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

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

EDWARD P. BOLAND, Massachusetts, *Chairman*

BOB TRAXLER, Michigan
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PART 9

MEMBERS OF CONGRESS AND PUBLIC WITNESSES

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

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PART 9

MEMBERS OF CONGRESS AND PUBLIC WITNESSES

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U.S. GOVERNMENT PRINTING OFFICE

63-277 O WASHINGTON : 1980

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*Deceased.

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

TUESDAY, MAY 6, 1980.

MEMBERS OF CONGRESS AND PUBLIC WITNESSES

NATIONAL AERONAUTICAL AND SPACE ADMINISTRATION

WITNESSES

HON. TOM HARKIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

HON. BARRY M. GOLDWATER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TRAXLER. The Committee will come to order.

We are pleased to welcome two distinguished colleagues and guests from the authorizing Committee on Science and Technology. We are very pleased that you are here this morning, Tom and Barry. We will be happy to hear your statements.

Mr. HARKIN. Thank you, Mr. Chairman. I won't read it.

Mr. TRAXLER. We will insert it for the record and you can paraphrase it. Proceed in any fashion you wish.

Mr. HARKIN. Thank you very much, Mr. Chairman. We do welcome the opportunity to be here.

I might just at the outset say that both my colleague Mr. Goldwater and I have worked very closely on the Subcommittee with the other members of the Subcommittee in a very nonpartisan manner to look at this NASA authorization. We have worked out our priorities in the Subcommittee in a very nonpartisan manner and we had a unanimous vote on it coming out of the Subcommittee and of course out of the Full Committee, so it is something that I think both of us agree on is very needed, the amounts that we have put in.

Mr. Chairman, I just would point out, first of all, that the Administration requested a level of funding for aeronautics that is about 11 percent less in real dollars than what it was last year. Two things: They cut $15 million just in terms of budget cutting for balancing the budget. Then the rest of the money was cut because the aircraft energy efficiency program, the AC program as they call it, was beginning to tail off.

In other words, we had done our work, got the things implemented and now it is beginning to tail off. We felt on the first hand that we would obviously support the President in trying to balance the budget and keeping our recommendations below basically what

they would be even if you added on inflation for this year, and I will get into that in a little bit.

On the other hand, we felt that simply because the AC program was tailing off we didn't feel that that was a reason to just stop our aeronautics program, to really seriously slow it down. We felt it to be an opportunity to begin some new work in new aeronautical R&D programs rather than just stopping the whole thing, basically because we looked at the past and the kinds of things that we have done in the aeronautics program has really added to not only our safety but our fuel efficiency of aircraft today.

Mr. Chairman, let me just get to the specifics. We added $20.5 million to the fiscal year 1981 authorization. This allowed for augmentation in six high priority areas, what we feel is high priority and NASA does too. It conforms generally to the recommendations of the Budget Committee.

Let me just briefly describe a couple of these augmentations. First of all, Mr. Chairman, we brought the variable-cycle engine program up to last year's appropriated level plus 10 percent for inflation. This added $4.5 million to the Administration's request.

I know you understand the importance of this both to civil and military aircraft. I have looked at the engine itself, the prototype engine up at Pratt & Whitney. They are getting ready to do some testing on it, and I can tell you now would be a terrible time to stop the R&D work on that variable-cycle engine, and for this amount of money this will keep us on track in the development of that engine.

We took two other actions. We added $5.5 million for flight experiments using NASA's existing test aircraft, and these are just the flight tests, not adding any new aircraft. We also added $4 million to begin the development of large-scale structures, parts of wings, fuselages of these new structures in aircraft. We have done the small parts where we put the small parts and tested them in wind tunnels. We now want to build the larger structures to see what they are like and how they act in real life.

Again, we felt that these were very important areas, high priority areas that we had added money to. I would just turn to the budget table, Mr. Chairman. The original 1981 budget sent down by the Administration was for $290.3. The revised budget was $275.3. That is the new one that came down.

What we have added onto that brings it up to $295.8 in our recommendations.

Mr. TRAXLER. What was that figure again?

Mr. HARKIN. $295.8, so it would be 5.5 over what the original budget was.

1980 estimate right now would be $308.3, the 1980 budget that we are working on right now, so we are over $13 million less, so it is 4 percent below 1980. I think that our Subcommittee did an excellent job, in again holding the President's goal of a balanced budget.

[The statement follows:]

STATEMENT OF CHAIRMAN TOM HARKIN, SUBCOMMITTEE ON TRANSPORTATION, AVIATION, AND COMMUNICATIONS, COMMITTEE ON SCIENCE AND TECHNOLOGY

Mr. Chairman, I appreciate the opportunity to be here today. My purpose is to report on the actions taken by the Science Committee in the aeronautics portion of the NASA Authorization.

As you know, jurisdiction over NASA is split between two of our Subcommittees. The space portion is handled by Don Fuqua's Subcommittee on Space Science and Applications, and the aeronautics activities are handled by the Subcommittee on Transportation, Aviation, and Communications, which I chair.

It is this second part that I want to discuss briefly.

This year, the Administration requested a level of funding for aeronautics that is almost 11 percent less, in actual dollars, than the amount appropriated for fiscal year 1980. There are two kinds of reasons for the decline:

1. NASA cut $15 million from selected, on-going programs to assist in the general Government-wide effort to balance the budget, and

2. The funding curve for the very successful Aircraft Energy Efficency (ACEE) program is beginning to tail-off.

In the first instance, the Committee felt that NASA would have to accept its share of the pain. So we reluctantly went along with their recommended reductions.

The second area is different, however. The Committee has long emphasized the connection between Government investments in aeronautical research and subsequent success by U.S. civil aircraft manufacturers, particularly in overseas sales. We must keep the flow of new ideas and technology coming. Everyone who has thought about it seems to understand this. Your support, Mr. Chairman, has been particularly important during the past few years.

Unfortunately, the Administration has chosen to view the ACEE tail-off as a means to further cut the budget; not, as an opportunity to begin some new work. They seem to be ready to allow the aeronautics program to retreat into nothing more than basic research.

We believe this would be extremely unwise, given the 65-year record of contributions from the NACA and more recently from NASA. Therefore, the Committee took action to fill the planning wedge left by ACEE. Specifically, we added a total of $20.5 million to the fiscal year 1981 Authorization.

This amount will allow for program augmentations in six high priority areas. It will take up the slack left by ACEE. And it does conform generally to the recommendations of the Budget Committee.

Before I turn to my colleague, Mr. Goldwater, I would like to describe briefly a couple of these augmentations. Then I believe he will describe some of the others.

The first thing we did was to bring the Variable Cycle Engine program up to last year's appropriated level plus another 10 percent for inflation. This required an addition of $4.5 million to the Administration's request.

Mr. Chairman, I know you fully understand the importance of this project, both to future military and civil high-speed aircraft. In fact, the final result from last year's Appropriation Conference, in this area, was instrumental in convincing the Administration to continue with Phase II of the research in fiscal year 1981.

Unfortunately, the level of funding they proposed isn't adequate to even get to the point where we can answer the question: "Will the VCE work?"

Everything we know now is favorable. But we need to build some experimental hardware. And we need to fully test it before we will really know.

Our action this year is an important step in that direction. More will be needed later (probably about $300 million over several years). But, I think NASA should stop the endless paper studies and get on with the job. So, I urge you to support this increase of $4.5 million so that they can.

The Committee took two other actions in the high-speed aircraft area. We added $5.5 million to permit certain additional flight experiments using NASA's existing stable of test aircraft. And we added $4 million to begin the development of large-scale titanium structures (parts of wings, fuselages, etc.) for application in future military and civil aircraft.

We feel that these augmentations are important for two reasons:

1. Both have elements that will contribute eventually to national security, and

2. Both are in line with the primary conclusion of the recent OTA report on high-speed aircraft. As you know, they said that the U.S. should increase its research investment in this area to keep open the option for a future advanced supersonic transport.

