35,097			41,998			+6,901
Total Requirements:									
Current year accruals (budget authority)	167	152.9	304,755	173	161.6	348,502	+6	+8.7	+43,747
Subsidy payable in subsequent fiscal years			-22,202			-37,191			-14,989
Net subsidy payable in year of accrual			282,553			311,311			+28,758
Payment for prior year obligations			60,473			36,386			-24,087
Total requirements (outlays)			343,026			347,697			+4,671
Financing from prior year balances			-42,511			...			+42,511
Appropriation requested			300,515			347,697			+47,182

62-212 O - 80 - 37

Liquidation of Current and Prior Year Accruals
(Dollar amounts in thousands)

	1981 Base			1981 Estimate			
	Unliquidated Balance Start of Year	Budget Authority (Accruals)	Approp. (Outlays)	Unliquidated Balance Start of Year	Budget Authority (Accruals)	Approp. (Outlays)	Unliquidated Balance End of Year
1981	...	...	...	...	$348,502	$311,311	$37,191
1980	...	$304,755	$282,553	$22,202	...	20,018	2,184
1979	$43,903	(...)	30,145	13,758	...	10,422	3,336
1978	20,112	(...)	13,768	6,344	...	3,972	2,372
1977	8,148	(...)	6,174	1,974	...	1,974	...
1976 and prior	10,386	(...)	10,386	...	...	...	...

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Operating-differential subsidies

Object class	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
Other objects:									
41 Grants, subsidies, and contributions	...	...	$343,026	...	...	$347,697	...	...	+$4,671

Justification by Object Class

41.0	Grants, subsidies, and contributions			
	Other non-government contracts	343,026	347,697	+4,671

Appropriation Summary Statement

Appropriation: Research and development

The objective of the Maritime Research and development program is to develop concepts, methods, systems, and equipment to improve productivity and operating efficiency in the U.S. shipbuilding and ship operating industries. Programs are aimed at the development of information and technology that will result in lower shipbuilding costs, operating costs, and government subsidies for both ship construction and operation. Substantial participation by industry is obtained through cost-sharing and joint industry/government project formulation.

Advanced ship development - This program category includes projects designed to increase ship construction efficiency through use of computerized manufacturing techniques, through development of standardized ship construction procedures and equipment; and through general improvements to facilities and ship construction processes. Also included in this program is the improvement of ship machinery and related systems. These improvements are designed to conserve energy, to reduce maintenance requirements and to improve ship machinery in order to reduce operating, maintenance and shipbuilding costs.

Advanced ship operations - This program aims at providing the technological means to improve the operating efficiency and safety of U.S. ships. Developmental projects include ship performance and safety systems encompassing human factors studies, energy conservation and pollution control related to ship operation, the advancement of ship performance monitoring and the avoidance of heavy weather damage; fleet and ship management systems; advanced cargo handling equipment; and port operations and management.

Research facilities - This program provides the facilities and research capabilities for ship operations simulation for investigating basic ship design and ship operation problems in restricted waterways and harbor areas. This includes the development of advanced shipboard equipment and personnel training requirements for efficient and safe operation of ships in both normal and dangerous situations and environments. Many projects are formulated and implemented to meet shipping problems of national significance or specific industry importance, and are funded on a cost-shared or reimbursable basis with other government agencies and/or industry.

Advanced maritime technology - This program develops requirements for research and development projects in the entire range of shipbuilding and ship operations activities by examining both technical and economic factors. Potential market opportunities for new ship types are analyzed. Research is performed in areas of hydrodynamics, ship structures and propulsors as well as navigation and communications. This program is designed to generate promising candidates for new development projects.

The proposed program level for 1981 totals $18,750,000, which represents a net increase of $2,450,000 from the 1981 base. This increase comprises $985,000 in the Advanced ship operations program that will be used for improving fleet management functions and provide for two additional port planning studies; and an increase of $1,960,000 in the Research facilities program to design, develop and implement programs in support of the Port and Tanker Safety Act. These increases are offset by a decrease in Advanced maritime technology program activities of $495,000.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Research and development

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount
	Appropriation currently available, 1980 (base for 1981)	...	$16,300

Page No.	Comparison by activities:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) or Dec.(-) Over 1981 Base Perm. Pos.	Inc.(+) or Dec.(-) Over 1981 Base Amount
MA-23	Advanced ship development	...	$5,050	...	$4,990	...	$4,990	...	$4,990	...	...
			(4,466)		(5,820)		(4,990)		(4,990)		
MA-25	Advanced ship operations	...	2,830	...	2,505	...	2,980	...	3,965	...	+$985
			(2,545)		(3,675)		(2,980)		(3,965)		
MA-28	Research facilities	...	4,565	...	3,805	...	3,805	...	5,765	...	+1,960
			(6,163)		(4,101)		(3,805)		(5,765)		
MA-30	Advanced maritime technology	...	5,055	...	5,000	...	4,525	...	4,030	...	-495
			(5,783)		(5,405)		(4,525)		(4,030)		
	Increase									...	+2,450
	Total requirements	...	17,500	...	16,300	...	16,300	...	18,750		
			(18,957)		(19,001)		(16,300)		(18,750)		

Note. - Dollar amounts in parentheses represent obligations.

Justification of Program and Performance

Activity: Advanced ship development

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Competitive shipbuilding technology	...	$1,300 (1,387)	...	$900 (1,020)	...	$900 (900)	...	$900 (900)	...	...
Ship producibility	...	200 (200)	...	500 (600)	...	500 (500)	...	500 (500)	...	...
Shipbuilding productivity	...	1,000 (1,023)	...	800 (900)	...	800 (800)	...	800 (800)	...	...
Shipbuilding facilities development	...	200 (100)	...	500 (600)	...	500 (500)	...	500 (500)	...	...
Ship's machinery and outfitting	...	2,350 (1,756)	...	2,290 (2,700)	...	2,290 (2,290)	...	2,290 (2,290)	...	...
Total requirements	...	5,050 (4,466)	...	4,990 (5,820)	...	4,990 (4,990)	...	4,990 (4,990)	...	...

Goals and Objectives

Goals: Maintain a stable and economically viable U.S. shipbuilding industry in order to support national strategic and commercial interests. To increase the competitiveness and productivity of the industry and ensure its capability to construct ship types that will meet future market requirements.

Objectives: The primary objectives of programs under this activity are:

- Assist U.S. shipyards in reducing costs, accelerating deliveries, expanding flexibility in response to changing markets, maintaining a skilled and stable work force, and reducing institutional constraints. All of these efforts have the potential to reduce the necessary level of Federal ship construction subsidy.

- o Assist the maritime industry in developing and implementing improved and advanced shipboard propulsion equipment, auxiliary machinery, and ship systems. This includes research to minimize the risks associated with the design, development, and application of innovative machinery and systems for new ships and new classes of ships.

Base Program

The activity is comprised of five programs. These programs and their major objectives are as follows:

1) The Competitive shipbuilding technology program assists the marine industry in developing and implementing improved shipbuilding technology. Since 1972, this program has emphasized short-term projects which concentrate on improving the shipbuilding process. These projects have been characterized principally by low risk and modest gains. Cooperative industry-government projects will continue in the budget year at the same level of effort in 1980. Projects are formulated and carried out in coordination with the Society of Naval Architects and Marine Engineers.

2) The Ship producibility program is designed to assist U.S. shipyards, ship owners, regulatory bodies, and Federal agencies in developing resources, standards and procedures which improve the ability of the industry to deal with the ship design/production interface and to make more rational use of manpower, materials and equipment. During 1981 a modest level of effort will be directed towards industrial engineering standards development.

3) The Shipbuilding productivity program assists U.S. shipyards in increasing the effectiveness of shipbuilding management and the shipbuilding work force. This includes improving management capabilities to plan, schedule and control work in process and improving work force skill levels, work practices, and motivation. Projects will continue from 1980 that seek to implement foreign (specifically, Japaneese) and advanced technologies in the shipyards.

4) The Shipbuilding facilities development program assists U.S. shipyards in developing and implementing efficient, technologically advanced facilities which reduce man-hours, construction time, and inventory costs. This includes investigating institutional constraints which hinder implementation of shipbuilding improvements. This program, begun in 1977, includes higher risk, longer range projects which promise major improvements in facilities and equipment for shipbuilding. Beginning in 1980 and continuing through 1981, MarAd will undertake a series of cost-shared projects with five selected shipyards in an effort to examine their long range facilities requirements. Currently, most shipyards plan only two-three years ahead. The development of long-range plans will help the shipyards in meeting future requirements, and should increase the cost effectiveness of their operations, reducing labor and material handling costs for ship construction and repair. Work is continuing under a cost-shared contract in the assembly of the semi-automated pipe shop. Full demonstration is expected in the later part of FY 1981 - early part of FY 1982. In advance of this demonstration, several shipyards have procured equipment initially identified in the engineering phase of the project, to implement semi-automated pipe fabrication.

5) The Ship's machinery and outfitting program includes projects which are directed toward: (1) reducing fuel costs; (2) improving the overall performance, reliability, and efficiency of propulsion systems; (3) decreasing vessel maintenance costs and out-of-service time due to shipboard machinery failures; and (4) enhancing the overall safety and performance of vessels and crews. A project will be implemented during 1981 to determine the optimum degree of automation and sophistication of propulsion system automation equipment needed on unattended engine room operation.

Activity: Advanced ship operations

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Competitive shipping.....	...	$550	...	$550	...	$550	...	$1,235	...	+$685
		(831)		(1,000)		(550)		(1,235)		
Ship performance and safety.....	...	1,080	...	755	...	1,230	...	1,230	...	...
		(805)		(925)		(1,230)		(1,230)		
Cargo handling.....	...	750	...	750	...	750	...	750	...	...
		(135)		(1,000)		(750)		(750)		
Port and intermodal development.	...	450	...	450	...	450	...	750	...	+300
		(774)		(750)		(450)		(750)		
Total requirements.....	...	2,830	...	2,505	...	2,980	...	3,965	...	+985
		(2,545)		(3,675)		(2,980)		(3,965)		

Goals and Objectives

Goals: To improve the movement of seagoing cargo from origin to destination in order to make U.S. fleet operations more efficient and competitive in foreign markets, and to increase fleet productivity and safety.

Objectives: Major objectives of this activity are:

- o Improve ship and fleet productivity through application of modern communications and data processing capability and other advanced tools to control and manage the flow of cargo efficiently;
- o Increase the cargo throughput and reduce operating costs through improved techniques of cargo handling (shoreside and shipboard), warehousing and consolidation, cargo packaging, commodity form change, and advanced feeder systems;
- o Increase efficiency and safety of ship and shipboard operations by developing and using improved hardware and operating techniques pertaining to hazard avoidance and ship control; ship performance monitoring for fuel economy; ship and crew safety; ship docking, maintenance, and shipboard administration; and,
- o Promote and encourage orderly and timely development of U.S. ports by providing technical assistance to local and regional port communities, the public port industry and U.S. ship operators related to proper port development planning and more efficient port facilities and services.

Base Program

This program is concentrated in four key activities: Competitive shipping, Ship performance and safety, Cargo handling, and Port and intermodal development.

1) The Competitive shipping program activities have been structured to assist shipping companies in formulating innovative solutions to their fleet operations, including competitive analysis, marketing, cargo flow documentation and control, ship scheduling, vessel routing, personnel administration and financial control.

2) The Ship performance and safety program is concerned with increasing the safety and efficiency of ship operations. This is accomplished by developing improved ship systems and operating techniques, improved navigation systems and equipment, and improved hazard avoidance and ship control systems. In FY 1981, the main areas of effort will be (1) the improving of ship performance with at-sea testing of a prototype ship energy performance analysis and corrective system; (2) continuing joint efforts with the USCG in developing better training and certification standards in compliance with the Port and Tanker Safety Act of 1978, and (3) application of linking a ship's at-sea sensing of the environment to shoreside facilities to improve forecasting in an effort to avoid heavy weather damage.

(3) Projects in the Cargo handling program are designed to increase cargo throughput and reduce operating costs of U.S.-flag commercial carriers, while increasing their potential for military sealift purposes through improved equipment and techniques of cargo handling. Three important cargo areas are involved; liner cargo, bulk cargo and military sealift. Since foreign competition in the liner cargo area is increasing, and shipping characteristics of manufactured goods continually change, research into liner cargo is emphasized in the program.

4) The Port and intermodal development program is conducted in fulfillment of Maritime Administration responsibilities, contained in section 8 of the Merchant Marine Act of 1920, to encourage port development necessary for the national defense

and for foreign and domestic waterborne commerce. Research and development projects undertaken in support of this program are concerned with regional port planning, port fire protection, and the enhancement of port productivity through the use of improved equipment, facilities, and services. The base program will allow two port planning studies in the New York/ New Jersey port region and the state of California. A system will additionally be developed for control of containers in national emergency.

Increases for Fy 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Competitive shipping	...	$550	...	$1,235	...	+$685

The 1981 request includes a major research effort to identify and analyze information system technology for application to fleet management functions including corporate planning, cargo services, marine operations and performance evaluation. A project will be directed towards the development of a mechanism to bring together the resources of the maritime researcher and the ship operating industry to define and solve fleet managemet problems such as ship scheduling, financial analysis, marketing forecasting, traffic analysis, competitive analysis and resource utilization.

The object class detail for this line item is as follows:

Other services	+$685,000

Port and intermodal development	...	$450	...	$750	...	+$300

The request includes funds for two additional new port planning studies. Further, the development of a practical method for rapidly calculating the estimated cargo handling throughput capacity of all types of U.S. port facilities currently contained in MarAd's competerized data inventory will also be accomplished. Initial work will be started on a study of Great Lakes inland feeder services. The generalized cargo terminal simulation model developed in fiscal year 1979 will be adapated to assist the MarAd Port Controller in time of national emergency to estimate the throughput over a given period for alternative combinations of equipment, storage space and manpower to handle priority cargo.

The object class detail for this line item is as follows:

Other services	+$300,000

Activity: Research facilities

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Research facilities	...	$4,565	...	$3,805	...	$3,805	...	$5,765	...	+$1,960
		(6,163)		(4,101)		(3,805)		(5,765)		
Total requirements	...	4,565	...	3,805	...	3,805	...	5,765	...	+1,960
		(6,163)		(4,101)		(3,805)		(5,765)		

Goals and Objectives

Goals: Provide land-based experimental facilities and research capability for solving ship operations problems at less cost, less risk and in much less time than by at-sea testing and evaluation.

Objectives:

- o Determine requirements for and means of improving ship system productivity, efficiency, safety and competitive operation through improved system and personnel performance at minimum cost and risk to the environment;
- o Carry out tests, experiments and investigations related to improving ship and crew performance;
- o Serve as a national focal point for maritime technical information and "technology transfer".

Base Program

This program is carried out at the National Maritime Research Center (NMRC) at Kings Point, New York. The laboratory and study work is primarily in support of the Advanced ship operations program. The Research facilities program plans and conducts simulation experiments in five areas of operation: collision avoidance, bridge system design, harbor and waterways analysis, ship control and maneuvering, and training and certification research.

The Research facilities program provides for projects directed at achieving safer and more efficient ship designs and operations using a simulator consisting of a ship's bridge outfitted with all necessary controls and dynamic displays.

Computer generated simulation reflects various port configurations or waterway channels with controlled single or multiple ship movements to conduct tests and obtain practical solutions to complex navigational situations, difficult port entrance and departure navigational problems and human factor problems in ship handling.

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Research facilities	...	$3,805	...	$5,765	...	+$1,960

The requested funds will allow for enhancement of the Computer-Aided Operations Research Facility, (CAORF) including developing an interactive bridge capability. The avoidance of collisions is dependent on the communication between pilots in a given traffic situation. The interactive capability would allow each pilot to take real time and realistic powering and maneuvering actions in tests and experiments.

The requested increase will fund expanded operations and maintenance costs of CAORF and provide for projects related to the Port and Tanker Safety Act. This includes projects to design, develop and implement a series of programs involving improved ship control and navigation systems, key human factor considerations relating to ship operations and control in restricted waterways, the impact of proposed vessel traffic services on personnel performance, improved pilotage standards, collision avoidance equipment standards, maritime risk management procedures, standards for license qualification using marine simulators, vessel handling and navigation standards and other related requirements. In each of the foregoing experimental programs, 50-50 cost sharing will be sought from both government and industry sources who have a specific interest in the program output.

The object class detail for this line item is as follows:

Other services..... +$1,960,000

Activity: Advanced maritime technology

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Advanced ship systems	...	$1,995	...	$1,750	...	$1,545	...	$1,275	...	-$270
		(2,118)		(1,855)		(1,545)		(1,275)		
Market analysis	...	500	...	500	...	500	...	500	...	...
		(319)		(500)		(500)		(500)		
Marine sciences	...	1,480	...	1,500	...	1,500	...	1,275	...	-225
		(2,225)		(1,800)		(1,500)		(1,275)		
Energy and environmental control	...	...		1,250	...	...	...	...	...	...
				(1,250)						
Advanced navigations and communications	...	550	...	...	...	450	...	450	...	...
		(591)				(450)		(450)		
Industrial plant vessels	...	530	...	...	...	530	...	530	...	...
		(530)		(...)		(530)		(530)		
Total requirements	...	5,055	...	5,000	...	4,525	...	4,030	...	-495
		(5,783)		(5,405)		(4,525)		(4,030)		

Goals and Objectives

Goals: To meet the long-term future demand for U.S. flag ocean transportation, in terms of capacity and advanced technology, by evaluating new concepts, initiating their development, and encouraging their implementation by the U.S. maritime industry.

Objectives:

- o To develop improved shipping systems for general, bulk, neobulk cargoes; investigate marine resource exploitation, express cargo shipping, and exploratory systems analysis; increase government and industry awareness of maritime trends and opportunities by defining industry-wide requirements,

planning Research and development, and exploring alternative policy directions.

- To conduct research and disseminate information to increase the effectiveness of market planning by the U.S. maritime industry.
- To improve ship operations through hydrodynamic research; to improve ship structures through cooperative government/industry research; and to provide industry with management and technical research information.
- To assure regulatory provision and develop technology for efficient spectrum use and conservation; implement systems and equipment to improve manning efficiency, expedite and facilitate ship movement, and integrate ship and company management.
- To assist U.S. shipbuilding by promoting industrial plant vessels.

Base Program

This part of the Research and development program was developed to explore fundamental concepts in science and technology and to provide scientific data upon which future technology will be based. It consists of five areas: Advanced ship systems, Marine science and technology, Market analysis, Advanced navigation and communications, and Industrial plant vessels.

1) The Advanced ship system program evaluates alternative shipping concepts in terms of economic and technical feasibility and applicability to potential new markets. The output of this program provides the shipping industry with a basis for new ship type and system concept planning. During 1981, advanced technology requirements for U.S. dry bulk competitiveness will be developed; a vehicle design for slurry cargoes will be conducted; liner requirements for Great Lakes overseas trade will be determined; and additionally, designs for ice breaking tankers and defense improvements for tug barges will be studied.

2) The Marine sciences and technology program addresses propulsors, structures, and hydrodynamics to increase scientific knowledge in marine engineering and identify requirements for advanced research and development projects. Maritime information exchange projects are also funded through this program. During 1981, cooperative research on ship structures will be conducted including government/industry testing and demonstration of stress monitoring and guidance systems. Improvements in design techniques will be made to reduce ship vibration. The university research program will be continued in 1980 and 1981. This program involves studies in such areas as new concepts of hydraulic propulsion transmission, analytic and model studies of hull roughness, and analysis of the effect of cavitation on hull pressures.

3) The primary objective of the Market analysis program is to conduct research and disseminate data that will increase the effectivenees of market planning by the U.S. maritime industry. Areas of research include trade route and cargo requirements, service and technology opportunities, market supply and demand, market intelligence, basic market mechanisms, shipping requirements and opportunities for trade routes experiencing increasing growth or competition. The market will be assessed for specific commodity groups with similar service requirements, handling characteristics, or growth potential. Basic market information will be developed and disseminated to improve the competitive performance of U.S. operators.

4) The Advanced navigation and communications program will explore applications of spread spectrum technology, as well as alternative technologies to increase the availability of communication channels for maritime use. The concept of communications based navigation technology will be developed.

5) The primary activity in the Industrial plant vessel program will be to evaluate economic and conceptual designs, and to promote U.S. industrial and shipbuilding participation.

Decreases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Advanced ship systems	...	$1,545	...	$1,275	...	-$270

Studies completed during 1980, such as the study of National Petroleum Reserves - Alaska(NPRA) activity concerning oil and gas maritime transportation alternatives, will not be completely offset by planned projects for 1981. There will also be a reduction from FY 1980 to FY 1981 in the level of effort for activities coordinated with the Maritime Transportation Research Board. The Maritime Transportation Research Board is an element of the National Academy of Sciences concerned with research regarding institutional issues and other broad areas of maritime transportation.

The object class detail for this line item is as follows:

Other services ..... -$270,000

Marine sciences	...	1,500	...	1,275	...	-225

The decrease is caused by a reduction in the level of fundamental research in both ship operations and ship design and construction. Additionally, slippage in the FY 1980 scheduling for full scale ship maneuvering and Great Lakes ice navigation studies will eliminate the need for follow on project funding in 1981.

The object class detail for this line item is as follows:

Other services ..... -$225,000

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Research and development

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount
Other objects:									
25 Other services	...	...	$16,090	...	...	$18,540	...	...	+$2,450
26 Supplies and materials	...	...	130	...	...	130	...	...	...
31 Equipment	...	...	80	...	...	80	...	...	...
Total requirements	...	...	16,300	...	...	18,750	...	...	+2,450

Justification by Object Class

25.0 Other services Research and development contracts	...	...	16,090	...	...	18,540	...	...	+2,450

62-212 O - 80 - 38

Appropriation Summary Statement

Appropriation: Operations and training

This appropriation finances costs incurred by headquarters and region staffs in the administration and direction of the various programs established to fulfill Maritime Administration responsibilities as well as the total cost of officer training at the U.S. Merchant Marine Academy and Federal financial support to State marine schools. Principal activities for which funds are requested in the 1981 budget are described as follows:

Development of waterborne transportation systems - This activity provides for program costs not otherwise funded and administrative costs of programs established to promote the development and construction of cost-competitive U.S. merchant ships, reduce construction-differential subsidies, improve growth and stability in the U.S. shipbuilding industry, attain sufficient shipping capacity to meet national maritime requirements, aid shipowners in obtaining the private investment capital needed to undertake ship construction programs, conduct supplementary training courses required for licensed and unlicensed merchant marine personnel, insure compliance with Title VI of the Civil Rights Act of 1964, and related statutes, and promote increased use of minority businesses by that segment of the maritime industry receiving Federal financial assistance.

National security support capability - This activity provides for preservation maintenance of ships retained for national emergencies in the National Defense Reserve Fleet, administration of the ship transfer and ship disposal programs, and planning for coordination of U.S. maritime industry activities under emergency conditions.

Merchant marine academy - This activity finances operation of the U.S. Merchant Marine Academy at Kings Point, New York, which provides for the instruction and preparation of officers for service in the merchant fleet. The Academy provides a four-year undergraduate program which leads to a Bachelor of Science degree and to a merchant marine license as Third Mate or Third Assistant Engineer. Academy attendees are enrolled as midshipmen in the U.S. Naval Reserve and, if eligible, are commissioned upon graduation as Ensigns in the Naval Reserve.

State marine schools - This activity provides assistance to the States in the operation and maintenance of maritime academies or colleges for the training of merchant marine officers through grants to the schools and subsistence payments for cadets, and by furnishing vessels, including their alteration, maintenance and repair, for use as training ships.

Use of waterborne transportation systems - This activity provides for program costs not otherwise funded and administrative costs of programs whose purpose is to support and improve U.S.-flag ship operations in the foreign and domestic trades of the United States.

General administration - This activity provides for overall executive direction and general administrative functions which support the substantive program efforts of the Agency. These functions include such activities as accounting, budget, personnel, management, legal and other associated administrative support functions.

The total appropriation request for 1981 is $65,627,000, an increase of $1,005,000 over the 1980 appropriation. The proposed program will provide funding for increased operating costs, continue the program to improve ship activation readiness of designated ships in the National Defense Reserve Fleet, provide for initial implementation of the program to establish and monitor service obligations for State marine school cadets and Merchant Marine Academy midshipmen, and continue at a reduced level the multi-year program to modernize facilities at the Merchant Marine Academy.

Summary of Requirements
(Dollar amounts in thousands)

Appropriation: Operations and training

Page No.	Summary of adjustments to base and built-in changes:	Perm. Pos.	Amount	Perm. Pos.	Amount
	Appropriation currently available, 1980			1,259	$64,622
MA-37	Adjustments to base and built-in changes:				
	Transfers	...	-$21		
	Adjustment for 1979 pay increase and related costs	...	+2,028		
	Other increases	...	+1,788		
	Decreases	...	-4,040		
	Subtotal, adjustments to base and built-in changes			...	-245
	1981 base			1,259	64,377

Page No.	Comparison by activities:	1979 Actual Perm. Pos.	1979 Actual Amount	1980 Currently Available Perm. Pos.	1980 Currently Available Amount	1981 Base Perm. Pos.	1981 Base Amount	1981 Estimate Perm. Pos.	1981 Estimate Amount	Inc.(+) or Dec.(-) Over 1981 Base Perm. Pos.	Inc.(+) or Dec.(-) Over 1981 Base Amount
MA-45	Development of waterborne transportation systems	196	$7,089	185	$6,967	185	$7,252	187	$7,552	+2	+$300
			(6,087)		(8,524)		(7,252)		(7,552)		
MA-48	National security support capability	233	6,197	239	6,977	239	7,538	252	8,083	+13	+545
			(6,177)		(7,066)		(7,538)		(8,083)		
MA-53	Merchant marine academy	258	15,724	258	17,182	258	17,856	259	18,201	+1	+345
			(16,559)		(19,973)		(17,856)		(18,201)		
MA-58	State marine schools	...	5,370	...	10,285	...	6,680	...	6,680	...	...
MA-59	Use of waterborne transportation systems	263	7,488	242	7,161	242	7,883	244	7,943	+2	+60
			(7,529)		(7,514)		(7,883)		(7,943)		
MA-63	General administration	341	16,023	335	16,050	335	17,168	335	17,168	...	...
			(15,892)		(16,297)		(17,168)		(17,168)		
	Change									+18	+1,250
	Total requirements	1,291	57,891	1,259	64,622	1,259	64,377	1,277	65,627		
			(57,614)		(69,659)		(64,377)		(65,627)		

Note. - Dollar amounts in parentheses represent obligations.

Justification of Adjustments to Base and Built-in Changes
(Dollar amounts in thousands)

	Perm. Pos.	Amount
Transfers		
Transfer to "Acquisition, Operation, and Maintenance of Buildings Abroad," Department of State, FY 1981	...	-$21

$21,000 is being transferred to the Department of State for that portion of operating costs of Government-owned long-term leased properties billed through the Foreign Affairs Administrative Support (FAAS) system for MarAd's share of operating costs of space in chanceries or in residences abroad.

Adjustment for FY 1980 pay increase and related costs

Total cost in FY 1980 of pay increase	...	+2,265
Less amount absorbed	...	-1,006
Anticipated FY 1980 pay increase supplemental	...	+1,259
Additional amount in FY 1981 to provide full-year cost of pay increase	...	+769
Subtotal, adjustment for FY 1980 pay increase	...	+2,028

The anticipated supplemental in 1980 of $1,259,000 includes $841,000 for the general schedule increase effective October 7, 1979, $172,000 for the grades established by the Secretary of Commerce for faculty at the Merchant Marine Academy, and $246,000 for wage board increases granted or to be granted during 1980.

An additional $769,000 is required in fiscal 1981 to provide for full-year cost of 1980 pay increases. This includes $485,000 for general schedule, $5,000 for the grades established by the Secretary, and $279,000 for wage board.

	Perm. Pos.	Amount
Other increases		
Full-year cost in 1981 of positions financed for part year in 1980	...	+$43
Within-grade step increases	...	+289
Health insurance premium increase	...	+19
Employees' Compensation Fund	...	+89
Postal service charges	...	+52
Recurring space charge	...	+11
Electricity	...	+18
FTS	...	+44
Telephone and teletype	...	+11
Water and sewage	...	+39
Printing and reproduction	...	+25
Other services	...	+583
Supplies and materials	...	+565
Subtotal, other increases	...	+1,788

Full-year cost in 1981 of positions financed for part year in 1980

Six new positions were approved in the 1980 budget. These positions were lapsed 40 percent as shown in the 1980 Congressional Budget. $43,000 is requested for full year financing with a four percent lapse as calculated below:

Annual salary of new positions approved in the 1980 budget	$104,262
Less four percent lapse	-4,170
Full year cost	100,092
Benefits at 11.5%	11,511
Full year cost of salaries and benefits	111,603
Salaries and benefits approved in 1980 budget with 40 percent lapse	-68,438
Additional salaries and benefits to annualize	43,165
Rounded	43,000

Within-grade step increases

The $289,000 cost of within-grade step increases is the aggregate of increases assocated with classified employees and USMMA faculty.

Classified employees - The cost of within-grade step increases provides for calculated incremental increases necessitated by within-grade pay increases for classified employees as shown below. The lapse rate of 37 percent is based on 1979 and prior year experience of actual cost.

General Schedule	Every Year	Every two Years	Every three Years	Not Eligible	Total
Percent occurring	42%	30%	20%	8%	100%
Number graded positions	386	281	186	74	927
Average periodic increase	$619	$619	$619	...	$619
Total, gross cost	$238,934	$86,970	$38,378	...	$364,282
Lapse 37 percent					-134,784
Net cost					229,498
Add benefits					17,212
Total cost					246,710
Rounded					247,000

USMMA faculty - The cost of within-grade increases also covers payments required by regulations governing faculty salaries at the U.S. Merchant Marine Academy as follows:

Positon Title	Number	Step Increases	Total
Professors	16	$833	$13,328
Associate Professors	24	726	17,424
Assistant Professors	28	636	17,808
Instructors	1	629	629
Total, gross cost	69		49,189
Lapse - 19.75%			-9,715
Net cost			39,474
Add benefits			2,961
Total cost			42,435
Rounded			42,000

Health insurance premium increase

The Government's share of Federal Employee's Health Insurance premiums increased three percent effective January 1, 1979. This results in an increase of $19,000 over a 1980 base level of $618,000.