Mr. Chairman, at this point, I will turn to Mr. Goldwater, after which we will both be available for any questions you might have.

Mr. TRAXLER. Mr. Goldwater.

Mr. GOLDWATER. Mr. Chairman, I support Tom in our request here for funds to advance the state of the art and to further research in AC aeronautical problems. As you well know, basic research is the stepchild of future production, and enabling the United States to be competitive in world markets.

If we do not have basic research and efforts in science and technology, the ripple effect in later years means lower standards of living and noncompetitive posture, and certainly a loss of leadership in the international world, so it is our feeling that we need to keep a sufficient level of funding in order to continue this role.

As Tom pointed out, our Subcommittee on Transportation, Aviation and Communications is requesting $15 million, or 4 percent below what was authorized and appropriated in 1980, even though we have added an additional $20 million onto the President's last request.

As you well know, international competition is increasing. The A-300 Airbus, the conglomerate of manufacturers of that particular aircraft, is now the No. 2 manufacturer of wide-bodied aircraft and is penetrating a lot of markets, and jeopardizing, of course, our situation.

We feel the best way to keep Americans employed at these times is to have the best products. That is really where NASA comes in, working with private industry, putting moneys into research that will give us the advantage. NASA's aeronautics program is designed to keep our industry ahead, to keep our people employed, and also to keep up our traditionally strong balance of payments in aviation.

There are a few areas where we feel they are critical, where we added some additional funds. One happens to be $4 million for some further research on fuels, which will more than likely be available for aircraft in the future. Right now we are using the old state of the art in fuels, and of course with the fuel crunch coming up, it is important that we analyze what alternatives we can use for future aircraft, so we are sponsoring research into the effects on aircraft hardware of fuel containing less energy-producing hydrogen than now is customary, and more heavy compounds with nitrogen and sulfur, whatever all that means. It means that we are looking at how we can be a little more flexible in designing engines to accommodate alternative types of fuel elements or fuel compositions.

In addition to that, the Subcommittee added $1 million to investigate conservation of scarce aerospace materials. It just so happened that this week's Aviation Week and States Technology, which is basically the bible of this business, came out with a very large exposé on the availability of strategic materials. As we look at these charts, we see how much we are relying on the availability of strategic materials. As we look at these charts, we see how much we are relying upon imports for these very critical materials, and obviously to manufacture engines you have to have such things as cobalt, nickel, and tungsten, in order to harden the materials up.

We are dependent for 80 or 90 percent on imports. That could very well be a critical thing that we faced in 1975 with oil shortages. What NASA wants to do here is to look into substitutes or

other kinds of processes that will make up for or give us a little more breathing space, so we put $1 million into that.

We have also recommended that $1.5 million increase in general aviation propeller technology. That seems like an obnoxious area, aircraft propellers. We are still spinning propellers that were basically designed for the Wright brothers airplanes.

There has never been a really great advancement in propeller technology, and it is interesting to note that for fuel efficiency, many of the manufacturers today are taking a very hard look and in fact are moving back toward propellers considered straight jets, but throwing a large turboprop, and the work we are doing in the advanced turboprop area, for which we have money in here, they feel that they can cruise at close to commercial speeds, which is around .85, or close to it, with propeller at high altitudes and gain tremendous fuel efficiency.

Industry is looking at and moving back in this direction, so we feel it is important that we have some dollars in this propeller research to study the aerodynamics and characteristics of it, the manufacture of it, in order to increase fuel efficiency, to attack the noise problem on the ground, and of course safety.

Those are just three areas I want to highlight among the many that NASA is doing work in, in basic technology advancement, which we feel is essential if we are going to maintain our position as a world leader in aeronautics, certainly to enhance employment at home, and provide for increased balance of payments, which is also critical.

[The statement follows:]

STATEMENT OF HON. BARRY M. GOLDWATER, JR., SUBCOMMITTEE ON TRANSPORTATION, AVIATION AND COMMUNICATIONS, COMMITTEE ON SCIENCE AND TECHNOLOGY

Thank you, Tom. Thank you, Chairman Boland.

I'd like to reinforce what Tom has just said. We have been fiscally responsible. For fiscal year 1981, our Subcommittee is requesting a figure $13 million (or 4 percent) below the fiscal year 1980 level, even though we have added $20.5 million to the Administration's request. We feel strongly that our augmentations are necessary to keep this country's aviation industry competitive with government subsidized foreign technology.

As you may know, the foreign conglomerate which makes the A-300 Airbus is now the No. 2 manufacturer of wide-bodied aircraft—ahead of McDonnell Douglas and Lockheed. We feel that the best way to keep Americans employed in these times is to have the best products—and that is where NASA comes in.

The NASA aeronautics program is designed to keep our industry ahead—to keep our people employed—and to keep up our traditionally strong balance of payments in aviation.

I'd like to talk about three areas where our Subcommittee feels that OMB's knife slashed unwisely.

We added $4 million for studies into the types of fuels which are most likely to be available for aircraft in the future. The fuel currently used by our jet aircraft meets a number of very tight specifications to insure safety and long engine life. If these tight specifications could be relaxed somewhat, it would result in both less costly fuel and an increased yield of jet fuel per barrel of crude oil. On the other hand, synthetic jet fuel made from such sources as coal, oil shale, tar sands, etc. is likely to have looser specifications by nature. We feel that NASA should get started now to determine what changes to aircraft and engines will be required to burn the fuels which are likely to be most plentiful in the future. This work would apply to both retrofit of current aircraft and engines, and design of new aircraft and engines.

The Subcommittee also added $1 million to investigate conservation of scarce aerospace metals. There are certain metals, such as cobalt and chromium, which are now absolutely essential in the construction of modern aircraft and engines. Unfor-

tunately, our chief suppliers of these metals are somewhat unstable—the USSR, and several marginally reliable African countries. At present, we have no acceptable back-ups. Therefore, we feel it is essential that NASA begin immediately to look at alternatives—such as conservation of what we have, and alternative materials to do the same job.

We have also recommended a $1.5 million increase in general aviation propeller technology. Mr. Chairman, in the month of March, general aviation manufacturers laid off or furloughed 8,500 production workers throughout the U.S. high fuel costs and a shortage of aviation gasoline have done much to hurt this important industry. One of the main purposes of the GA propeller technology program is to increase fuel efficiency—to help alleviate current and future fuel problems. Other major objectives are decreased noise (to benefit airport neighbors), and increased safety. I think this is an important program because it helps conserve fuel, and it helps keep our U.S. aircraft competitive in the export market. Traditionally, U.S. general aviation manufacturers have sold one third of their production abroad.

Mr. Chairman, this completes my testimony. Tom and I will be happy to answer any questions you may have.

Mr. TRAXLER. I want to thank both of you for your fine statements and comments in connection with this portion of the NASA budget. It is interesting to note on April 18, when NASA was before the Committee, the chairman, Mr. Boland, asked Dr. Frosch:

"The budget details a request of $290,300,000 for aeronautical research in 1981, and the recent budget exercise reduced that budget further by $15 million to $275,300,000. Is it fair to say that the aeronautical research effort has been getting a smaller share of the total budget? In 1977 the budget was about 6.5 percent of the total and under the revised figures that percentage has dropped to 6.3 percent, in view of the fact that you are actually allocating less for this program in 1981 than you did in 1980.

"Dr. Frosch. The decrease came about largely because of large expenditures and the aircraft energy efficiency program has begun to taper off. We looked essentially for some cutback in that area to see if there was anything that could stand a cutback. We found two pieces of the program where we felt there could be some stretchout. We simply decided we could stand it there."

We appreciate your emphasizing the points that we were concerned about, and we are just very pleased to have members of the Authorizing Committees give us their views as to where the money ought to go. We need all the help we can get here.

Mr. HARKIN. Thank you, Mr. Chairman. We do feel strongly about this. Again, it is 4 percent less than last year, but the kind of work that I described and that Barry described sounds like small dollars, but the payoff is very large. I think we have shown that in aviation, in aeronautics.

Mr. TRAXLER. I think your points are well taken.

Mr. Sabo, did you have any questions?

Mr. SABO. Thank you, Mr. Chairman.

Tom, I know you have been working on the area of auto research in NASA.

Mr. TRAXLER. We had hoped to avoid that.

Mr. SABO. I think Tom should have a word or two about what is happening. I heard last week that the director indicated that he was not interested in getting us involved in that research.

Mr. HARKIN. Yes.

Mr. SABO. What is happening with your proposal currently?

Mr. HARKIN. Let me just say I have seen this testimony. I haven't seen it all but read about it in front of the Senate Commit-

tee, and I can tell you it is at complete odds with what he told me last year, and it is at complete odds with their sworn testimony, not sworn, but their testimony in front of our Subcommittee last year. So I am saying it is completely opposite to what they have said on the record and the complete opposite to what they have told me off the record. It is no more, Marty, than Mr. Frosch carrying water for the Administration. Obviously he has been, and I will say this quite openly, he has been given his marching orders and he is marching.

Mr. SABO. Are you continuing to pursue your ideas which are authorized in that bill or not?

Mr. HARKIN. Certainly.

Mr. GOLDWATER. Right now NASA is doing most of the R&D automotive anyway.

Mr. HARKIN. Over 75 or 80 percent of it.

Mr. GOLDWATER. It is just a matter of logic in something they are already doing.

Mr. HARKINS. That is different.

Mr. GOLDWATER. We feel we want to get it away from the regulatory body and keep it in the research area where NASA's expertise is, and we are pushing on it.

Mr. HARKIN. We had it for a year and a half now. We have been through the whole thing, and I understand turf battles. DOT has a part, DOE has a part, and somebody else. When you try to put something together under one directorship, you get into these turf fights, and it just takes time.

Mr. TRAXLER. Thank you very much.

Mr. HARKIN. Thank you very much.

NATIONAL SCIENCE FOUNDATION

WITNESSES

FATHER T. BYRON COLLINS, SPECIAL ASSISTANT TO THE PRESIDENT FOR FEDERAL RELATIONS, GEORGETOWN UNIVERSITY, WASHINGTON, D.C.

FATHER WILLIAM GEORGE, SPECIAL ASSISTANT TO THE PRESIDENT FOR FEDERAL RELATIONS, GEORGETOWN UNIVERSITY, WASHINGTON, D.C.

MICHAEL MARECKI, N.S.J.

Mr. TRAXLER. We would like to welcome our next witnesses, Father Collins, Father George and Mr. Michael Marecki.

Father COLLINS. We have a very brief statement we would like to make, Mr. Chairman and Members of the Committee. Father George from Georgetown will lead off, and I will come second and Mr. Michael Marecki, Jesuit. We will have two minutes apiece.

Father GEORGE. Mr. Chairman and Members of the Committee, I will be even briefer than our brief testimony, so I would like to ask that it be submitted.

Mr. TRAXLER. Fine.

Father GEORGE. Before the President had requested to remove the University Research Facilities Improvement Fund, we had hoped to seek the Committee's interest in matching funds for re-

search equipment that would aid the modern intercultural center in developing instruction in foreign languages as well as assisting the hearing impaired and the international telecommunications research systems involving phonetics and computer analysis in research programs. Since it is a very difficult budget year, and we understand the restraints that the Committee is working under, we still wanted to at least remind the Committee some of the negative impacts of limiting research in equipment and facilities on that broad basis of scientific research.

We want to thank you for the chance to express it.

Mr. TRAXLER. Thank you.

Father COLLINS. Second, we would like to thank, Mr. Traxler, yourself, Mr. Boland and all the Members of the Committee for the heroic work that this Committee has done in the college housing program over the years on behalf of the 2,000 colleges and universities that have benefited from this. We express our heart-felt and prayerful thanks.

We are going to try and get the HEW Committee to try and take the same purview that this Committee has done. There is a statement concerning the GAO report on the various colleges and universities and their applications. They had a specific mention of Georgetown and the GAO auditors with whom Father George and I spent quite some time. We are very satisfied with our records, but felt that perhaps the local agencies' own records could have been kept better.

Mr. Marecki has a final statement.

Mr. MARECKI. We would also like to ask the Committee for its support of the detailed analytical study to determine the feasibility of a North American common market amongst Canada, Mexico and the United States. Each nation involved could be represented in a consortium of universities, and they would pool resources and expertise in the three nations concerned.

It is our hope that the Committee could support a bridge between two specific programs, the international cooperative scientific activities program, and the policy research and analysis program of the National Science Foundation. This would enable the study of the North American Common Market to get underway.

Mr. TRAXLER. It is a very interesting proposal.

Father COLLINS. The structure of NSF, as it is now, we have been to them, and without some Committee support they are so segmentalized in their budget that we think they have some information, they have sufficient funds, but they would need some support language to get the program started. It would be once again a consortium of universities that would undertake the analysis of the economic features of United States, Canada and Mexico, using computers.

The United States is very advanced on its economic models. Canada is too. We don't know very much about Mexico yet, and the purpose would be to try to get the common computer program that would analyze the combination of U.S., where the problems are, with Mexico and Canada, using the model that is in the economic model of Europe.

Mr. TRAXLER. How long will this take?

Father COLLINS. The first would be just to get the models set up and start them. We could do it within a year. It would take organizing of four universities in the United States that are excellent in this field. At Georgetown we have a young Jesuit who has gotten his degree in it. There are two in Canada, and we would have to take two universities in Mexico, and the money would be to get them together and set the model up and see how you would start it. We don't think that the money in terms of program is so significant that the present budgets couldn't absorb it.

Mr. TRAXLER. What do you anticipate the costs of the program will be?

Father COLLINS. Between $125,000 and $175,000 to set the problem up and get the things together.

Mr. TRAXLER. And once you have the program organized, what would you anticipate—a year or two years beyond that?

Father COLLINS. No. If it works, the idea behind it would be then to ask NSF to do as we had in the other, to be partners with this, where we put up half the money and ask them to put up half.

Mr. TRAXLER. And it would be an ongoing program?

Father COLLINS. Until you got it started, and then obviously industry would pick it up, if we showed the feasibility that it ought to go. The problem of Mexico having oil and a surplus of labor problem, we are having a problem of Mexicans in the United States being recognized.

Canada has obviously a large need of labor in some of its agricultural areas, and the Mexican labor movement, we would have to see the head of the Mexican labor movement, a man we have access to and know, and they only have 3½ million in organized labor. I think it is something that if we looked at the problem, that could be of tremendous benefit to all three countries.

The political process we would stay out of, because that is quite difficult, but we so set the political problem up but look at the economics of it.

Mr. TRAXLER. I want to thank you for your appearance here this morning.

Father COLLINS. It is a pleasure, Mr. Traxler.

Mr. TRAXLER. Thank you very much. We appreciate your time.

Father COLLINS. Thank you.

[The statement follows:]

GEORGETOWN UNIVERSITY
WASHINGTON, D.C. 20057

OFFICE OF THE PRESIDENT
SPECIAL ASSISTANT FOR
FEDERAL RELATIONS

202/625-3704

MAY 6, 1980

House Appropriations Committee
Subcommittee on HUD/NSF
May 1, 1980
10:30 a.m.
H143 Capitol Building

Dear Mr. Chairman and Members of the Committee:

We are Fathers William L. George, S.J. and T. Byron Collins, S.J., Special Assistants to the President of Georgetown University. With us is our assistant, Mr. Michael F. Marecki, N.S.J..