Employees' Compensation Fund

The increase of $89,000 in the repayment to the Employees' Compensation Fund is the result of higher costs in the year ending June 30, 1979 than in the year ending June 30, 1978. The 1979 charges will be reimbursed to the Department of Labor, Employees' Compensation Fund in 1981 pursuant to Public Law 86-767.

Postal service charges

Based on samplings taken twice each year by MarAd as prescribed by the U.S. Postal Service (USPS), USPS has increased charges for postal services other than express mail, to $158,900. This is $52,000 over the 1980 base of $106,900. An adjustment of $52,000 is requested to maintain current postal usage. No adjustment is requested for express mail charges.

Recurring space charge

An increase of $11,000 is requested for the cost of the GSA recurring space charge. The 1981 estimated cost is $54,000 which is an increase of $11,000 over the current budget base of $43,000. This is a special, separately billed surcharge levied by GSA for computer space.

Electricity

An increase of $18,000 is requested for costs of electricity at MarAd's field activities.

The acceptance of ships in the Reserve Fleet, as mandated by Sec. 11 of the Merchant Ship Sales Act of 1946, will result in nine ships being added to the Reserve Fleet in the Western Region in 1981. The projected cost of additional electrical services for the dehumidification and cathodic protection systems for these ships and for an increase in local electric rates totals $5,400. Increases also are requested for local service rate increases affecting the radar schools at San Francisco ($800) and Seattle ($300), and the Wilmington facility ($500).

The Long Island Lighting Company, which provides electricity to the Merchant Marine Academy, has been given approval by the New York State Public Service Commission to increase the rate for electricity by 3.3 percent. This results in an increase of $11,000 over the 1980 base level of $324,000 for the quantity of electricity used at the Academy.

FTS

The increase in Federal Telecommunication System charges is based on a distribution of rate and usage charges as determined by the General Services Administration.

Telephone and teletype

$11,000 is requested for increased costs of telephone and teletype services at the Eastern Region office in New York City ($2,100), the Merchant Marine Academy ($5,700), and for news ticker and teletype maintenance ($3,200).

Water and sewage

$39,000 is requested for increased water and sewage charges at the Merchant Marine Academy. Current billings for water will result in an annual cost of $78,000, an increase of $33,000 over the current base of $45,000. The New York State Public Service Commission recently has authorized a 38 percent increase in water rates, and there have been smaller increases over the years. The budget has not been adjusted for costs of water in more than five years. Charges for sewage have increased by $6,000 to $69,000 over a base of $63,000.

Printing and reproduction

$25,000 is requested for an eight percent increase in costs of printing as stated in GPO Circular Letter No. 161. This increase is based on the 1980 base program of $312,000 with no increase in the level of material printed.

Other Services

Maintenance, support and service contracts: $61,000 is requested for increased costs of maintenance, support and service contracts. These are contract price increases and do not represent increased service levels. The following table lists the service contracts for which increases are requested. In most cases, the 1981 estimate is the current cost.

Contract/Services	1980 Base	1981 Estimate	Increase
Radar school maintenance	$29,600	$35,200	$5,600
Office machine maintenance	3,500	4,800	1,300
Duplicating machine maintenance	21,500	26,000	4,500
Translations	2,000	3,500	1,500
USMMA garbage dumping	4,000	6,500	2,500
USMMA major repair program	284,000	330,000	46,000 1/
Total	344,600	406,000	61,400
Rounded			61,000

1/ This increase is based on the 16.5 percent increase in the HEW construction price index for institutions of higher education as published in the HEW Higher Education Prices and Price Index, 1978 Supplement. This program has not been adjusted since it was established at this level in 1976.

Foreign representatives' support costs: $38,000 is requested for additional foreign representatives' support costs. These include additional Department of State FAAS/DAS costs of $18,000, and additional housing costs in Rio de Janerio and Tokyo of $20,000. The State Department provides housing for MarAd's representatives in these two cities and the costs are negotiated by State and are not controllable by MarAd.

Food service contract: An increase of $460,000 is requested for the increased cost of the food service contract at the Merchant Marine Academy. Meals are provided to the midshipmen at the Merchant Marine Academy through a contract with a private vendor. A combination of food cost increases and an increase in the number of midshipmen served result in significant funding deficits for this service. The 1979 contract resulted in a $321,000 deficit. Based on the contracting officer's estimate, the deficit will reach $460,000 in 1980 and $602,000 in 1981. The following table shows the estimated costs, the budget base, and the related estimated deficit. Justification for a program increase of $142,000 relative to the increase in the number of midshipmen to be served in 1981 is presented elsewhere in this budget. An adjustment to base of $460,000 is requested to defray anticipated contract price increases.

Fiscal Year	Budget Base	Contract Cost	Deficit
1979	$1,409,000	$1,730,000	$321,000
1980	1,535,000	1,995,000 (Est.)	460,000
1981	1,535,000	2,137,000 (Est.)	602,000

Training: An increase of $24,000 is requested to cover the increased costs (5.7 percent) of training conducted under contract or on a fee basis. MarAd has been notified by Commonwealth Training Associates that they will increase their course costs by 20 percent; by Carol Henneges, Inc., who provides almost all clerical and secretarial courses, that they will increase fees 12.4 percent over the current base; and by Anderson Associates that they will increase their fees by 12 to 15 percent. In addition, the U.S. Department of Agriculture has increased course costs 5-6 percent, the Federal Executive Institute and Executive Seminar fees have increased 15-17 percent, and Office of Personnel Management training fees have increased four percent. The requested increase will permit MarAd to maintain contract training at about the same level as in prior years.

Supplies and materials

Supplies: The Bureau of Economic Analysis price deflator for supplies and materials of Federal Government purchases over the last four quarters for which data is available is 8.3 percent. Applying this rate to the 1980 base level for supplies less those Academy items separately justified ($1,483,500), an additional $123,000 is necessary to maintain the 1980 level of supplies and materials.

Natural gas: The Long Island Lighting Company (LILCO) has been given approval by the New York State Public Service Commission to increase the rates for natural gas by 9.1 percent resulting in an increase of $14,000. In addition, LILCO has also been given permission to bill for a fuel adjustment charge which includes administrative costs and provision for increases in the basic cost of imported gas. This results in an additional $33,000 charge to the Academy for the fuel adjustment charge. The two increases result in a requirement for an additional $47,000 over the base of $157,000.

Heating oil: An adjustment of $249,000 is requested for increased costs of heating oil consumed at the Merchant Marine Academy. The December 1979 GSA price is $0.825/gallon and is expected to reach $1.00/gallon before the 1979-1980 winter is over. This is considered to be a conservative estimate of the cost that will be paid during FY 1981. An adjustment of $0.572/gallon is requested over the current base of $0.428/gallon to meet the projected cost. This results in a total additional requirement of $248,820 when applied to the budget base consumption of 435,000 gallons.

Diesel fuel: An increase of $60,000 is requested for increased costs of diesel fuel used at the James River Reserve Fleet. The budget base for this item was established in 1978 at $32,000 for 100,000 gallons of fuel. A continuing effort to conserve energy has reduced annual consumption to 95,000 gallons. However, costs have already risen to $0.7035/gallon. At this rate of increase, costs would reach $1.085/gallon in 1981. Assuming further energy savings, $92,000 would be required to fund 92,000 gallons at $1.00 per gallon in 1981 -- an increase of $60,000 in the budget base.

Uniforms and textbooks: Section 216 of the Merchant Marine Act, 1936, as amended, requires that midshipmen at the Merchant Marine Academy be provided with all prescribed uniforms and textbooks. $86,000 is requested for increased costs of providing these items. The cost of purchasing uniforms for the midshipmen has increased 11.4 percent based on the price change of the basic uniform issue for incoming students. This results in a $64,000 increase when applied to the 1980 base of $564,000. Additional funds are being requested as a program increase resulting from an increased number of midshipmen at the Academy.

The cost of textbooks at the Merchant Marine Academy increased 8.0 percent in 1979 based on a sampling of price increases for a representative freshman book issue. This results in an increase of $22,000 over the 1980 funding level of $272,000. Additional funds are being requested as a program increase resulting from an increased number of midshipmen at the Academy.

	Perm. Pos.	Amount
Decreases		
One less compensable day	...	-$131
Nonrecurring expenses	...	-3,909
Subtotal, other decreases	...	-4,040

The cost of the one less compensable day in 1981 compared to 1980 was calculated by dividing the 1980 estimate for personnel compensation and benefits by 262 compensable days.

The following are nonrecurring items which were funded in prior budgets: purchase of the Sulzer diesel engine section ($324,000), Merchant Marine Academy administrative ADP systems ($200,000), elimination of maintenance and repair backlog on the State marine school schoolships ($305,000), and replacement of the Massachusetts Maritime Academy schoolship ($3,080,000). Funds are being retained in the budget base for ongoing maintenance and repair costs of the Sulzer diesel engine section ($36,000), operation and maintenance of the Academy administrative ADP systems ($100,000), and additional schoolship M&R funds to maintain the larger and more complex replacement ship for the Massachusetts Maritime Academy ($200,000). In addition, funds are being retained in the budget base to implement, in 1981, the periodic development of foreign maritime aids data and foreign maintenance and repair cost data ($150,000), and to meet annual operating costs of industry diesel engine operation and maintenance training courses ($70,000). Funding for these items was not included in 1980 appropriations. However, the sub-committee report on the 1980 Appropriations Bill indicated that these costs should be absorbed within funds currently available.

Justification of Program and Performance

Activity: Development of waterborne transportation systems

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Ship construction subsidy.....	90	$2,646 (2,535)	90	$2,720 (2,922)	90	$2,915 (2,915)	90	$2,915 (2,915)	...	...
Advanced ship development and construction.....	43	1,381 (1,381)	34	1,238 (1,278)	34	1,326 (1,326)	34	1,326 (1,326)	...	...
Capital construction funds....	20	457 (457)	18	442 (455)	18	472 (472)	18	472 (472)	...	...
Maritime labor and education..	14	616 (436)	14	531 (641)	14	480 (480)	16	780 (780)	+2	+$300
Supplementary training.....	23	1,824 (1,113)	23	1,871 (3,057)	23	1,882 (1,882)	23	1,882 (1,882)	...	...
Civil rights.....	6	165 (165)	6	165 (171)	6	177 (177)	6	177 (177)	...	...
Total requirements.....	196	7,089 (6,087)	185	6,967 (8,524)	185	7,252 (7,252)	187	7,552 (7,552)	+2	+300

Goals and Objectives

Goals: To develop and administer programs which will result in viable, effective and cost-competitive U.S.-flag waterborne transportation systems.

Objectives: To promote the development and construction of cost-competitive U.S. merchant ships; reduce construction-differential subsidy; increase stability in the U.S. shipbuilding industry; maintain sufficient shipping capacity to meet

national maritime requirements; aid shipowners in obtaining the private investment capital needed to undertake expanded ship construction programs; maintain and provide data on shipboard manning and the shipboard labor force; and develop and administer shipboard firefighting training programs and other training programs to improve ship safety and to prevent oil pollution from ships.

Base Program

Programs funded through this activity attempt to develop more efficient and cost-effective ship designs and ship components and methods of ship construction, facilitate raising capital to build or modernize ships, and assist in providing highly trained and knowledgeable manpower to construct and operate U.S.-flag ships.

The Ship construction subsidy line item provides funds and positions associated with the administration and direction of the construction subsidy program. Functions performed include: receipt and processing of ship construction subsidy applications, technical analysis of ship system designs, and preparation of recommendations to the Maritime Subsidy Board including determination of domestic and foreign shipbuilding costs; acquisition and processing of bids; review and evaluation of construction progress; processing of progress payments; and auditing of subsidized ship construction contracts.

The Advanced ship development and construction line item funds administrative expenses for personnel whose efforts are directed toward improved ship design engineering and ship construction techniques, including projects funded in the Research and Development appropriation.

The Capital construction funds program permits U.S. shipowners and operators to deposit earnings, depreciation and gains derived from vessel operations in tax deferred funds provided these funds are used to construct new vessels or reconstruct existing vessels for operation in U.S. foreign commerce, on the Great Lakes, or in noncontiguous domestic trade. Administration of this program includes providing assistance to prospective applicants, evaluating and processing applications, reviewing ship construction program proposals, approving appropriate deposit levels, and monitoring and enforcing provisions of established construction fund agreements.

The Maritime labor and education line item funds the personnel services and supporting costs associated with administration of the Merchant Marine Academy and State marine schools programs at the Bureau level, maintenance of current data on the maritime industry labor force, and facilitation of stable labor-management relations in the industry. Supervision of this program involves establishing Federal policy regarding maritime training program size and content, courses of instruction, entrance requirements, training facilities and faculty; processing vouchers for allowance payments to cadets and grants to State schools; inspecting and inventorying government-loaned schoolships; supervising repairs to schoolships; studying labor demand in the maritime industry; and performing economic analyses and special studies related to maritime industry collective bargaining and labor-management relations. The 1981 base program reflects an absorption of $85,000 to partially offset the full costs of the October 1979 pay raise.

The Supplementary training line item funds program administration and operating costs of regional schools which provide training in collision avoidance radar, loran and gyro, and shipboard firefighting. Operating costs for the marine diesel engineering course, which is conducted using the facilities of the Merchant Marine Academy, are also included in this line item. The 1981 base program reflects an absorption of $100,000 to partially offset the full costs of the October 1979 pay raise.

The Civil rights line item funds the Maritime Administration's program to assist maritime contractors in establishing programs to use minority business subcontractors and suppliers, and to ensure compliance with Title VI of the Civil Rights Act of 1964. The contract compliance function was transferred to the Department of Labor in 1979.

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Maritime labor and education	14	$480	16	$780	+2	+$300

Two additional positions, $30,000 in associated personnel costs, and an additional $270,000 for contract services are requested to implement and administer the conversion of cadet grants to loans and the mandatory service obligations for Merchant Marine Academy midshipmen. Legislation has been introduced in the 96th Congress (H.R. 5451) to change the current allowances paid to state marine school cadets to a loan program which would be forgivable on a declining balance basis if service requirements are met, and also to effect a mandatory service requirement for midshipmen at the Merchant Marine Academy. Enactment of this legislation will require additional personnel to develop, maintain and promulgate program regulation and procedures; make direct loan payments to individual students at the state marine schools; define and audit approved employment programs; obtain, review and validate employment status of graduates to insure compliance with approved employment programs; notify graduates who are not in compliance; review and investigate requests for waivers and process appeals; provide for a Board of Appeals for final administrative action on appeals; maintain financial records of amounts owed the government on defaults, amount repaid, and the computation of interest charges on the balance; and institute and administer collections from students and graduates in default. In addition, $270,000 is requested for development of an automated system to maintain administrative and financial records on the estimated 4,000 to 6,000 students who will ultimately be in the system. Additional staff may be required as the number of individuals incurring a service obligation increases during the first seven to ten years of the program.