Prior to the President's request for rescission of the University Research Facilities Improvement Fund, an element of the National Science Foundation's Special Facility and Instrumentation Program, we intended to ask the Committee to support the Instrumental Phonetic Research Project and the Computer Assisted Instruction Project at the School of Languages and Linguistics at Georgetown University's model demonstration Intercultural Center. These programs would facilitate the instruction of foreign languages and translation, especially in the fields of tone languages such as Chinese, would help the deaf and the severely hearing impaired to learn how to speak, and will aid in the development of advanced telecommunications systems. The Instrumental Phonetic Research Project and the Computer Assisted Instruction Project requires $900,000 in federal monies which Georgetown University would match with $900,000 from its own resources. We recognize the importance of budget restraint and fiscal responsibility, but we would like to remind the Committee of the negative impact of our nation being deprived of its broad scientific research base.

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON HOUSING AND URBAN DEVELOPMENT

AND THE NATIONAL SCIENCE FOUNDATION

Mr. Chairman and Members of the Committee,

We are Fathers T. Byron Collins, S.J. and William L. George, S.J., Special Assistants to the President of Georgetown University and with us is our assistant, Mr. Michael Marecki, N.S.J.

We thank the Committee for the opportunity to testify today.

We would like to express our sincere gratitude to the Committee for its patient and careful stewardship of the College Housing Loan Program for so many years. We can only hope that the Subcommittee on HEW Appropriations will continue to support this program and will work to meet essential backlogged needs. (Exhibit)

We would also like to ask the Committee for its support for a detailed analytic study to determine the feasibility of establishing a North American Common Market amongt Canada, Mexico, and the United States. Each Nation would be represented in a consortium of universities which would pool the resources and expertise of the three Nations concerned by this undertaking. (Exhibit) It is our hope that the Committee could support a bridge between the International Cooperative Scientific Activities Program and the Policy Research and Analysis Program of the National Science Foundation, to enable the study of the North American Common Market to get underway. (Exhibit)

(EXHIBIT 1)

UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
8112 FEDERAL OFFICE BUILDING
FIFTH AND MAIN STREETS
CINCINNATI, OHIO 45202

APR 21 1980

Fr. Byron Collins S.J.
Coordinator of Federal Relations
Georgetown University
37th and O Streets, NW
Washington, D.C. 20057

Dear Fr. Collins:

Enclosed is a copy of GAO's recent report on the college housing loan program.

The report's digest summarizes our principal findings and recommendations. Both applicants and Federal officials must give more attention to the actual need for new campus housing construction, especially in view of the impending decline of the college-age population. Applicants and HUD area offices also need to expedite the approval of loan agreements so that projects will procede in a timely fashion. Failure to do so leads to cost escalation and lost energy conservation savings.

We appreciate the assistance you gave during our review to Rich Edwards, Ken Libbey and Jim Silvati.

Sincerely yours,

H R Fine

Harold R. Fine
Assistant Regional Manager

Enclosure

Excerpted from a Report by the Comptroller General of the United States, "The College Housing Loan Program: More Effective Management Needed" and released March 26, 1980. (EXHIBIT 1)

--Northern Kentucky University received a $4.7 million reservation in 1978, stating that 70 percent of its students living at home with parents were beyond a reasonable distance and 70 percent of the off-campus students were inadequately housed. University officials could not remember the criteria they used and could not supply us with documentation to support the estimates. Enrollment data shows that more than 80 percent of their students live within 15 miles of campus.

--Georgetown University has received three construction loans since 1977. Its 1977 applications reported that 40 percent of its off-campus students were inadequately housed. In 1978, Georgetown increased its estimate to 85 percent, again succeeding in the competition. This increase was not questioned by HUD officials.

--Oakland University, funded in 1978, estimated 75 percent of its students living at home commuted an unreasonable distance. Officials told us they used 12 miles as the boundary of a reasonable distance. The campus is located in suburban Detroit, yet HUD officials did not question the high estimate of students living beyond a reasonable distance.

--The University of Maryland at Baltimore filed a successful application in 1977. In its application, the school said it had no information on the number of students inadequately housed off campus, but then added all off-campus students into its housing deficiency. Its total deficiency equaled 68 percent of all students.

Many applicants report excessive enrollment

The favorable treatment accorded large schools under HUD's formula makes accurate reporting of enrollment an important matter. Applicants are instructed to base their estimates on the number of full-time students as reported in the latest Office of Education Fall Enrollment Survey. Many of the applications we reviewed did not follow these instructions, reporting instead their total enrollment or full-time equivalent enrollment. This means they included part-time students, who are rarely housed on campus.

We checked enrollment figures for 39 of the 89 construction applications for which funds were reserved since 1977, and found that 18 had overstated enrollment, with errors ranging from 5 percent to 40 percent. The most notable example was San Diego State University, which reported its total headcount of 30,313 instead of its full-time enrollment of 18,262. This resulted in a ranking number much higher than it should have been. None of the HUD representatives at the seven area offices we visited identified any of these discrepancies.

(EXHIBIT 2)

NORTH AMERICAN COMMON MARKET PROPOSAL

INTRODUCTION

The purpose of the study is to investigate the feasibility of a North American Common Market involving Canada, the United States and Mexico. Computer methods will be the base of the multi-disciplinary study for analysis of economic models, data storage, empirical investigation, and information retreival.

Economic theory has long recognized the gains in welfare associated with trade liberalization. The theory of comparative advantage tells us that each country that reduces its tariffs will unambiguously gain in welfare in the long-run. This theory of comparative advantage, spelling out the gains from trade, is essentially a static theory. It does not deal with the specific adjustment policies and problems of trade liberalization, and requires supplemental analysis of the economic and social structures of particular trading partners before the gains from trade can be spelled out in concrete terms. The purpose of this study is to use computer methods and models to see whether information from computer models shows a compatability in economics and other fields that would warrant further detailed examination of a North American Common Market.

ECONOMIC MODELS OF THE EUROPEAN EXPERIENCE

The Common Market approach to trade liberalization has been extensively analysed in the European Economic Community. The gains from trade, the burdens of adjustment to liberalized trade, and the problems of economic and political coordination have been studied and debated with Computer models serving as the basis for model analysis, information retreival, and data storage. Economic models of each country in the E.E.C. have been linked together in the EURO-LINK Project so that specific policy decisions in one country may be studied in terms of their effects in other countries. Specific models have been applied to inter-industry relationships in the E.E.C. to determine the longer-term effects of tariff policies on industrial growth and employment in particular countries. The problems of adjustments and monetary assistance to particular countries bearing a heavy burden of adjustment have been studied to allocate efficient means of spreading the burdens of adjustment among E.E.C. members.

The E.E.C. Experience has led to social, political, and cultural developments. The creation of the Euro-Parliament and the increased European consciousness as a separate power between the United States and the Soviet Union may be seen as direct results of the emerging economic union in Europe. These developments have necessitated extensive political, social, and cultural analysis.

(EXHIBIT 2)

A study of the feasibility of a North American Common Market should make use of the E.E.C. experiences. Specifically, the problems of adjustment should be extensively studied through econometric models at the macro-level (economy-wide national) and at the level of specific industrial sectors. The use of these models will give broad outlines of the probable effects of economic union and will pinpoint specific problems of adjustment in specific sectors of the economy. This will help decision-makers to plan a politically realistic time-table for economic coordiation and gradual trade liberalization through tariff reduction.

GEORGETOWN FACILITIES

Georgetown possesses the capability of easily storing and analyzing a wide variety of econometric models of the United States, Canada and Mexico. Several models of the U.S. Economy [the MIT - Penn - SSRC Model, the Fair Model at Yale] are on the Georgetown Computing System. These models can easily be put into the Georgetown-based MIT TROLL System, and thus made accessible in a simplified language. The U.S. Models can be easily linked with Canadian Models on the TROLL System by entering several Canadian Models into the TROLL System. These models of Canada would include the Toronto University Model and the University of British Columbia Model as well as the Data Resources, Inc. Models of Canada and the United States.

The Models of Mexico are smaller and less complex, but the models would also be entered and systemalized in the TROLL System for policy experiments.

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(EXHIBIT 3)

INTERNATIONAL COOPERATIVE SCIENTIFIC ACTIVITIES PROGRAM SUBACTIVITY $12,900,000

Obligations by Program Element

Program Element	Actual FY 1979	Budget Request FY 1980	Current Plan FY 1980	Estimate FY 1981	Difference FY 1981/80
Cooperative Science*	$6,638,359	$6,115,000	$7,614,000	$7,900,000	$286,000
Scientific Organizations & Resources	2,946,854	3,700,000	3,700,000	4,200,000	500,000
U.N. Conference on Science & Technology for Development	388,936	—0—	—0—	—0—	—0—
International Travel	584,364	700,000	700,000	800,000	100,000
Total	$10,603,513	$10,515,000	$12,014,000	$12,900,000	$886,000

*Excludes activities under the U.S.-U.S.S.R. Agreement on Cooperation in the Fields of Science and Technology which are presented separately in the Cross Directorate Programs section of the budget.

Objectives and Description

The vigor of science and technology in the United States is enhanced through international links. Researchers share unique facilities or resources and exchange information. International cooperative programs implement the statutory authority of NSF to "initiate and support specific scientific activities in connection with matters relating to international cooperation" (P.L. 81-507, Section 3 (b)).

There are two principal, interrelated objectives of International Cooperative Scientific Activities:

- to help meet the needs of U.S. science through trade of scientific and technical information with other countries, and
- to assist in the design and implementation of science activities and programs in support of international objectives of the United States.

Three program elements are included in this subactivity:

- The Cooperative Science program provides support for participation of U.S. scientists in bilateral research programs with countries in Europe, Latin America, Asia, Africa, and Oceania; for exchange of scientists; and for collaborative activities to assist in building science infrastructures in developing countries.
- The Scientific Organizations and Resources program provides support for participation of U.S. scientists in international scientific organizations, and for studies and analyses relevant to U.S. participation in these organizations and to NSF cooperative science activities.
- The International Travel program provides support for the participation of U.S. scientists in major international scientific meetings held abroad.

(EXHIBIT 3)

POLICY RESEARCH AND ANALYSIS PROGRAM SUBACTIVITY $6,650,000

Obligations by Program Element

Program Element	Actual FY 1979	Budget Request FY 1980	Current Plan FY 1980	Estimate FY 1981	Difference FY 1981/80
Socioeconomic Effects of S&T	$1,112,225	$1,500,000	$1,400,000	$1,400,000	—0—
International Economic Policy	—0—	—0—	—0—	750,000	$750,000
Innovation Processes and Their Management	1,392,414	1,400,000	1,400,000	1,400,000	—0—
Environment, Energy, and Resources	1,087,467	900,000	1,100,000	1,100,000	—0—
Technology Assessment and Risk Analysis	1,452,112	1,300,000	1,249,000	1,400,000	151,000
Special Reports and Projects	414,815	700,000	600,000	600,000	—0—
Total	$5,459,033	$5,800,000	$5,749,000	$6,650,000	$901,000

Objectives and Description

The primary goal of the Policy Research and Analysis (PRA) subactivity is to increase knowledge for decisionmaking on public policy issues which have science and technology (S&T) content. The subactivity supports extramural policy research and analysis relevant to S&T and assists in the application and use of such information by S&T decisionmakers and institutions involved with S&T.

The activities of the Division are derived from the policy interests and needs of the National Science Foundation, the Executive Office of the President, and the Congress. They include:

- Synthesizing the available knowledge and data relevant to specific policy issues;
- Developing an improved S&T information base for public policy analysis;
- Conducting policy analyses and assessing alternative S&T policy options;
- Enhancing the Nation's S&T policy research capabilities; and
- Disseminating the information acquired and assimilated.

Significant Recent Achievements

The following are examples of recent achievements of the Policy Research and Analysis subactivity.

The International Spread of Innovations Via the Foreign Subsidiaries of U.S.-Based Enterprises

This project, directed by Raymond Vernon of Harvard University, reviewed the transfer and diffusion of 400 U.S. product innovations to overseas affiliates by U.S.

multinationals in the post-World War II period. The objective was to assess the rate, direction, and determinants of technology transfer and diffusion through foreign direct investment and foreign subsidiaries of U.S.-based firms. The project found that:

- R&D-intensive firms spread the production of innovations more quickly and widely in foreign locations than less R&D-intensive firms, and they use subsidiaries more frequently to produce the innovations than independent licensees.
- The number of new product lines produced abroad by subsidiaries increased in the 1970s, and the time between introduction of domestic production and foreign production has decreased.
- The diversification of products produced increased over time, with high-technology parent firms placing more emphasis on low-technology product lines (outside their principal activity) and other parent firms moving into technology-intensive lines.

National Aeronautical and Space Administration

WITNESSES

NORMAN R. AUGUSTINE, VICE PRESIDENT, PUBLIC POLICY, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

DR. JERRY GREY, ADMINISTRATOR, PUBLIC POLICY, AIAA

Mr. Traxler. Our next witnesses are Mr. Norman Augustine and Dr. Jerry Grey, representing the American Institute of Aeronautics and Astronautics.

Welcome, gentlemen. We will insert your prepared statement in the record and you may proceed.

Mr. Augustine. Good morning and thank you for calling on Dr. Grey, who is the Administrator for Public Policy of the American Institute of Aeronautics and Astronautics, and myself to appear before you. What we would do with your permission is give a brief synopsis of our statement and we will provide it for the record as you suggested.

I believe you know that the AIAA is an organization of 29,000 engineers and scientists that are involved in all the technical disciplines that are addressed in the aeronautics and space programs in this country. I would like to speak this morning on both the aeronautics and space program, taking them in reverse of that order.

I would begin by commending the Administration and the Science and Technology Committee for their strong support of the Space Shuttle program, which is clearly the keystone upon which we will build our space activities in the decade ahead.

We would also encourage approval of the Science and Technology Committee's $5 million addition to the Shuttle program for the long lead items on the fifth orbiter, an investment we believe will pay off clearly in the longer term.

Mr. Traxler. What were those long lead items?

Mr. Augustine. Principally things like large castings.

Mr. Traxler. The titanium?

Mr. Augustine. Yes. Before going to the specific items in the budget that we would hope the Committee could address, I would like to say that we, like your other witnesses——

Mr. Traxler. Let me tell you that, recognizing the need, we have inserted those funds in the supplemental.

Mr. Augustine. I think that is excellent. That is very encouraging.

I would say that we could recognize the budgetary problems that this Committee, the Congress as a whole and the Administration face in this particular year. It is also our view, though, that the very existence of future Federal budgets depends rather critically on industrial and commercial growth to provide the jobs and the tax base to make any budget possible, and in this regard we believe that science and technology is perhaps the most essential single ingredient in that growth.

Many economists have indicated that perhaps half of the growth in the GNP since World War II has its origin in new technology. This is a view that we share.

We would hope that the principal of zero-based budgeting could be adhered to, a principle which, as we understand it, says that

each program should be judged on its individual merits and not on history or any arbitrary allocation practice, and it is within this framework that our comments should be judged.

We would like to address the reinstatement of several key near-term programs into the fiscal year 1981 budget. Perhaps surprisingly, the most urgent of these is in the area of solar system exploration, where the inexorable time schedule of the heavenly bodies dictates a time framework that we have no way to affect.

In this area, the solar electric propulsion stage (SEPS) is a key element. It is a key element in several valuable missions, and particularly the close examination of two comets, Halley and Tempel 2. Without a start on this important propulsion development in fiscal year 1981 we will see our capability to rendezvous with comets or asteroids slip further into the future, and in the case of Halley, we lose a literally once-in-a-lifetime opportunity to make this rendezvous or flyby, since it won't reappear in our vicinity for another 80 years.