The position and object class detail for the increase follows:

Position Title	Grade	Number	Annual Salary
Student loan analyst	GS-7	1	$13,014
Administrative clerk	GS-5	1	10,507
Total salaries		2	23,521
Less lapse (25 percent)		-.5	-5,880
Permanent positions		1.5	17,641
Other personnel compensation			400
Total compensation		1.5	18,041
Personnel benefits			1,693
Rent, communications, and utilities			5,802
Printing and reproduction			634
Other services			273,238
Supplies and materials			682
Total			300,090
Rounded			300,000

Activity: National security support capability

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
National defense reserve fleet.	206	$5,419 (5,399)	212	$6,177 (6,233)	212	$6,663 (6,663)	225	$7,208 (7,208)	+13	+$545
Emergency planning/operations..	27	778 (778)	27	800 (833)	27	875 (875)	27	875 (875)	...	...
Total requirements.....	233	6,197 (6,177)	239	6,977 (7,066)	239	7,538 (7,538)	252	8,083 (8,083)	+13	+545

Goals and Objectives

Goals: To maintain a national defense reserve fleet with the capability to meet national shipping requirements in times of emergency; ensure continuity and control of maritime operations in times of national emergency; provide for disposal of government-owned ships excess to national defense needs; provide for the control of sale or transfer of U.S. citizen owned maritime assets to foreign ownership; provide administratively for installation of national defense features on newly constructed ships; and insure seamen and private shipping against loss in time of war.

Objectives: Preserve and maintain federally owned ships selected in consultation with the Department of Defense for retention in a National Defense Reserve Fleet (NDRF); maintain a nucleus of NDRF ships of types selected by the Navy in an advanced state of readiness in the Ready Reserve Fleet (RRF) capable of being on berth within 5-10 days of notification and capable of sustained operations to meet national shipping requirements; maintain ships appropriately preserved to augment the merchant fleet in time of national emergency; administer the foreign transfer and ship disposal programs; develop and administer a program to ensure continuity and control of maritime operations under emergency conditions, including coordination with foreign allies; maintain the capability to rapidly activate and effectively administer the National Shipping Authority when required; and administer a program that will facilitate construction of ships quickly, efficiently and economically in the event of a major national mobilization emergency.

Base Program

The National Defense Reserve Fleet was created to provide a viable inventory of ships preserved in such a manner as to facilitate activation on short notice to meet requirements for additional shipping capacity in times of national emergency. MarAd is also assigned planning functions under Executive Orders 10480 and 11490 for ocean shipping, shipping allocation, and ship operations; and for ports and port facilities including port allocation and support activities except for those functions assigned to the Department of Defense and the Coast Guard.

The National defense reserve fleet (NDRF) program provides for the administration and operation of the NDRF, the ship transfer, and ship disposal programs. The NDRF is the only pool of merchant ships available to provide surge capacity to the U.S. Merchant Marine in time of military or economic crisis. These ships are located at three reserve fleet sites which are located on the East, West, and Gulf Coasts in order to provide maximum access to shipyards when activation is required. Within the NDRF, a subset of ships is being upgraded and maintained to be capable of being placed on berth within 5-10 days after notification. This subset of ships is identified as the Ready Reserve Fleet (RRF). The RRF was established in 1977 jointly by Navy and MarAd. Initial upgrading of ships is funded by Navy, and MarAd provides the ongoing maintenance after these ships are placed in the RRF. The 1981 base program will provide positions and funds for (1) active retention of 29 RRF ships; (2) active retention in the regular NDRF of 129 VICTORY ships, 13 other commercial-type ships, and 92 Navy military auxilaries; (3) storage of 32 special purpose ships and 40 ships awaiting disposal; and (4) administration of the ship transfer and ship disposal programs.

62-212 O - 80 - 39

The Emergency planning/operations program provides for Maritime Administration planning and preparation to exercise control of assigned U.S. maritime operations under emergency conditions. The principal activities of this program are: (1) developing, testing and maintaining plans for requisitioning and managing U.S.-flag and other U.S.-owned ships in wartime; (2) developing, in coordination with other NATO countries, plans for mobilization and worldwide employment of NATO ships in wartime; (3) developing, in coordination with the Department of Defense, plans for shipping support of the military services in wartime and for defense control and protection of shipping; (4) planning for wartime ship repair and shipbuilding to meet civil and defense requirements, including annual surveys of the mobilization capabilities of private U.S. shipyards; (5) developing and maintaining plans for control of the movement of traffic to U.S. ports and for necessary control of port operations and facilities in wartime; (6) determining equipment requirements and planning for production of essential equipment for wartime ship repair and construction; (7) planning for continuity of MarAd operations in the event of attack on the U.S.; (8) planning for and executing plans for response to natural disasters and other nonmilitary contingencies affecting or requiring support of the U.S. maritime industry; and (9) developing and maintaining the U.S. government war risk insurance program for wartime implementation, including the issuance of war risk insurance binders in peacetime.

Number of Ships in the National Defense Reserve Fleet

	September 30, 1980			1981		September 30, 1981		
	For Retention	Awaiting Disposal	Total	Additions	Scrap Sales	For Retention	Awaiting Disposal	Total
James River, Virginia	120	31	151	27	...	147	31	178
Beaumont, Texas	51	2	53	1	...	52	2	54
Suisun Bay, California	95	7	102	1	...	96	7	103
Total	266	40	306	29	...	295	40	335
Merchant ships	(175)	(3)	(178)	(4)	(...)	(179)	(3)	(182)
Navy ships	(91)	(37)	(128)	(25)	(...)	(116)	(37)	(153)

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
National defense reserve fleet.....	212	$6,663	225	$7,208	+13	+$545

An increase of six positions and $76,000 for personnel compensation, and $380,000 for service and support contracts and RRF General Agent Agreements are requested for the expanding Ready Reserve Fleet (RRF) program. An additional seven positions and $89,000 for associated personnel costs are requested for support of additional non-RRF ships in the reserve fleet.

The RRF is a joint MarAd-Navy program to have selected ships in an advanced state of readiness to permit full activation within 5-10 days of notification. The Navy is funding the initial upgrading of selected ships, and MarAd maintains these ships when they are placed in the reserve fleet. In order to sustain the required high level of readiness, each RRF ship requires an average of over one and a half position-years annually for maintenance and preservation. This is significantly greater than the level of effort currently expended on other reserve fleet ships. By the end of 1980, 25 ships will have been upgraded and placed in the RRF and an additional four ships will be added in 1981. The new special preservation and maintenance workload to support these ships involves a requirement for a workforce increase of six position-years.

An additional $290,000 is requested to fund the RRF General Agent Agreements (RRF GAA) that are necessary to place the ships on berth, crewed and ready for operations within 5-10 days of notification. RRF ships will be operated by commercial shipping companies with nongovernment personnel, and each RRF ship must be assigned under an advance contract (RRF GAA) to a commercial agent for activation and operation when notified. The company must be thoroughly familiar with the ship and have complete knowledge of its capabilities and limitations for sustained operations. Special RRF General Agent Agreements have been drafted which provide for a $6,000 annual retainer fee plus reimbursement for additional approved expenses. This results in an annual requirement of $10,000 per ship. There will be 29 ships in the RRF in 1981, thereby resulting in a requirement of $290,000.

Resources were provided in the 1980 budget to support 25 ships in the RRF. Support positions are required in the year in which the ship is added to the fleet, and funds for support services and repairs which are beyond the capability of NDRF personnel are required in the year after the ship enters the fleet. Currently, $15,000 per ship per year is required for this purpose. Six ships will be added to the fleet in 1980 over the 1979 base program, and an additional $90,000 will be required in 1981 to support these ships.

Seven additional positions and $89,000 in associated personnel costs are required to accomplish preventive maintenance on 26 additional Navy units added to the NDRF in 1979 and 1980, and to resume an effective maintenance schedule on non-RRF

retention ships. Maintenance on non-RRF ships has been stretched-out in order to maintain the Navy units and cannot be continued without incurring additional deterioration of non-RRF ships.

Current Navy plans for the RRF provide for continued expansion through 1981, and additional positions and funds would be required in 1982 to support implementation of the current program and further expansion.

The position and object class detail for the increase follows:

Position Title	Grade	Number	Annual Salary
Preservation servicers	WG-7	13	$189,579
Total salaries		13	189,579
Less Lapse (25 percent)		-3.25	-47,395
Permanent positions		9.75	142,184
Other personnel compensation			6,400
Total compensation		9.75	148,584
Personnel benefits			16,209
Total compensation			164,793
Other services			380,000
Total			544,793
Rounded			545,000

Activity: Merchant marine academy

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Midshipmen costs	...	$2,569	...	$2,785	...	$3,347	...	$3,555	...	+$208
		(2,604)		(2,785)		(3,347)		(3,555)		
Instructional program	125	4,647	125	5,172	125	5,092	126	5,118	+1	+26
		(4,531)		(5,279)		(5,092)		(5,118)		
Maintenance, repair, and operating requirements	69	3,253	69	3,565	69	4,094	69	4,205	...	+111
		(3,221)		(3,580)		(4,094)		(4,205)		
Modernization program	...	3,331	...	3,680	...	3,360	...	3,360	...	...
		(4,370)		(6,289)		(3,360)		(3,360)		
Program direction and administration	64	1,924	64	1,980	64	1,963	64	1,963	...	...
		(1,833)		(2,040)		(1,963)		(1,963)		
Total requirements	258	15,724	258	17,182	258	17,856	259	18,201	+1	+345
		(16,559)		(19,973)		(17,856)		(18,201)		

Goals and Objectives

Goals: To provide and maintain a program to assure a trained and efficient officer corps for the U.S. Merchant Marine in numbers sufficient to (1) meet the demand for deck and engineering officers in foreign and domestic waterborne commerce of the United States, and (2) provide a military auxiliary in time of war or national emergency.

Objectives: To continue to conduct training programs that will yield highly trained deck and engineering officers for employment in the U.S. merchant marine, meet standards of the Middle States Academic Accrediting Committee, and upgrade the 38-year old physical facilities to standards comparable with other Federal academies and universities.

Base Program

The Merchant Marine Academy at Kings Point, New York offers a four-year undergraduate program which leads to a Bachelor of Science degree and to a merchant marine license as Third Mate or Third Assistant Engineer. In addition, the students are

enrolled as midshipmen in the U.S. Navy Reserve and, if eligible, are commissioned upon graduation as ensigns in the U.S. Navy Reserve. The Academy graduates approximately 250 new officers annually.

The Midshipmen costs program provides funds for essential midshipmen support services including uniforms and textbooks; travel expenses for the entering and graduating classes, at-sea training, and midshipmen academic and extracurricular activities; food service and dairy products contracts; medical and dental expenses; purchase of library books; and related expenses.

The Instructional program provides positions and funds for the academic program. Included in this program are the Dean, Registrar, faculty, their supporting staffs, the library staff, and funding for the purchase of new or replacement equipment and supplies for the academic program.

The Maintenance, repair, and operating requirements program provides positions and funds for maintenance, repair, and operation of the Academy's buildings and grounds, the security staff, and utilities.

The Modernization program provides funding for renovating and upgrading facilities at the Merchant Marine Academy. This is a long-term program initiated in 1974, and significant renovations are required to meet current standards for similar institutions. The 1981 base program reflects an absorption of $320,000 to partially offset the full costs of the October 1979 pay raise.

Program direction and administration provides positions and funds for the executive, regimental and administrative staffs and associated administrative costs.

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Midshipmen costs	...	$3,347	...	$3,555	...	+$208

$208,000 is requested to meet increased costs in three major areas of midshipmen support - food service, uniforms, and textbooks. Adjustments to the budget base for this line item have been requested and supported annually to offset cost increases; however, no adjustment has been made for changes in enrollment. The 1977 budget established a direct correlation between the budget base and the projected 1977 average enrollment of 1,041. Since 1977, average enrollment has increased significantly. The average enrollment for 1979 was 1,115, and projections through 1981 indicate that enrollment will

continue to increase to a level of 1,137. Increases are attributed to improved administration of admissions procedures which have maximized freshman class admissions within the quota system established in General Orders. Further, the higher academic capabilities of students applying for acceptance has resulted in lower rates of attrition and higher enrollment levels. The requested funding increase represents the amount necessary to reestablish a budget base adequate to meet 1979 actual average enrollment of 1,115.

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Instructional program	125	$5,092	126	$5,118	+1	+$26

Increases of one position and $26,000 are requested to institute a requirement for deck officer candidates to take engineering science and electrical engineering courses. The use of electronic navigation and automated bridge systems on ships has expanded, and these courses are considered to be an important element in the deck curriculum. Deck officer candidates represent about 50 percent of the student enrollment, and these courses are in addition to current student course load. An additional instructor is needed to accommodate the increased classroom hours involved as well as to maintain an acceptable instructor/student ratio.

Position Title	Grade	Number	Annual Salary
Assistant Professor of Engineering	AD-17C	1	$24,161
Total salaries		1	24,161
Less Lapse (25 percent)		-.25	-6,040
Total compensation		.75	18,121
Personnel benefits			1,740
Supplies and materials			6,425
Total			26,286
Rounded			26,000

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Maintenance, repair, and operating requirements	69	$4,094	69	$4,205	...	+$111

The approved and funded facilities modernization program to date has resulted in the addition of 70,000 square feet of space at the Academy. This includes the O'Hara Hall addition, Tomb Field facilities, and the Fulton Hall addition currently under construction. These facilities will require additional resources for heating and for custodial services. $51,000 is requested for the additional costs of fuel that will be required for heating. The Academy's current custodial staff is not sufficient to maintain these facilities. However, it is possible to contract out selected custodial functions and change the work assignment of current staff to provide custodial services to these facilities. $60,000 is requested to initiate a custodial services contract. Additional custodial resources, either additional positions or contract funds, will be required when the modernization program nears completion.

The object class detail for the increase follows:

Other services	$60,000
Supplies and materials	51,000
Total	111,000

Modernization program	...	$3,360	...	$3,360	...	...

$3,360,000 is requested to continue the modernization program at the Academy. A significant number of facilities and structures still require renovation to bring them up to current standards. The proposed funding level will permit the modernization program to continue at a reasonable rate of accomplishment, but below that of previous years. Details of the proposed program for 1981 are listed and discussed below.

Modernization Program
(In thousands of dollars)

Fulton Hall steam propulsion laboratory replacement and renovation	$400	
Public works building construction	1,659	
Barracks utilities - Phase II	718	
Fitch and Furuseth Halls A/E	121	MA-56
Seawall repair and replacement	290	
Bland Library improvements	172	
Total, 1981 modernization program	3,360	

Fulton Hall steam propulsion Laboratory replacement and renovation

Instruction in steam propulsion systems is a fundamental and basic necessity for adequate marine engineering training. The existing steam laboratory is 30 years old and is technically and functionally obsolete and operationally not reliable for instructional purposes. While diesel power is expected to slowly supplant steam propulsion, the U.S. fleet still contains many modern and sophisticated steam turbine propelled ships which will be in the fleet throughout the next 20 years. A new steam system which will be representative of the types of systems found on steam turbine powered ships operated in the U.S.-flag fleet will be procured and installed.

Public Works Building construction

Funding for architectural/engineering design for a new public works building was included in the 1980 budget with construction planned in 1981. The Wooster building, which currently houses most of the Public Works Department, is functionally inadequate, has serious fire code deficiencies, and cannot accommodate the Public Works operation. Renovation and expansion of the existing building are impractical due to structural and siting limitations. Presently, Department of Public Works staff, work space, and storage areas are dispersed over a number of locations at the Academy, none suitably or fully functional. The new building will consolidate the operation including public works administration, maintenance shops, paint storage, supply storage, and garage facilities.

Barracks utilities - Phase II

Phase I of a program to correct deficiencies in the barracks utility systems is being initiated in 1980 in Murphy and Palmer Halls. Completion of the program is proposed for 1981 to upgrade the remaining barracks - Cleveland, Rogers, Barry, and Jones Halls. Problems with the utility systems due to continuous and heavy usage over the years will be corrected. The project includes replacement of heavily corroded cast iron waste piping installed in the early 1940's, the remaining galvanized hot and cold fresh water piping, valves and fixtures as required, and electrical wiring.

Fitch and Furuseth Halls A/E

Funding of the architectural/engineering design for renovation of the last two administrative and academic buildings, Fitch and Furuseth Halls, is proposed for 1981. Both Fitch and Furuseth Halls, although structurally sound, will require correction of many fire code deficiencies as with all other campus buildings of a similar age. In addition, renovation of the Fitch building will include general rehabilitation of its space for use as an administrative building, alleviating currently cramped conditions. Electrical and plumbing systems will be replaced in Furuseth Hall, and general renovation work

will be done to meet the needs of the Department of Naval Science, the National Maritime Research Center, and the OPM Executive Seminar Center.

Seawall repair and replacement

Repair and rehabilitation of the seawall was begun in 1979. Badly deteriorated portions have been replaced as a part of the major repair program. However, the project is too large to be completed within the scope of the ongoing major repair program. $290,000 is planned for repair and replacement of portions of the seawall to prevent further erosion of academy grounds and neighboring property.

Bland Library improvements

The Academy media and audio visual center is currently housed in the basement of Wiley Hall, the primary administration building. The space occupied is cramped and functionally inadequate due to Wiley Hall's original design as a residence. Relocation of media and audio visual activities to Bland library is proposed to better integrate all Academy information services and to concur with the Middle States Academic Accrediting Committee recommendation to do so.

Activity: State marine schools

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Grants	...	$600	...	$600	...	$600	...	$600	...	...
Uniforms, textbooks, and subsistence of cadets	...	2,400	...	2,600	...	2,600	...	2,600	...	...
Maintenance and repair of vessels	...	2,370	...	7,085	...	3,480	...	3,480	...	...
Total requirements	...	5,370	...	10,285	...	6,680	...	6,680	...	...

Goals and Objectives

Goals: To provide assistance to states in the operation and maintenance of maritime academies or colleges for the training of deck and engineering officers in the U.S. Merchant Marine.

Objectives: To administer a program of grants to schools and allowances to students and to provide suitable vessels for use as training ships including maintenance and repair to meet U.S. Coast Guard certification requirements and standards for insurability established by the American Bureau of Shipping.

Base Program

The Maritime Academy Act of 1958 (46 USC 1381-1388), as amended, authorizes the Secretary of Commerce (Maritime Administration) to assist and cooperate with States in the operation and maintenance of maritime academies or colleges for the training of merchant marine officers to meet the national objectives stated in the Merchant Marine Act, 1936, as amended. Six States participate in this program: California, Maine, Massachusetts, Michigan, New York, and Texas. At the base level, assistance is provided the State marine schools by direct annual grants of $100,000 to each school; subsistence payments in support of cadets not to exceed $1,200 per year for four years to any one cadet; and by providing schools with suitable vessels for use as training ships plus provisions for their alteration, maintenance and repair to meet U. S. Coast Guard certification requirements and standards of insurability set by the American Bureau of Shipping.

Activity: Use of waterborne transportation systems

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Operating subsidy.....	130	$3,565	121	$3,448	121	$3,865	121	$3,865	...	...
		(3,606)		(3,662)		(3,865)		(3,865)		
Market development.....	41	1,129	41	1,163	41	1,258	41	1,258	...	...
		(1,129)		(1,207)		(1,258)		(1,258)		
National cargo.....	16	455	16	483	16	526	16	526	...	...
		(455)		(502)		(526)		(526)		
Advanced ship operation systems.....	27	933	21	773	21	829	23	889	+2	+$60
		(933)		(800)		(829)		(889)		
Port and intermodal systems....	29	862	25	777	25	845	25	845	...	...
		(862)		(807)		(845)		(845)		
Domestic shipping.....	20	544	18	517	18	560	18	560	...	...
		(544)		(536)		(560)		(560)		
Total requirements.....	263	7,488	242	7,161	242	7,883	244	7,943	+2	+60
		(7,529)		(7,514)		(7,883)		(7,943)		

Goals and Objectives

Goals: To develop and administer programs that will improve the competitive position of the U.S.-flag merchant marine, and improve the efficiency and use of domestic waterborne transportation systems.

Objectives: To increase U.S.-flag participation in U.S. foreign commerce; reduce operating subsidy; increase productivity in general cargo and bulk terminal operations; and improve shipping capability in the domestic waterborne trades.

Base Program

The U.S.-flag merchant marine historically has had considerable difficulty in competing with foreign-flag ships because of higher operating costs, principally in crew wage costs. In order to maintain a viable U.S.-flag merchant marine, the operating subsidy program provides financial assistance to offset these cost disadvantages. Through the other programs funded by this activity, the Maritime Administration works for greater U.S.-flag participation in U.S. foreign commerce, reduction of operating subsidy, increased productivity in general cargo and bulk terminal operations, and improved shipping capability in the domestic waterborne trades.

Funds appropriated for the Operating subsidy line item provide positions and funds for administration of operating-differential subsidy (ODS) agreements approved by the Maritime Subsidy Board. Administrative costs relate to work performed in analyzing and processing ODS applications, reviewing operating practices of subsidized carriers, auditing costs eligible for subsidy, calculating subsidy rates, and processing subsidy payments.

Through the Market development line item American-flag operators are supplied directly with current market data and analyses of situations which offer opportunities for U.S.-flag ships to increase their participation in the carriage of potentially profitable cargoes. Programs are designed in conjunction with carriers to develop more effective marketing techniques and to offer services which better meet the needs of importers and exporters.

The National cargo line item funds programs to exercise general surveillance over the administration and observance by government shipper agencies of the Cargo Preference Act (46 USC 1241), as amended, which requires at least 50 percent (measured in revenue and tonnage) of government-sponsored cargo to be transported in U.S.-flag commercial vessels; and Public Resolution 17 (15 USC 616A) which resolves that export cargoes purchased by foreign countries with U.S. government credits be carried exclusively in U.S.-flag vessels, unless a waiver is granted by the Maritime Administration. The Maritime Administration collects and processes current detailed data on government-impelled cargo shipments to monitor government shipper agency compliance with U. S. statutes. The uniform system for collection, analysis and distribution of information also provides data for preparation of annual reports required by Congress.

The Advanced ship operation systems line item funds administrative expenses for activities directed towards improved engineering, management, and environmental aspects of ship operations. This includes activities to reduce pollution caused by merchant shipping, efforts to assure fair and equitable insurance rates for the maritime industry, and administration of the Computer-Aided Operations Research Facility (CAORF).

The Port and intermodal systems line item implements in part the requirements of section 8 of the Merchant Marine Act, 1920 (46 USC 867) which requires a Maritime Administration program to: investigate territorial regions and zones tributary to ports, taking into consideration the economies of transportation by rail, water, and highway and the natural direction of the flow of commerce; investigate the causes of the congestion of commerce at ports and the remedies applicable thereto; investigate the subject of water terminals with a view to devising and suggesting the types most appropriate for different locations and for the most expeditious and economical transfer or interchange of passengers or property between carriers by water and carriers by rail; advise communities regarding the appropriate location and plan of construction of wharves, piers, and water terminals; investigate the practicability and advantages of harbors, rivers, and port improvements in connection with foreign and coastwise trade; and investigate any other matter that may tend to promote and encourage the use by vessels of ports adequate to care for the freight which would naturally pass through such ports.

The Domestic shipping program is aimed at developing adequate shipping capability in the Great Lakes, inland waterways, and noncontiguous, coastwise and intercoastal ocean trades. Through direct contact with industry representatives, the Maritime Administration encourages domestic operators to avail themselves of Federal maritime assistance. Assistance is provided where possible in the areas of operations and facilities, finance and insurance, legislation and regulation, and research and development.

Increases for FY 1981

	1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Advanced ship operation systems.....	21	$829	23	$889	+2	$60

Two additional positions and associated personnel costs of $60,000 are requested to provide increased emphasis on improved tanker design, equipment and operation to prevent pollution of the marine environment from oil and other hazardous substances. This work is performed in response to national and international initiatives in these areas. The designation by EPA of 271 hazardous substances to be regulated under the Clean Water Act, and the development of safe procedures for the disposal of toxic chemicals by incineration at sea involves significant additional workload. Functions to be performed in this activity include engineering assistance for development of environmental, technological and economic data for use in

formulating national policy; participation in interagency and local task forces and groups concerned with water quality, harbor and terminal facilities, and offshore oil and gas exploration; development of environmental impact statements; control of sources of water pollution; and compilation and publication of technical and scientific literature on these subjects.

The position and object class detail for the increase follows:

Position Title	Grade	Number	Annual Salary
General Engineer	GS-14	1	$32,442
Environmental and resources planning specialist	GS-12	1	23,087
Total salaries		2	55,529
Less lapse (25 percent)		-.5	-13,882
Total compensation		1.5	41,647
Personnel benefits			3,998
Rent, communications, and utilities			5,802
Printing and reproduction			2,634
Other services			3,238
Supplies and materials			2,682
Total			60,001
Rounded			60,000

Activity: General administration

(Dollar amounts in thousands)

	1979 Actual		1980 Currently Available		1981 Base		1981 Estimate		Inc.(+) or Dec.(-)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Administrative support below prorated to:										
Development of waterborne transportation systems	82	$3,845 (3,814)	81	$3,852 (3,911)	81	$4,120 (4,120)	81	$4,120 (4,120)	...	...
National security support capability	70	3,365 (3,337)	69	3,370 (3,422)	69	3,605 (3,605)	69	3,605 (3,605)	...	...
Merchant marine academy	35	1,602 (1,589)	34	1,605 (1,630)	34	1,717 (1,717)	34	1,717 (1,717)	...	...
State marine schools	10	481 (477)	10	482 (489)	10	515 (515)	10	515 (515)	...	...
Use of waterborne transportation systems	144	6,730 (6,675)	141	6,741 (6,845)	141	7,211 (7,211)	141	7,211 (7,211)	...	...
Total requirements	341	16,023 (15,892)	335	16,050 (16,297)	335	17,168 (17,168)	335	17,168 (17,168)	...	...
Administrative support:										
Executive direction	44	1,602 (1,602)	44	1,635 (1,677)	44	1,741 (1,741)	44	1,741 (1,741)	...	...
Policy and planning	26	775 (775)	26	944 (970)	26	1,001 (1,001)	26	1,001 (1,001)	...	...
Administration and finance	161	10,335 (10,204)	158	10,104 (10,157)	158	10,813 (10,813)	158	10,813 (10,813)	...	...
Line offices	110	3,311 (3,311)	107	3,367 (3,493)	107	3,613 (3,613)	107	3,613 (3,613)	...	...
Total requirements	341	16,023 (15,892)	335	16,050 (16,297)	335	17,168 (17,168)	335	17,168 (17,168)	...	...

Base Program

This activity provides for salaries and related costs of executive staff engaged in policy and program formulation and general management of Maritime Administration programs. Personnel who provide administrative support for the basic substantive programs of the Agency are also covered in this activity. Also included are support costs which are not readily assignable to specific programs. These include certain personnel costs and costs of such items as utilities, equipment procurement and repair, communications, supplies and contracted support services.

For purposes of delineation of total expenses, costs of general administration activities are categorized into organizationally oriented line items. Executive direction includes the determination of policy and official contact with outside agencies, industry, and the public for promotion of the merchant marine. Policy and planning provides for formulation and evaluation of long-range Agency objectives and programs, and industry statistical analyses. Administration and finance includes support functions such as budgeting, accounting, auditing, procurement, automatic data processing, and personnel. The line offices line item includes those general support activities of employees in organizational units normally associated with specific programs, including administrative support in the four region offices. The 1981 base program for Administration and finance reflects an absorption of $72,000 to partially offset the full costs of the October 1979 pay raise.

Summary of Requirements by Object Class
(Dollar amounts in thousands)

Appropriation: Operations and training

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount	Emp. 12/31
11 Personnel compensation:										
11.1 Permanent positions	1,259	1,216	$31,543	1,277	1,231	$31,762	+18	+15	+$219	1,176
11.3 Positions other than permanent	142	98	1,740	142	98	1,740	...	...	...	142
11.5 Other personnel compensation			349			356			+7	
11.8 Special personal services payments			203			203			...	
Total	1,401	1,314	33,835	1,419	1,329	34,061	+18	+15	+226	1,318
Other objects:										
12 Personnel benefits			3,648			3,672			+24	
21 Travel and transportation of persons			919			919			...	
22 Transportation of things			74			74			...	
23 Rent, communications, and utilities:										
23.1 Standard level user charges			1,671			1,671			...	
23.2 Other rent, communications, and utilities			1,781			1,793			+12	
24 Printing and reproduction			337			340			+3	
25 Other services			10,434			11,292			+858	
26 Supplies and materials			3,126			3,253			+127	
31 Equipment			2,292			2,292			...	
32 Lands and structures			3,060			3,060			...	
41 Grants, subsidies, and contributions			3,200			3,200			...	
Total, requirements			64,377			65,627			+1,250	

62-212 O - 80 - 40

Justification by Object Class
(Dollar amounts in thousands)

Object class	1981 Base Pos.	1981 Base Av. No.	1981 Base Amount	1981 Estimate Pos.	1981 Estimate Av. No.	1981 Estimate Amount	Inc.(+) or Dec.(-) Pos.	Inc.(+) or Dec.(-) Av. No.	Inc.(+) or Dec.(-) Amount	Emp. 12/31
11.1 Permanent positions										
Senior executive service	26	26	$1,301	26	26	$1,301	...	...	...	24
General schedule	927	895	23,112	931	899	23,171	+4	+4	+59	853
Wage board	232	224	4,497	245	234	4,639	+13	+10	+142	225
Faculty at USMMA	74	71	2,633	75	72	2,651	+1	+1	+18	74
Total, permanent positions	1,259	1,216	31,543	1,277	1,231	31,762	+18	+15	+219	1,176
11.3 Positions other than permanent										
General schedule	105	63	1,033	105	63	1,033	...	...	...	105
Wage board	31	31	606	31	31	606	...	...	...	31
Faculty at USMMA	6	4	101	6	4	101	...	...	...	6
Total, positions other than permanent	142	98	1,740	142	98	1,740	...	...	...	142
11.5 Other personnel compensation										
Overtime			209			216			+7	
Employee awards			38			38			...	
Other			102			102			...	
Total, other personnel compensation			349			356			+7	
11.8 Special personal services payments										
USPHS Doctors, and Navy personnel at USMMA			203			203			...	