I would point out, though, that just as the Halley opportunity does not rest solely on SEPS, neither does the justification for SEPS lie solely with the Halley mission. Rather, SEPS does provide key performance advantages which are not attainable with the current stages.

In the space applications area, the Science and Technology Committee has suggested a $30 million restoration of the Administration's proposed budget cuts, a considerable part of that in the area of an operational Landsat. Just as we have seen communication satellites become a very viable business, a business that is today paying its own way in terms of tax contribution in the private sector, it is our view that the remote sensing system such as Landsat would have at least as great an economic prospect.

Finally, I would like to once again, as we did last year, express our concern about the level of support provided the research and technology base. This is the base on which the whole structure of our aeronautics and space program depends. It is the base which is so easy to reduce because the payoff is long term. The Administration's recommended funding, cuts the program in space research and technology by 16 percent in constant dollars this year, and the advanced programs effort in the Space Flight Operations Office is reduced by over 40 percent since last year.

To cite one example of the type of penalties we pay for allowing support to decline in such areas is the lack today of an adequate global transport capability for use of the Shuttle. If the Shuttle does not have sufficient capacity or if in fact the Shuttle is not available, many of the missions that are contemplated for flight on the Shuttle will be flown by other vehicles, principally possessed by other nations. This is particularly ominous to us in that at least one U.S. company in the last year has booked space on Ariane, the French-launched vehicle, and we expect several others to do so in the near future. Even the Soviet Union has now entered the commercial launch market.

I would like, lastly, to turn to the Aeronautics portion of the NASA fiscal year 1981 budget. By and large, we share the views that were expressed by Congressmen Harkin and Goldwater. We note a decrease in the overall aeronautical research program, in

the Administration's current budget proposal, about 21 percent when you allow for current inflation levels.

We note major inroads into the commercial aircraft market by foreign firms. The Commerce Department has pointed out that 56 percent of the wide-bodied jets ordered abroad during the first half of 1979 went to a European supplier. This problem is not limited to fixed-wing aircraft. We are finding French and Italian firms making major penetrations into the traditionally American-dominated rotary-wing aircraft market.

Mr. TRAXLER. Are those French-Italian firms privately owned, owned by the government or is it a combination of both?

Mr. AUGUSTINE. It tends to be a combination to a considerable degree, and that has been one of the most difficult things for our industrial firms to contend with.

Dr. GREY. The European countries back their manufacturers, that is, they provide loans and so on at very good rates to customers all over the world. They are providing a loan support that makes it attractive to even U.S. customers to buy helicopters.

Mr. TRAXLER. We have sort of an equivalent in the Export-Import Bank.

Dr. GREY. That is right, but that is a much more complicated process and also the loans aren't quite as good. The other countries really offer good financing.

Mr. TRAXLER. It is interesting that that program is really not very popular in the Congress. I think that is because the American industry has never really communicated its importance very well.

Dr. GREY. I think it is important and I would hate to see it cut. It should be expanded. It is really our equivalent to the foreign countries' financial support of their industries.

Mr. AUGUSTINE. It is terribly important from the standpoint of balance of payments. If my calculation is correct, the export of one 747 offsets about 10,000 imported Volkswagens so it has an enormous leverage if we could maintain our competitive stature.

I did want to point out that we are pleased to note the stronger programs in advanced aircraft and variable-cycle engine research that have resulted from the Congressional budget additions in last year's budget, which of course this Committee supports.

The second area of concern in the aeronautics program in addition to the one I have mentioned on the basic research and the basic technology effort is the need to accelerate preparations for alternative fuels in aviation. It goes without saying that this could become an extremely critical matter to not only aviation manufacturers but to our transportation system as a whole and the jobs that are dependent thereon.

We recommend as a specific item that as the aircraft energy efficiency program phases out, that a new program be started which is a multi-year alternative aviation fuel utilization program. Included in such an effort would need to be propulsion research and testing to help accommodate coal-derived and shale-derived liquid hydrocarbons for aviation fuel. In addition, there is also an inevitable transition that we will face, certainly well into the future but nonetheless very important, to the use of cryogenic fuels for aircraft, and that, too, could be addressed by such a program.

In conclusion, the Chairman of this Committee pointed out in a speech about two years ago that at that time 75 percent of the Federal budget is uncontrollable in the sense that it is mostly involved in entitlements and related programs. Today, if my calculation is correct, the number is closer to 83 percent. As a consequence, the 17 percent that remains is the part that necessarily gets squeezed in an effort to balance the budget, and it is this 17 percent in which NASA's budget is wholly found.

It would seem that if we are indeed to provide the technological seeds that are needed to insure a healthy growing tax-paying commercial activity in this country, that our current process of squeezing just that remaining 17 percent is killing the goose that is laying the golden eggs. Although it may seem very self-serving for us to argue that the NASA budget should be reinstated, in view of the deep cuts that are being made in many areas of the Federal budget, we do believe that these actions are essential, and this type of support is essential, if indeed we are to have a budget that we can seek to balance in future years.

Dr. Grey and I thank you for your attention and we would be happy to answer any further questions that you might have.

Mr. TRAXLER. Last summer or early fall I attended a conference. The theme of the conference was exploring the possibilities of establishing academic and government-industrial research centers. It would probably be located on selected college campuses, university campuses, in which you would cluster various research facilities relating to specific industries. I don't know whether we are proceeding with that or if anything is necessarily happening in that direction, but what are some of the thoughts of the people in the aerospace industry and the aeronautics industry on that kind of approach to some of the research problems that we have?

Dr. GREY. I think that program is in the Department of Commerce. It was recommended by the Department of Commerce, and it is actually a fine program for generating what we call basic research or generic research of subjects.

Mr. TRAXLER. Yes.

Dr. GREY. Many of the things we are addressing here are really applications of that research, applied technology and development programs, so you really need to supplement that kind of an activity with something which is much more specific, and in fact one of the items that Mr. Augustine passed over in our talk here but which is in the prepared testimony is that the AIAA is particularly trying to get funding from private industry, the Fortune 500 companies, to accelerate the implementation of some of this research into the commercial marketplace again aimed at overall economic development of the U.S. We think that is a very important program and one that deserves strong support. We have gone to NASA and asked for some financial support in helping to get that going.

Mr. TRAXLER. In the transfer of the basic research?

Dr. GREY. That is right. There is an awful lot of information available today not being utilized in the commercial sector, and we are trying to accelerate the use of that information. NASA's technology utilization program, which is one of the ones we thought you ought to reinstate, does this to a very good degree, but, again, it needs further expanation. This is perhaps one of the most impor-

tant areas in utilizing the investment that the taxpayer has made in NASA technology today.

Mr. TRAXLER. I want to thank you gentlemen.

Dr. GREY. I wanted to mention on your discussion of the Export-Import Bank, Boeing's president in their financial report has stated, "Their lack of adequate financing was particularly important in the problems that Boeing faces," and Boeing is one of the good companies, and the fact that they have 60 to 70 percent of the sales overseas.

Mr. AUGUSTINE. Thank you very much.

Mr. TRAXLER. They are not getting their message across to the Congress.

Dr. GREY. We will try harder next time. Thank you.

[The statement follows:]

Statement of Norman R. Augustine, Vice President, Public Policy, American Institute of Aeronautics, accompanied by Dr. Jerry Grey, Administrator, Public Policy.

We again welcome the opportunity to appear before this Subcommittee to express our views on the FY 1981 NASA budget and its implications. As you know, the AIAA's membership of 29,000 individual engineers, scientists, and students includes all the technical disciplines involved in the U. S. aeronautics and space programs, and a number of our Technical Committees have studied various aspects of these programs in some detail.