	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
12.1 Personnel benefits									
Civil Service Retirement			2,230			2,249			+19
Federal Insurance Contributions Act (FICA)			33			33			...
Health insurance			679			683			+4
Life insurance			160			161			+1
Employees' Compensation Fund			356			356			...
Uniform allowances			15			15			...
Overseas allowances			75			75			...
Permanent change of station			100			100			...
Total, personnel benefits			3,648			3,672			+24
21.0 Travel and transportation of persons									
Per diem			$156			$156			...
Air fare			377			377			...
Other common carrier			17			17			...
Privately-owned automobiles			17			17			...
GSA vehicles			22			22			...
Midshipmen travel-USMMA			219			219			...
Local			36			36			...
Permanent change of station			75			75			...
Total, travel and transportation of persons			919			919			...
22.0 Transportation of things									
Reserve Fleet			$14			$14			...
Household effects			45			45			...
USMMA			4			4			...
Other			11			11			...
Total, transportation of things			74			74			...

	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
23.1 Standard level user charges.....			1,671			1,671			...
23.2 Other rent, communications, and utilities									
Federal Telecommunications System			285			285			...
Other telephone, telegraph and teletype services.....			170			182			+12
Postal services by USPS.....			203			203			...
Rental of automatic data processing equipment.....			162			162			...
Rental of office copying equipment.....			83			83			...
Other equipment rental.....			6			6			...
Reserve Fleet.....			167			167			...
USMMA.....			666			666			...
Telephone.....			(95)			(95)			(...)
Electricity.....			(371)			(371)			(...)
Sewage.....			(69)			(69)			(...)
Gas.....			(11)			(11)			(...)
Water.....			(78)			(78)			(...)
Office copying equipment.....			(13)			(13)			(...)
ADP rentals.....			(29)			(29)			(...)
Other.....			39			39			...
Total, other rent, communications, and utilities.....			1,781			1,793			+12

	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
24.0 Printing and reproduction									
Publications			$123			$123			...
USMMA			35			35			...
Other			179			182			+3
Total, printing and reproduction			337			340			+3
25.0 Other services									
Training:									
University			25			25			...
Office of Personnel Management			55			55			...
Other			149			155			+6
Maintenance of equipment			60			60			...
GSA alterations and repairs			31			31			...
Centralized Departmental services			1,404			1,404			...
Other Federal Agencies:									
Bureau of Census			150			150			...
Army			8			8			...
State			113			113			...
GSA			109			109			...
Reserve Fleet			513			893			+380
Professional studies, statistical analyses, forecasts, etc			296			296			...
Automatic data processing			821			1,091			+270
USMMA			2,622			2,824			+202
Maintenance and repair of training ships			3,440			3,440			...
Miscellaneous services			638			638			...
Total, other services			10,434			11,292			+858

	1981 Base			1981 Estimate			Inc.(+) or Dec.(-)		
	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount	Pos.	Av. No.	Amount
26.0 Supplies and materials									
ADP supplies			$71			$71			...
Reserve Fleet			665			665			...
USMMA			2,014			2,131			+117
Maintenance and repair of school-ships			40			40			...
Other			336			346			+10
Total, supplies and materials			3,126			3,253			+127
31.0 Equipment									
ADP equipment			554			554			...
Office machines and equipment			20			20			...
Reserve Fleet			12			12			...
USMMA			1,204			1,204			...
Other			502			502			...
Total, equipment			2,292			2,292			...
32.0 Lands and structures									
USMMA			3,060			3,060			...
41.0 Grants, subsidies, and contributions									
State Marine Schools			3,200			3,200			...

Justification of Proposed Language Change

Public enterprise fund: Federal ship financing fund

The Federal ship financing fund is a revolving fund established under title XI of the Merchant Marine Act, 1936, as amended. This program was established to assist in the development of the U.S. Merchant Marine by guaranteeing construction loans and mortgages on U.S.-flag vessels built in the United States. It enables eligible vessel owners to obtain long-term financing at interest rates comparable to those available to financially strong, AAA-rated corporations. Title XI includes a statutory limitation on total guaranteed loans outstanding of $10,000,000,000. This limitation applies to the guarantee programs of both the Maritime Administration and the National Oceanic and Atmospheric Administration.

Insertion: "During 1981, total commitments to guarantee loans shall not exceed $1,500,000,000 of contingent liability for loan principal. During 1981 and within the resources and authority available, gross obligations for the principal amount of direct loans shall not exceed $250,000,000."

The Administration is in the process of integrating Federal credit programs more completely into the budget process by establishing a control system (i.e., annual limitation). It is intended that the control system would help to coordinate Federal credit activity with fiscal policy.

The language change would establish two new separate limitations. The first limitation would be imposed on the level of new business which the Maritime Administration could undertake in commitments to guarantee construction loans and mortgages in 1981. The second limitation would be imposed on the level of direct loans which the Maritime Administration could make in 1981 to and for ship owners participating in the Federal ship financing program. Direct loans are made to ship owners for principal and interest payments to avoid owner defaults in situations of temporary financial difficulties. Direct loans also include Federal payments to lenders and mortgagees of principal and interest balances in the event of default by guaranteed mortgagors.

The $1,500,000,000 commitment limitation should be adequate to provide loan and guarantee assistance sufficient to cover anticipated 1981 activities. The actual 1979 levels and estimates for 1980 and 1981 are shown below (in millions of dollars):

	1979 Actual	1980 Estimate	1981 Estimate
Total, new commitments	$978	$970	$1,500
Total, outstanding commitments and guarantees, end-of-year	6,377	7,031	8,150

BIOGRAPHY OF MR. NEMIROW

Mr. EARLY. We will also insert in the record the biography of Samuel B. Nemirow, the Assistant Secretary of Commerce for Maritime Affairs.

[The information follows:]

BIOGRAPHY OF SAMUEL B. NEMIROW, ASSISTANT SECRETARY OF COMMERCE FOR MARITIME AFFAIRS

On June 14, 1979, President Carter nominated Samuel B. Nemirow, for the post of Assistant Secretary of Commerce for Maritime Affairs. He was confirmed by the Senate on July 18, 1979. He previously served as Deputy Assistant Secretary, having been appointed to that position in January 1978.

Mr. Nemirow had been General Counsel for the Maritime Administration and a member of the Maritime Subsidy Board since November 1, 1975. He has been with the Maritime Administration since 1972. He previously had served as Deputy General Counsel for Maritime Aid Contracts and Counsel to the Maritime Subsidy Board.

He holds several awards including the Department of Commerce Silver Medal, the Department's second highest award, which he received in recognition of the major role he played in formulating the U.S.-U.S.S.R. Maritime Agreement.

Prior to joining the Maritime Administration, Mr. Nemirow held various legal and policy positions in the Department of Transportation and the Federal Maritime Commission.

Born in Hartford, Connecticut, Mr. Nemirow received a B.A. degree in political science from the University of Connecticut and an LL.B. degree from the Boston University School of Law in 1965.

He and his wife, Valerie, have two sons and a daughter and reside in Fairfax, Va.

Mr. EARLY. Mr. Secretary, do you have a statement?

GENERAL STATEMENT

Mr. NEMIROW. Yes, I do, Mr. Chairman.

I appreciate this opportunity to present the Maritime Administration's request for appropriations for fiscal year 1981. The Assistant Administrator for Policy and Administration, Russell F. Stryker, is with me today to assist in answering any questions you may have concerning the proposed budget.

The Maritime Administration requests for 1981 appropriations, as originally presented, totaled $567,074,000. The President has recently revised the 1981 request to a new total of $549,502,000. This represents an increase of $111,372,000 over 1980 appropriations enacted to date. The 1981 requests by appropriation are: $135,000,000 for ship construction; $333,196,000 for operating-differential subsidies, a reduction of $14,501,000 from the amount originally requested; $16,300,000 for research and development activities, a reduction of $2,450,000 from the amount originally requested; and $65,006,000 for operations and training activities, a reduction of $621,000 from the amount originally requested. The Merchant Marine Subcommittee of the House Merchant Marine and Fisheries Committee and the Subcommittee on Merchant Marine and Tourism of the Senate Commerce, Science and Transportation Committee have recently conducted hearings on legislation to authorize appropriations for 1981.

Additional funds will be required in fiscal year 1980 for payment of operating-differential subsidies, and a supplemental appropriation is requested in the amount of $44,307,000.

I would like to proceed now to the specific requests for 1981 appropriations.

CONSTRUCTION-DIFFERENTIAL SUBSIDY

The level of construction-differential subsidy, or CDS, funds required for 1981 activity is $135,000,000. The 1981 activity will be funded solely through new appropriations. No carryover of 1980 funds is projected.

The requested 1981 program level will provide $125 million in CDS for the construction of five dry bulk ships and $10 million for engineering changes under existing CDS contracts. The 1980 program level of $157,154,000 provides for the new construction of five dry bulk ships—two of which are expected to result from the exercise of an option under a 1979 contract—and for the acquisition of ships under trade-in agreements against new ships being delivered to Farrell Lines, Inc.

The level of 1979 ship construction obligations totaled $416,991,000. This represented the greatest level of program activity since 1973, and supported four construction contracts for a total of 12 new ships. These contracts bolstered construction activity in three U.S. shipyards, but still more construction contracting is needed to maintain facilities and manpower in three other yards.

Contracts for the construction of dry bulk ships in 1980 and 1981 would help to strengthen the weakest segment of the U.S.-flag merchant ship fleet, and it would generate orders for one or more of the shipyards that need new contracts. This is consistent with the objective of the legislation the administration proposed in 1979 to strengthen the dry bulk fleet. That legislation is now under consideration by the House Merchant Marine and Fisheries Committee.

OPERATING-DIFFERENTIAL SUBSIDIES

The total amount needed for operating-differential subsidies, or ODS, in 1981 is now $333,196,000. This excludes $14,501,000 originally requested for a new operator and for Soviet grain carriage. This level would be funded solely by a new appropriation. No carryover of funds from 1980 is projected. The requested 1981 program now will provide for an estimated 155.8 ship years of activity in the U.S. foreign trade.

The 1981 level represents a net decrease of $9,830,000 from 1980 requirements. This decrease reflects the net effect of foreign and domestic cost escalations offset by a decrease in the amount required for payment of obligations from prior years. U.S.-flag ships are not expected to participate in the U.S./U.S.S.R. grain trade because of demand for their services in other trades, particularly in the domestic oil trades.

RESEARCH AND DEVELOPMENT

The 1981 appropriation requested for research and development activities is now $16,300,000. This reflects program continuation at the level of the 1980 appropriation.

The 1981 request will provide for expanded projects to aid in improving fleet management and port planning studies. These will be funded by offsets in advanced maritime technology.

OPERATIONS AND TRAINING

The 1981 appropriation request for operations and training activities is now $65,006,000, including an increase of $384,000 over the 1980 appropriation enacted to date. This net increase reflects $3,600,000 for pay increases and other unavoidable cost increases and $845,000 for program changes offset by $4,061,000, the sum of one-time non-recurring 1980 costs not carried forward.

An additional 13 positions and $545,000 are requested for the National Defense Reserve Fleet program, including six positions and $456,000 for MarAd responsibilities in the Ready Reserve Fleet—RRF—program. The RRF program is a joint effort by the Maritime Administration and the Navy to maintain a subset of ships in the reserve fleet capable of being activated within 5 to 10 days after notification. Twenty-five ships will be in the RRF program by the end of 1980. The Navy has requested funding to add four more ships in 1981.

An increase of $345,000 over the 1980 level is requested for operation of the Merchant Marine Academy, for support of a larger enrollment resulting from reduced attrition, an additional instructor, and costs of operating new facilities added under the modernization program.

Two positions and $180,000 now are requested to permit the Maritime Administration to initiate implementation and administration of the provisions in the Maritime Education and Training Bill, H.R. 5451, which would establish a mandatory service obligation for state marine school and Kings Point graduates.

Hearings are being held by the House Ad Hoc Select Subcommittee on Maritime Education and Training on this bill.

Mr. Chairman, that concludes my prepared statement. We would be happy to address any questions that you or the committee may have.

Mr. EARLY. Mr. Nemirow, this is your first time appearing before this subcommittee. We are happy to have you here. Your predecessor, Mr. Blackwell, did an outstanding job under very tough circumstances.

First, I would like to question you on your statement.

MASSACHUSETTS TRAINING SHIP

I am concerned about the status of the training ship for the Massachusetts Maritime Academy. Is this ship going to be delivered by July 1 for their summer cruise?

Mr. NEMIROW. To answer that question directly, our current expectation—and we have been dealing with a shipyard that is now doing certain work in order to deliver the vessel for that cruise—is that the vessel will be delivered on June 23.

I have spoken with Admiral Harrington on the Geiger, which was a vessel which was made available, and it sailed through the Canal approximately a week ago and is now in the shipyard in the

U.S. Gulf being renovated for the cruise which would begin on July 1.

We expect to make that date. It is always very difficult to be sure that you will make a given date unless you have an opportunity to open the ship up and take a look at it. We have had the vessel dry-docked in San Francisco. It is now in the Gulf Coast shipyard for certain conversion work, and our target date for delivery is June 23.

Mr. EARLY. I certainly hope you make that date because the Academy has had a very difficult time with the training ship it has now, if you want to call it a ship. The Academy has operated under very adverse conditions. I have received few complaints about that school and quite a bit of favorable feedback. I understand that the graduates are going immediately into jobs starting somewhere on an average of $17,000. You really ought to be proud of that particular school.

Mr. NEMIROW. Well, I can tell you we are watching that ship very closely. We work directly with the Academy people and helped them select the Geiger for this purpose. I get at least weekly reports on her status and we are looking toward that date of June 23.

Mr. EARLY. I hope you make that date. It's too bad that the recruits must train on a ship that is 26 or 27 years old. I think we should be more progressive in training our new recruits.

Mr. NEMIROW. We have looked very hard at the possibility of constructing new training ships for the State Academies, and while I don't have the numbers in front of me at the moment, I would be very happy to share with you the potential costs of that kind of a program.

A replacement ship today would be very, very expensive.

Mr. EARLY. Yes, I know. Everyone who comes before this subcommittee complains about costs.

Mr. O'Brien, do you have any questions on the statement?

Mr. O'BRIEN. Just with regard to the Academies as you were touching on them. I had no particular comment on the statement.

Mr. EARLY. Go ahead.

FUEL OIL FOR TRAINING SHIPS

Mr. O'BRIEN. Yesterday the House passed the fiscal year 1981 Maritime Authorization bill which had $2.1 million for additional fuel oil for the State Academies. The cost of fuel oil in the previous year was $1.1 million; this year $2.1 million. It has been authorized twice and it has never been included in the budget request, as far as I can tell. It seems to me that we have an increasing demand for qualified Merchant Marine officers. The State schools, such as the one that Mr. Early mentioned, play an important part in meeting that demand, and I don't quite understand the Administration's reluctance to provide for the increasing costs of the fuel oil for the State school ships.

Mr. NEMIROW. If I might, we have from time to time looked at the fuel oil situation, and obviously with the increases in fuel costs

in today's environment, it is becoming more and more critical to the State schools in the operation of their training ships.

I believe the amount of money that was authorized by the House last year was $1.998 million for school ship fuel. As I recall, that did not pass the Appropriations Committee in the House and it did not pass the House.

The Administration, because of costs and budgetary constraints, has not been prepared to come forward with a request for an additional $2 million for State school ship fuel.

I can say that that is evidently also echoed by the House, if I might say that, and the fact that they did not enact the appropriation of that amount last year.

GREAT LAKES SERVICE

Mr. O'BRIEN. One other question, the revised budget for fiscal year 1981 indicates that the Great Lakes Atlantic Steamship Company will not be funded.

Being from Illinois, that item got my attention. Wouldn't the elimination of funding for that company result in much hardship to that company?

Mr. NEMIROW. We have been dealing with the company directly for a number of years now in the hope that they would be able to establish a service in and out of the Great Lakes and off the U.S. Atlantic coast during the winter season.

We have taken all of the administrative actions at the Maritime Administration that we could take to encourage initiation of service by that company. There is no service at the moment. They have had some difficulty in their own organization in beginning a service.

They own no vessels at the moment. It has been deferred in the past, and it seemed at this time with the budget constraints, to continue that in the budget was not appropriate. The company has not yet been in a position to provide any service.

I think that would be a much more difficult question if the company were actually operating ships in the Great Lakes today.

Mr. O'BRIEN. Thank you, Mr. Chairman.

TRAINING SHIPS

Mr. EARLY. What about Mr. O'Brien's question, Mr. Nemirow? I certainly feel that the fuel oil moneys which were added to the authorization were absolutely necessary. I think that the fiscal year 1981 authorization bill includes funds for the maintenance and repair of the training ships too. If you don't get that additional money, then we are being penny wise and pound foolish. We must keep those ships in good working order.

Mr. NEMIROW. I believe in the House, what they did to that account was to remove from the Merchant Marine Academy account $1.68 million and make those funds available to the State schools. That presents a different type of problem for the Merchant Marine Academy.

Mr. EARLY. I thought I understood that $1.7 million was for the fuel assistance?

Mr. NEMIROW. No; that was a separate account.

Mr. EARLY. I think there were two amendments, one for fuel adjustment and one for maintenance.

Mr. NEMIROW. On the fuel adjustments, that was a new item that they added—$2.1 million. On the maintenance they removed $1.68 million from the Merchant Marine Academy account, and designated that money to be used for schoolship M&R in the State schools.

SHIP CONSTRUCTION

Mr. EARLY. The first appropriation item in the Maritime Administration is entitled, Ship Construction. The budget request for fiscal year 1981 is $135,000,000 which represents an increase of $34,000,000 above the appropriations enacted for this item for fiscal year 1980. On page 4 of the justifications you indicate that the ship construction program for the total of 10 new dry bulk ships would be linked with legislation which has been introduced to provide incentives to the construction of such ships. What is the status of that legislative proposal?

LEGISLATION

Mr. NEMIROW. The status of that proposal is on the House side, that the House Merchant Marine Fisheries Committee has had nearly 30 days of hearings in this session on the omnibus bill, which would incorporate many of the features that are in the Administration's proposal for a dry bulk ship legislative program.

I don't know when that bill will be ready to come to the Floor.

I hear that the report is about final now. The processing of a bill of the magnitude of the omnibus bill through the House Committee has deferred consideration of the Administration's dry bulk initiative. I believe that once the omnibus bill is behind the House Committee they can turn to the Administration bill, and I have had some discussions with Chairman Murphy about that.

However, I would like to say even without passage of that bill in this session we see increased interest in the market for dry bulk vessel construction.

Mr. EARLY. So even without new legislation, you would still plan to proceed with the construction of the ten dry bulk ships?

Mr. NEMIROW. We have applications. It was five ships and $125 million for 1981. We have applications for more than 5 ships already, and we have a commitment that is not obligated yet for at least two of those ships.

Mr. EARLY. I see. It's a total of 10 ships.

Mr. NEMIROW. In a two-year program, yes.

Mr. EARLY. If it would be impractical to proceed with the construction of dry bulk ships without this legislative initiative, what other ships would you subsidize with the appropriation requested for fiscal year 1981?

Mr. NEMIROW. We have had requests from various operators quite recently for subsidy for additional liner vessels, particularly container vessels. I have met with some chief executive officers of some of the subsidized operators who are looking at some replacement vessels right now, and we also met within the past two weeks with representatives of two tanker companies who are looking at some additional construction.

The question at the moment is whether the tankers would be dedicated to the domestic trade or whether they might also be in the foreign trade; but we have a fairly full slate of applicants or at least people who are talking about applying for 1981 dollars.

SHIP CONTRACTS

Mr. EARLY. How many of the five ships in the 1980 program have been contracted for?

Mr. NEMIROW. In the 1980 program 2 ships have been contracted for to date.

Mr. EARLY. I notice on page 5 of the justifications that the total estimates for these five ships in fiscal year 1980 is $106,865,000. The justifications indicate that $37,865,000 of this amount is for two dry bulk ships which are presently contracted for on a contingency basis and are recorded as administrative commitments. Could you explain to the committee what that term means?

Mr. NEMIROW. Yes; we had a company that came in in 1979 and they were prepared to commit to contract for 5 vessels. The first 3 were to be firm and the follow-on 2 ships were to be option ships and they had a right to exercise the option.

We agreed that we would provide CDS on all 5 ships if they exercised the option, so 3 ships were committed and obligated and 2 ships were committed but funds were not obligated for the project because they had the option to cancel.

They are now exercising their option to go ahead and it looks like all 5 of the ships in that program will be built. Therefore, the $37,865,000 that had been committed but not obligated will soon be obligated.

Mr. EARLY. I see.

OPERATING-DIFFERENTIAL SUBSIDIES

The second item which we will consider today is the request for operating-differential subsidies. The request for this item is for an appropriation to liquidate contract authority. The amount requested for this purpose is $333,196,000. This amount, which is in the amended budget request, is $14,501,000 below the original request for this item for fiscal year 1981.

Is this amount adequate?

Mr. NEMIROW. The $333 million for 1981?

Mr. EARLY. Yes.

Mr. NEMIROW. The ODS account that you are familiar with is an account which is basically one which is more controllable or at least predictable—let me put it that way—than the CDS account.

Given the number of ship years which would qualify for subsidy in fiscal 1981, we think that those moneys will be adequate to fund all of our obligations for that fiscal year, yes.

GREAT LAKES STEAMSHIP CO.

Mr. EARLY. All right. As Mr. O'Brien discussed earlier, on page 4 of the separate set of justifications, you indicate that $9,201,000 of the proposed reduction reflects the elimination of a subsidy for the Great Lakes Atlantic Steamship Company. Is this reduction a

result of the President's anti-inflation program? Could you explain to us why you propose to eliminate the subsidy for one steamship company?

Mr. NEMIROW. Originally our budget did include appropriations which would have contemplated appropriation for GLAS. In the course of the budget review initiated by the President this was an item which was not ripe, and we were not clear that it would ripen during fiscal year 1981. It was one that was reduced as being problematical, and we would have to look at that again if the company ultimately buys ships and is prepared to initiate service in the Great Lakes.

We are not at that point right now and, given the budgetary constraints, it was one that we felt we could not go forward with at this time.

Mr. EARLY. We have several other questions on the operating-differential subsidies item which we would like you to answer for the record.

[The questions and responses thereto follow:]

Subsidy for Soviet Grain Carriage

Page 4 of the separate set of justifications also indicates that $5,300,000 of the proposed reduction in the budget request is associated with the elimination of the subsidy for Soviet grain carriage. Again, the justifications do not indicate why you are proposing to eliminate this subsidy program. Could you be more specific as to why you are proposing to eliminate the subsidy for Soviet grain carriage?

The President's budget reductions eliminated the increased funding provided for this program; but, these reductions were not intended to eliminate the program itself. It is difficult to establish a firm requirement for subsidy of Soviet grain carriage since operators use this program as a last resort when other, more lucrative trades are not available. It was felt that reductions should be made in this area of greater uncertainty rather than turning to firmer requirements in other accounts. Should tankers become available for the Soviet grain trade, MarAd would attempt to fund this within appropriated resources.

Other Operating Subsidy Increases

On page 14 of the original set of justifications for fiscal year 1981, you indicate that you would expect to have one additional ship in the Farrell Lines Fleet at an additional cost of $2,148,000, a decrease in idle status at an additional cost of $2,808,000 and the introduction of a new wage base year at an additional cost of $10,910,000. With the projected slow-down in the economy, do you still feel that these increases will still occur?

The additional ship for Farrell has been under construction since 1977 and will be delivered around the beginning of FY 1981. This schedule will not be affected by the economic slowdown.

The next wage base year will be 1981, and the corresponding additional cost is not related to the level of economic activity.

Idle status could be affected by an international slowdown, but the extent and effects on subsidized operations is not predictable. Our estimate of decreased idle time in 1981 was based on improvements in this area which are continuing to occur.

Suwannee River Group

Under bulk carrier operators on page 15 of the original set of justifications, you show an increase of $6,901,000 based on one new operator, Equity Carriers, Inc., annualization of the cost of operations by Suwannee River Group, which is to begin service late in fiscal year 1980, and the net effect of foreign and domestic cost changes. When do you expect the Suwannee River Group to begin operations in fiscal year 1980?

Suwannee River Group is expected to begin operations in September 1980.

Equity Carriers

When is the new operator for Equity Carriers expected to begin its operations in fiscal year 1981?

The ship construction delivery date contracted for Equity Carriers' first ship would have MarAd begin operating subsidy in the first quarter of FY 1981.

Research and Development

Mr. Early. The next item we shall consider for the Maritime Administration is entitled, Research and Development. The amended budget request for fiscal year 1981 is $16,300,000, which represents a decrease of $2,450,000 from the original budget request. The amended budget request is the same amount that was appropriated for research and development for fiscal year 1980.

Reduction of Competitive Shipping

Page 11 of the separate set of justifications in support of the amendment indicates that you are proposing a reduction of $340,000 in the competitive shipping line item. What would this reduction eliminate from the request? By the committee's calculation, this would still leave a program increase of $345,000 for this line item for fiscal year 1981. What new program would be funded under the revised request?

Mr. Nemirow. I think what we have done in the competitive shipping area; let me check. I am not exactly sure of what that reduction is, if you would just give me a moment.

Well, in the course of the recent budget reductions which we have presented to the committee, there were two items in the R&D account which we reduced. The amount of the reduction was 2.450 million. The $340,000 which was a reduction on competitive shipping, I believe, was part of a previously proposed increase for fleet management studies, which would have included studies of ship schedules, market forecasts, traffic analyses, and those kinds of information.

That was reduced—those studies were reduced—in the 1981 budget, and that is where that amount comes from.

Mr. Early. I see; will you be able to get that data from some other source?

Mr. Nemirow. We are going to pursue that program at a reduced level.

Mr. Early. Are you saying that you need fewer people to do more things, and that you need less money to get more answers?

Mr. Nemirow. Actually, we have the same number of people. Probably fewer people now that I think of the retirements that took place earlier this year in the R&D area, and the amount of money was exactly the same as requested in 1980.

The increase was reduced to the same program level as 1980.

Mr. Early. So you are going to request the same amount of money for fewer people?

Mr. Nemirow. That is efficiency.

Mr. Early. You people never cut back anything. You have to cut some things back.

Port and Intermodal Development

In the Port and Intermodal Development line item, the budget amendment proposes a reduction of $150,000 from the original request. What project would be eliminated with this reduction?

Mr. Nemirow. Well, I can't be specific as to which port we have in mind. We do several ports; we do port studies on an individual

62-212 O - 80 - 41

and regional basis. We do mainly regional port studies under this R&D item. We will be withdrawing funding for one port study.

Mr. EARLY. You had a $300,000 increase for this program in your original request. This revised budget amendment reduces your requested increase to $150,000. This request still leaves you $150,000 more than you have in fiscal year 1980. What have you eliminated from your original request of $300,000?

Mr. NEMIROW. I can't be specific as to which port study was eliminated. All I know is that we had projected certain port studies to be undertaken in fiscal 1981 and we eliminated from our project one port study which could be undertaken at a future year or perhaps not at all.

I would be glad to provide that information for the record.

Mr. EARLY. Fine.

[The information follows:]

PORT INTERMODAL DEVELOPMENT STUDIES

The original $300,000 increase in the Port and Intermodal Development area provided funds to conduct port planning studies for the states of Georgia and Washington. The $150,000 budget reduction will eliminate the Washington state project, since MarAd has worked with the state of Washington on an earlier port planning project for the northwest region.

COMPUTER AIDED OPERATIONS RESEARCH FACILITY

Mr. EARLY. The justifications for the budget amendment also indicate a reduction of $1,960,000 in the research facilities line item. The justifications indicate that those funds were associated with the enhancement of the CAORF, the Computer Aided Operations Research Facility. What would be the effect of not proceeding with this project at this time?

Mr. NEMIROW. The CAORF program at the Academy has been a very effective stimulus which we have used for a number of years.

We had planned an enhancement to that facility which would have supported various projects in pursuit of the Port and Tanker Safety Act, and particularly to add an inter-active bridge capability. That enhancement of CAORF was deleted. CAORF in its original form as it exists today will continue with this funding level.

Mr. EARLY. So you don't perceive the cutback to be that critical?

Mr. NEMIROW. It was an enhancement of an activity which we had hoped to undertake and will not be able to undertake, and the facility is one that could be used for additional purposes. Although the additional funds will not be used in 1981, but the facility will not be depreciated in any way.

OPERATIONS AND TRAINING

Mr. EARLY. Under Operations and Training, the fiscal year 1981 amended budget request is $65,006,000. The amount is a decrease of $621,000 from the original budget request for this item for fiscal year 1981. This amount is an increase of $384,000 above appropriations inacted to date for fiscal year 1980. This request includes a reduction of $120,000 for the Maritime Labor and Education line item as shown on page 17 of the separate of set of justifications. This reduction is associated with the amount requested for contract services to implement and administer the conversion of State

marine school cadet allowances to loans. The justifications further indicate that this new system will be implemented over a two-year period, rather than one year as previously planned.

What will be the effect of that delay?

Mr. NEMIROW. It depends on the status of the bill which is now being considered by the Ad Hoc Training Committee in the House. This requirement has not been put in place at the moment.

It would maintain a funding level of $180,000 and we believe that we will be able to defer some ADP effort that we were going to undertake to prepare for the implementation of that program into 1982.

The program has not, at this time, been acted upon by the House Ad Hoc Committee.

Mr. EARLY. Without the legislation, are you going to have adequate funds?