I will speak first on the space program, and then on aeronautics.

First of all, we must commend the Administration and the Science and Technology Committee for their strong support of space shuttle development, and we urge the endorsement by this Subcommittee of both the FY 1980 supplement and the increased level of shuttle funding recommended for FY 1981. The shuttle is the keystone of this nation's space future, and its successful development and utilization are essential to the realization of the many benefits which the people of the United States and the world will reap from future space activities. We further urge approval of the Science and Technology Committee's $5 million addition for long-lead items for the fifth orbiter, now well recognized by both NASA and the Department of Defense as being needed to sustain the projected level of launch activity in the 1980's and beyond.

Before discussing other specific items in the FY 1981 NASA budget, I want to assure you that we fully recognize the budgetary problem faced by both the Congress and the Administration in these trying times. We realize, of course, the urgent need to strive for a balanced over-

all federal budget, and the impracticality of funding all programs that may be of value in one way or another. But we also recognize that the very existence of future federal budgets depends critically on industrial and commercial growth, in which the development of new science and technology is perhaps the most essential ingredient. Some economists have indicated that 50% of the growth in GNP since World War II is attributable to new technology. The Administration has indeed espoused this viewpoint in recent policy statements on research, development, and technical innovation.

Further, the levels of funding required to initiate the efforts whose absence from the FY 1981 budget most concerns us are modest indeed. In view of their considerable potential impact on our economic future, it seems wise to provide for them. The principle of zero-base budgeting is that each program be judged on its individual merits (e.g., its potential return on each dollar spent), rather than on any historical or other arbitrary allocation practice, and it is within this context that we believe our suggestions should be considered. I will return later to a further discussion of the critical economic importance of new science and technology.

With these thoughts in mind, we suggest that this Subcommittee endorse the reinstatement of several key near-term programs whose deletion from the FY 1981 budget will prejudice our progress in realizing the full potential of space. Perhaps the most urgent of these, surprisingly enough, are in solar system exploration, where the inexorable movements of the heavenly bodies dictate a time schedule beyond our ability to control, and where the benefits which accrue to the nation's economy, although difficult to quantify in the short term, are like all basic research indeed tangible. The development of a solar-electric propulsion stage (SEPS) is a key element in one of the potentially most

valuable scientific studies open to us: the close examination of two comets -- Halley and Tempel 2 -- in a single mission, including a rendezvous with one of them. Without a start in FY 1981 on this essential propulsion development, we once again postpone our capability to rendezvous with comets or asteroids and to follow up our current outer-planet missions. Furthermore, we lose much of the impetus and support for the (literally) once-in-a-lifetime opportunity: Halley's comet won't return again for about eighty years. We suggest that this Subcommittee support the preparation by NASA of a Halley mission plan for FY 1982, no matter what the disposition of the SEPS issue.

But just as the Halley opportunity does not rest solely on SEPS, neither does the justification for SEPS lie only with Halley's comet (as was carefully noted by the Science and Technology Committee), although they do constitute a fortunate and effective symbiosis. Our Technical Committee on Electric Propulsion has pointed out that the postponement of development of an operational electric propulsion system will result in a substantial erosion of the nation's capability -- read "skilled people" -- in this technology, which is essential to many space activities projected for the future. Besides comet rendezvous missions in general, which are possible only with the use of high-performance propulsion capability like that of the SEPS, prospective missions which would be extremely difficult to accomplish without electric propulsion include multiple asteroid exploration and rendezvous and a tour of Saturn and its moons. Further, SEPS techno-

logy is needed for orbital transfer of heavy military payloads and of many projected applications satellite missions; e.g., multipurpose geostationary platforms, orbital antenna farms and, should they eventually prove viable, satellite power stations. SEPS provides key performance features not attainable with current orbit transfer stages, especially for planetary and other high-energy missions; e.g., factors of two or more in payload mass, reduced mission risk, wider launch windows, and lower overall operational costs. We will eventually develop SEPS; postponing it only adds to the ultimate cost. The SEPS is ready for development to operational status, and the relatively small ($12 million) cost of initiating that development in FY 1981, as recommended by the Science and Technology Committee, is more than warranted by the potential return. Besides, the Committee suggested that its cost be counterbalanced by deferring the 3-stage IUS planetary-launch system, a move which does not introduce serious program delays, thereby reducing the FY 1981 budget by $10 million.

SEPS development has yet another implication: its synergism with the shuttle Power Extension Package (PEP) and Power Module, both of which have been reinstated in the Advanced Programs budget by the authorization committee. It is generally recognized that these support services for the shuttle will be needed sooner rather than later (the PEP indeed is said to be a requirement for early defense missions slated for the shuttle). Again, the relatively small additional FY 1981 funding required to initiate the 25-kW-level solar array development common to all three of these important systems would appear to be highly cost effective, as was pointed out by the authorization committee.

The space science area, as you know, has suffered most seriously as a result of the effort to balance the budget. We regret but recognize the need to postpone the International Solar Polar Mission, not only because of its considerable scientific value but also because it represents one of the few current efforts in international cooperation. The European Space Agency, fortunately, has agreed to accept the delay, at considerable cost to their own total program effort. We sincerely hope this program will suffer no additional deferrals.

The authorization committee has requested full or partial reinstatement of most of the other cuts recommended by the Administration in space science. Again, it always seems relatively easy to defer such programs, since their return is rarely in the short term. But future-year budget-balancing will be no easier than it is in FY 1981, and every deferral or stretchout we impose will increase the total cost of these extremely important scientific studies. History tells us clearly that they will have as-yet nonquantifiable but unquestionably significant impact on our future economic well-being. We hope your committee will support these reinstatements.

Space Applications constitute one direct return on the government's past investments in space science and technology. The Science and Technology Committee has suggested a total of $30 million in restorations to the Administration's proposed budget cuts in this area, including $9.3 million in the extremely important "new start" of an operational Landsat system, which had been wholly deferred by the Administration. We believe that every year this particular program

is postponed will lose the U. S. a significant economic return. The satellite communications industry is now "paying its way" in the tax-paying private sector; satellite remote sensing systems have even greater economic promise, aside from their incalculable value in conservation of natural resources, protection of the environment, and innumerable societal benefits. We hope you will concur with this reinstatement.

Two other programs of some importance in the Space Applications area are Technology Utilization/Technology Transfer and Materials Processing in space. We strongly support the authorization committee's restoration of the $6 million cuts in the former, and we hope you will too. Indeed, the AIAA itself, recognizing the need for commercializing the considerable body of invaluable aerospace technology generated by NASA and its contractors over the past decades, has begun a major effort to accelerate this process through its new Corporate Associates program, aimed at the Fortune 500 companies. A brief description of that program is attached to this statement; perhaps it could be included in the record as an indication of the great potential value we place on this action.

Materials Processing is one of the key areas of perennial neglect in the NASA budget. The space environment provides unique opportunities for processing materials in such diversified areas as solidification and crystal growth, containerless processing, and fluid and chemical processing. Methods need to be developed to enhance control over the composition, structure, and morphology of materials produced. Applications range from the casting industry, where material proper-

ties can be enhanced by controlling structure, to infrared detector materials where compositional control is important. The merit of a strong technological base in this area can, therefore, be recognized directly in terms of future economic return.

The FY 1981 budget for materials processing in space, in current year dollars, has remained essentially constant over the last three years (an effective 20% drop in real terms). The Administration's proposed budget of $22.2 million is divided between applied research and data analysis and shuttle/Spacelab payload development. Although the budget allocation for ground-based research and development has been increased to $11.7 million (from $4.5 million in FY 1980), a corresponding decrease was made in the shuttle payload development funds and no budget was allocated to short-duration flight facilities. As you know, in the past we have strongly emphasized the need to build and strengthen the technology base - an objective NASA is trying to achieve by allocating over 50% of its available funds to the less expensive ground-based testing. Ground-based testing, however, is limited. At present, ground-based experiments provide only a few seconds of microgravity. The shuttle will provide microgravity exposure on the order of days when it becomes available, and intermediate capabilities are available which could be used for further experimental verification. Short-duration flight facilities such as aircraft and sounding rockets provide up to six minutes in a low-g environment.