Mr. NEMIROW. Yes.

SUPPLEMENTARY TRAINING

Mr. EARLY. Page 17 of the separate set of justifications also indicates that you are proposing to reduce supplemental training by $140,000. This reduction would affect the replacement of equipment at the region radar schools. What would be the impact of increasing the replacement interval on such equipment from about 7 years to 10 years?

Mr. NEMIROW. That is an analysis which I don't have in front of me. We had a replacement program for those facilities at the regional radar schools.

It is our opinion that we can stretch out the replacement program to 10 years without substantial degrading of those activities.

REQUESTED POSITIONS

Mr. EARLY. On page 51 of the original set of justifications, you show a requested increase of 13 positions and $545,000. Could you describe for the committee the various elements of this requested increase?

Mr. NEMIROW. I think that was included in my statement. I believe that there were——

READY RESERVE FLEET

Mr. EARLY. The justifications indicate that $290,000 is for the Ready Reserve Fleet.

Mr. NEMIROW. The numbers that I have in front of me are that there would be an increase of 6 positions and $76,000 for personnel compensation, and $380,000 for service and support contracts for the Ready Reserve Fleet, general agency agreements and for expanding the Ready Reserve Fleet.

There would also be an additional 7 positions and $89,000 for associated personnel costs, for additional Non-Ready Reserve Fleet ships which are now in the NDRF.

Mr. EARLY. Since this is a year in which we are looking for reductions all through the government, why do we need the additional approved expenses for the Ready Reserve Fleet now?

Mr. NEMIROW. We have broken the fleet into two segments; the National Defense Fleet and the Ready Reserve Fleet. The Ready Reserve Fleet is a fleet of ships which are available for use on a military contingency on to a 5 to 10-day notice basis, and they are kept in a very high state of readiness.

We have coordinated this program with the Navy and they have increased the number of vessels in that status. Under our normal National Defense Reserve Fleet Program, it would take 30 to 45 days to break a vessel out.

We expect that at the end of 1980, we will have 25 vessels in the Ready Reserve Fleet, and that that will be increased in 1981 to 29 vessels.

We have been working with the Navy and the Department of Defense very closely in coordinating the Ready Reserve Fleet Program, particularly since the Persian Gulf contingencies have been presented to the Department of Defense for concern.

So we believe that this money is well spent. We believe that there is a need for it, and we have a great deal of support from the Defense establishment for it.

Mr. EARLY. Are the other 6 positions associated with Preservation and Maintenance work?

Mr. NEMIROW. The other positions would be positions that would be for non-RRF ships. There would be 7 positions in a Ready Reserve status, and 6 positions in the NDRF category.

MERCHANT MARINE ACADEMY

Mr. EARLY. Under the midshipmen costs line item on page 54 of the original set of justifications, you show an increase of $208,000. The justifications indicate that this increase is associated with the higher average enrollment. Is there a limit on enrollment to the Merchant Marine Academy?

Mr. NEMIROW. Actually there is. The attrition rate has decreased substantially, and we had been historically working at a certain level of attrition that we had counted on for budget purposes, and in the past two years, particularly that attrition rate has reduced substantially.

Mr. EARLY. Has the limit on enrollment been reached?

Mr. NEMIROW. I think we are dealing basically, I don't know the number, with a constant number of enrollments each year, and the attrition from that initial enrollment has reduced.

We have not increased the number of admissions to the Academy in recent years. Actually as I have tried to indicate, we are talking about two essentially different numbers.

The enrollment on-board number of students is greater today than it has been in recent years.

The reason for that is——

Mr. EARLY. Do you have an overall ceiling?

Mr. NEMIROW. Normally, I think it is 350 or 360 people who enter each year. The number of people who leave school in the first three years has reduced substantially in recent years, so we are graduating a higher percentage of those original entrants than we have been in the past.

Therefore, there are more students on board because there has been less attrition.

Mr. EARLY. Would you supply for the record some further information on attrition rates over the last few years with respect to the drop-out rate, and the number of slots filled?

[The information follows:]

Attrition Rates for U.S. Merchant Marine Academy

The following table provides representative attrition data for various classes at the U.S. Merchant Marine Academy:

U.S. Merchant Marine Academy
Attrition Rates

Year in Which Class Graduates	Number Admitted 1/	Number Graduated	Number Currently on Board	Attrition Rate (%)
1974	347	182		48
1975	349	201		42
1976	345	228		34
1977	344	224		35
1978	349	245		30
1979	358	253		29
1980	353		247	30
1981	358		275	23
1982	354		285	20
1983	355		280	21

1/ Incoming class size is restricted to individual state and territory quotas (313), a limited number of additional appointments to achieve a national demographic balance and for individuals of special value to the academy, and not to exceed 12 persons from the American Republics at any one time.

DECK OFFICER REQUIREMENTS

Mr. EARLY. Page 55 indicates a request for one additional position and $26,000. Why have you decided to institute a requirement for deck officer candidates to take engineering science and electrical engineering courses?

You can furnish that answer for the record.

[The information follows:]

The additional curriculum requirements will better prepare deck officer candidates to sit for the Coast Guard licensing examination which now covers more material on engineering science and electrical engineering as well as to meet the currently increasing everyday demands of their profession in this area. Expanded use of electronic navigation and automated bridge systems has necessitated additional instruction in electrical engineering and applied electricity. In addition, new ship types require a more detailed knowledge by deck officers of the mechanics of ship structures, particularly pertaining to cargo loading and storage.

ADVANCED SHIP OPERATIONS SYSTEMS

Mr. EARLY. On page 61 of the original set of justifications, under Advanced Ship Operations Systems, you are requesting 2 additional positions and $60,000. What are these additional positions to be used for?

Mr. NEMIROW. We must be dealing with completely different documents because I don't have those page numbers you are referring to.

Mr. EARLY. Those are the original set of justifications.

Mr. NEMIROW. That is just a comment, and I will try to answer the question, if I might.

The two additional positions and the associated personnel costs of $60,000 were designed to provide increased emphasis on improved tanker design equipment and operation to prevent pollution of marine environment from oil and other hazardous cargo. This is basically a response to national and international initiatives in this area, and we needed some additional support and asked for 2 more positions.

Mr. EARLY. How many positions and what level of resources do you presently have allocated to improving tanker design, equipment and operation for preventing pollution of the marine environment from oil and other hazardous substances?

Mr. NEMIROW. Well, I don't know that we have specific positions for that purpose. In the office that would be involved or the group that would be involved in advanced ship operations systems, they are now in the 1981 base, 21 permanent positions. They do other things, and the budget, for pollution prevention, has become great enough in recent years that we need additional people in that office.

They will do other things as well as pollution prevention.

COST OF FUEL FOR TRAINING SHIPS

Mr. EARLY. All right; will you provide for the record the cost of fuel oil for the State Marine School training ships in fiscal year 1980 as compared with the cost in fiscal year 1979?

Mr. NEMIROW. I have that information, and I will be glad to make it available.

[The information follows:]

FUEL OIL COSTS FOR STATE MARINE SCHOOL TRAINING SHIPS

The following table shows the cost of fuel consumed in 1979 and compares costs per barrel in 1979 and 1980:

Type fuel	Fuel consumed in 1979 [1]		Costs per barrel		
	Barrels of fuel consumed	Cost (thousands)	1979	1980	Percent increase
Bunker C	22,685	$373	$13.58	$20.38	+50
Special 4	33,172	638	18.24	27.00	+48
Total		1,011			

[1] Five training cruises were conducted in 1979.

GENERAL ADMINISTRATION

Mr. EARLY. On page 18 of the separate set of justifications, you show a decrease of $361,000 for the general administration activity. What are the elements of this proposed reduction and what impact would the reduction have on the operation and training accounts?

Mr. NEMIROW. I think since Mr. Stryker was supposed to be here to help me answer questions I would like him to address that one if I might.

Mr. EARLY. Fine.

Mr. STRYKER. Basically, sir, that is taken from a fund that we use to replace electronic equipment, that is to say, ADP equipment. We believe we can live with that reduction without any adverse effects on the administration of our programs under the heading of General Administration.

FEDERAL SHIP FINANCING FUND

Mr. EARLY. Fine. For the Federal Ship Financing Fund, the fiscal year 1981 budget includes language to limit the total commitments to guarantee loans to $1.2 billion of contingent liability for loan principal. The budget also includes language to limit gross obligations for the principal amount of direct loans to $250 million. What is the purpose of these proposed limitations?

Mr. NEMIROW. It is consistent with the President's concern about control of credit, that these programs have certain limitations identified within them. The $1.2 billion was originally $1.5 billion.

In the course of this recent budget round, that was reduced to 1.2 and we believe in 1981 if our historical trends are accurate, that the $1.2 billion limitation is one that we can live with and still maintain the Title XI program at a reasonable level.

Actually, it would be somewhat of an enhancement over the 1979 and 1980 commitments in that area.

Mr. EARLY. Would these limitations be adequate to cover the anticipated activities for fiscal year 1981?

Mr. NEMIROW. Yes; we expect that they will.

Mr. EARLY. Fine; is there authorization law for such a limitation either on total commitments or on the principal amount of direct loans under Title XI of the Merchant Marine Act of 1936?

Mr. NEMIROW. There is no provision for this kind of limitation in the Merchant Marine Act of 1936 that I am aware of; there is no such provision.

Mr. EARLY. Fine; we have several other questions on the limitations which will submit for the record. Thank you for your testimony.

[The questions and responses thereto follow:]

Is there a limitation on total commitments to guarantee loans in the authorizing legislation for the Maritime Administration for fiscal year 1981 that the House passed on April 15?

There is no limitation in that bill. There is a limitation enacted in earlier authorizing legislation amounting to $10 billion for total outstanding commitments without regard to fiscal year in which the commitments were incurred.

Is there a provision of a limitation on gross obligations for the principal amount of direct loans in the authorizing legislation for fiscal year 1981 for the Maritime Administration?

There is no such limitation.

WITNESSES

	Page
Bass, Mary	1
Becker, H. S	97
Blubaugh, J. K	1
Chamberlin, G. W	1
Chism, H. B	97
Geller, Henry	169
Hall, R. T	319
Hausner, Victor	319
Henson, D. P., III	97
Hord, E. F	319
Karras, G. T	319
Levin, Jr., E. M	319
Moyer, Homer	1
Nemirow, S. B	583
Nottingham, M. G	583
Parker, C. J	1
Porter, E. A	1, 319, 461, 583
Rauner, R. M	461
Richards, N. A	97, 319, 583
Saulino, T. J	461
Schulder, D. J	461
Soponis, Mento (Chuck)	461
Stryker, R. F	583
Whalen, B. B	319
Williams, H. W	319

INDEX

	Page
Economic Development Administration	319
Agency justification	320
Availability of revised justifications	432
Cooperation with FMHA	446
Countercyclical public works	429, 433
Development finance implementation	444
District planning grants	454
Economic assistance development programs	430
Economic development representative	447
Economic research program	440
Examples of applied research projects	441
General statement	421
Limitation on obligations for direct loans	430
Limitation on total commitments to guarantee loans	430
LPW evaluation	433
National water demonstration project	444
Provision for covering defaults	431
Reductions to technical assistance	435
Role of EDR	444
Status of pending legislation	428
Technical assistance examples	437
University centers	451
Urban/rural funding	446
General Administration	2
Agency justification	2
Central grants administration	81
Civil Service Reform	84
Comparison to other departments	78
Contracting services requested by Inspector General	80
Criminal investigations	90
Current legal issues	89
Executive development	87
General Counsel staffing	74
General statement	58
Grants Administration Division	83
Impact of USTS familiarization tours	89
Increased legal workload	70
Independent public auditors	79
Integrated planning and management	84
Legal advisory functions	76
Legal issues surrounding the 1980 census	75
Likely areas of fraud and abuse	79

General Administration—Continued	Page
Litigation involving the department	74
Office of the General Counsel	72
Office of the Inspector General	77
Organizational changes	65
Outside auditing services	69
Reorganization of U.S. Travel Service	88
Senior Executive Service funding	87
Small and disadvantaged business utilization	86
Special initiatives fund	65, 67
Transfer from International Trade Administration	68
Womens's employment	91
Maritime Administration	583
Advanced ship operations systems	697
Agency justification	584
Biography of S. B. Nemirow	681
Computer aided operations research facility	692
Construction-differential subsidy	682
Cost of fuel for training ships	697
Deck officer requirements	697
Equity carriers	690
Federal ship financing fund	698
Fuel oil for training ships	684
General administration	698
General statement	681
Great Lakes Service	685
Great Lakes Steamship Co	687
Legislation	686
Massachusetts training ship	683
Merchant Marine Academy	694
Operating-differential subsidies	682
Operations and Training	683, 687, 692
Other operating subsidy increases	689
Port and intermodal development	691
Ready reserve fleet	693
Reduction of competitive shipping	691
Requested positions	693
Research and development	682, 691
Ship construction	686
Ship contracts	687
Subsidy for Soviet grain carriage	689
Supplementary training	693
Suwannee River groups	690
Training ships	685
Minority Business Development Agency	97
Agency justification	98
Agency reorganization	162
Biography of D. Henson III	144
Change in appropriation language	162
Definition of minority	164
General statement	144
Grants administration	164

	Page
Minority Business Development Agency—Continued	
Information clearinghouse	166
MBDA legislative proposal	146
MBDA/SBA coordination	163
National procurement data bank	168
Performance measures	164
Request, 1981	145
Specialized consultant services	165
Staffing for clearinghouse	168
National Telecommunications and Information Administration	169
Agency justification	170
Backlogs	310
Band assessments	302
Broadcasting, cable, and special services	317
Budget amendment	303, 306
Budget request, 1981	301
Computer maintenance service	304
Comsat	306
Deregulation in the radio industry	313
Domestic common carrier	304
FCC's network inquiry	311
Frequency assignments	301
General statement	288
Grants	315
Inpact of budget reductions	315
Increased automation	302
Intergovernmental telecommunications system	303
List of frequency assignments processed by agency	309
Other changes	303
Privacy legislation	312
Privacy program	303
Program increase	301
Public telecommunications facilities, planning and construction	315
Salaries and expenses	304
Spectrum management	307
System reviews	301
UHF/VHF comparability studies	311
Regional Development Program	461
Accounting and budgetary controls	537
Administrative improvements	532
Agency justification	462
Appropriation committee investigation	534
Audits of the Office of the Inspector General	539
Biography of M. Soponis	528
Coordination and policy guidance	538
Energy	531
Export activites	534
Export promotion	531
Federal coordination	536
Fiscal year 1980 supplemental request	532
General statement	528
Monitoring and evaluation	537

Regional Development Program—Continued Page

National policies at the regional level 530
New commissions 539
Planning and technical assistance 540
Planning function 533
Positions 541
Proposed title change 533
Reauthorizing legislation 529
Regional airline deregulation 530
Regional boundaries 531
Regional Development Council, the 535
Regional development program fiscal year 1981 budget revisions 540
Regional growth policy process 529
Regional plans 536
Report on the operations of the Regional Planning Commissions 542
Restriction on demonstration projects 537
Status of authorization 532
Supplemental grants 535, 540

○