Because of the far-reaching scientific and commercial implications for space materials processing, we would like to express our concern over the low level of support being given in this area. In order to

utilize the future shuttle experimental packages to their maximum potential, additional funds are required to not only develop new areas of interest but to develop more extensive intermediate test capabilities. This deficiency, as you know, was recognized by the General Accounting Office (GAO), which suggested doubling or tripling support in this area just "to maintain parity" with the booming European, Soviet, and Japanese space processing research programs. As an example, only nine U. S. experiments have been selected for Spacelab; the European Space Agency has already funded thirty-nine. It is not necessary to reiterate the lead the Soviets gained in their two years of Salyut operations; further, GAO has reported that about 350 Soviet scientists are currently engaged in this area. The future economic impact of this difference in emphasis could be ominous. The small increment recommended in this area by the Science and Technology Committee ($2.7 million for an additional experiment) should certainly not be deleted.

Finally, we must -- again! -- express our concern about the low level of support alloted to the research and technology base upon which the whole of our space future depends. This is reflected primarily in two areas: space research and technology (in the Office of Aeronautics and Space Technology), in which the Administration's recommended funding drops from FY 1980 by 16% in constant dollars, and Advanced Programs (in Space Flight Operations), which drops from $13 to $8.8 million in current dollars -- a real decrease (including inflation) of over 40%. We urge you to support the authorization committee's restorations in both these budgets.

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As an example of the penalties we pay for allowing support to decline in these key areas, I cite still another space propulsion shortcoming, as I did last year. The lack of adequate orbital transfer capability for the shuttle continues to plague the plans for its effective utilization in defense, in space science (the Galileo launch problems are the most recent manifestation), and in reimbursable commercial satellite emplacements in the geostationary orbit. This latter category is of considerable concern to us; many of the communication satellite systems which constitute the principal source of current industrial activity in space have as-yet unsatisfied needs for launching into the geostationary orbit in the next five years. If the shuttle is not available or does not have sufficient capacity, many of those missions may be launched by other nations. A prime example is the European Space Agency's Ariane, which offers launch capability where neither the shuttle nor the Atlas-Centaur will be available. It is particularly ominous that at least one United States company has already booked space on Ariane, and several others will probably follow suit. Even the Soviet Union has entered the commercial launch market, by offering to orbit a maritime satellite (MARECS-C) for the European Space Agency.

In this regard our Technical Committees on Liquid Propulsion and Space Systems are generating a position paper (a copy will be submitted to the Subcommittee as soon as it is released) identifying a number of problem areas and needs for increased emphasis on propulsion research and development for the 1980's. They cite, for example, the exorbitant costs associated with the procurement of rocket components

as one consequence of the erosion of the industrial base in this area, traceable in part to the lack of advanced propulsion technology emphasis in the U. S. space program. The authorization committee wisely recognized this need by adding $3 million for it in the Office of Aeronautics and Space Technology research and technology base. We hope you will support it.

I will now turn to the aeronautics portion of the NASA FY 1981 budget proposal.

We continue to be concerned with the paucity of federal research and development support of a technology which brings this nation so large a contribution to its economic well-being. I don't need to remind this Subcommittee of the considerable fraction of our gross national product generated by the U. S. aviation industry, and, perhaps even more significant, its sizable contribution to our balance of payments overseas. Our concern this year is further exacerbated by two factors: the decrease in overall aeronautical research reflected in the Administration's current budget proposal (which amounts to a sizable 21% allowing for current inflation levels), and the major inroads of new foreign commercial aircraft into what has classically been a U. S.-dominated overseas market. The Department of Commerce's report "U. S. Industrial Outlook 1980" notes that 56% of the widebody aircraft ordered abroad during the first half of 1979 went to a European supplier, a clear indication of major market penetration. DOC notes that "One answer may be more government investment in basic research and development", an answer clearly at variance with the proposed FY 1981 budget trend. It should also be noted that the inroads being made into the commercial aircraft market by European manufacturers are by no means

limited to fixed wing aircraft. European firms, particularly in France and Italy, are now making penetrations into the traditionally American-dominated market for rotary wing aircraft.

The most recent NASA 5-year plan does reflect a considerable effort to move in this direction (it doubles the FY 1980 aeronautical R&D budget by FY 1984), but that desirable trend is clearly subverted by the FY 1981 proposal, which is almost $60 million short of the plan's projection for this year.

We do, however, commend the projected $12.1 million growth in the research and technology base (although it disappears altogether when the current inflation rate is taken into account), but are disturbed by the implications of the $43 million drop caused by tailoff of the Aircraft Energy Efficiency program, a point I will return to later. We are also pleased to note the stronger programs in advanced rotorcraft and variable-cycle engine research which resulted from Congressional budget additions in FY 1980 (both of which we supported in our testimony before this Subcommittee last year), along with the promising research activity on supercharged diesel engines and acoustic low-speed propellers for small general-aviation aircraft.

Although we might comment on a number of other areas in the budget proposal (e.g., the lack of effort in advanced second-generation composite materials and the continuing, apparently unrecognized, need for a major national aero-acoustics test facility), we will devote our limited time here today to two subjects that we believe to be of key importance: avionics research and development and, perhaps even more critical, the utilization of alternative fuels. Although we have raised these points year after year in our testimony, they have both now reached crucial levels of importance, and need to be dealt with in far more depth than is possible within the present

for FY 1981.

Our second area of concern is, as I have stated, perhaps even more critical: the need for accelerating preparations for alternative fuel utilization in aviation. We do not, of course, suggest that NASA undertake the Department of Energy's role in developing sources for alternative fuels, but the economic and supply problems associated with the use of Jet-A and aviation gasolines derived from natural petroleum are growing so rapidly that emergency preparatory action aimed at facilitating their ultimate replacement is essential.

We therefore recommend that as the Aircraft Energy Efficiency (ACEE) program phases out, it be supplanted by a multi-year Alternative Aviation-Fuel Utilization program. Such a program would need to expand by several orders of magnitude the currently planned NASA effort in this area over the next five to seven years. Included in such an effort would be not only the propulsion research and testing required to accommodate coal-derived and shale-derived liquid hydrocarbon fuels, but also the major aircraft and systems technology efforts needed to prepare for the future -- but, in our minds, inevitable -- utilization of cryogenic fuels for aircraft.

In view of these circumstances, and particularly the key role the aviation industry plays in the nation's economic strength, we believe the Science and Technology Committee's restoration of $20.5 million to the overall Aeronautical Research and Technology revised budget proposal is commendable but should have been much greater. We hope you will support this increase.

This brings me to what is perhaps the most important aspect of

FY 1981 and subsequent-year budget projections.

The current furor over air traffic control has highlighted several specific technology needs. In a recent article in Astronautics & Aeronautics (December 1979), the AIAA's Technical Committee on Aircraft Operations strongly recommended a more active role for the pilot in air traffic control operations. The technological keys to increasing pilot participation are Cockpit Display of Traffic Information (CDTI) and Head-Up Display (HUD), two areas in which NASA has spearheaded the research and development efforts applicable to civil aviation, particularly the use of simulators. Our Technical Committee has suggested a major increase in NASA's efforts in these areas, and also in the closely related NASA research programs in integrated avionics systems for general aviation and in the terminal-configured vehicle studies aimed at improving operations in and around airports. An additional fruitful area for enhanced avionic research would be fault-tolerant digital engine controls.

We recognize that there has been some confusion in the past between NASA's and the FAA's roles in the research and development associated with air traffic control technology and systems. The above-mentioned areas are, however, those in which NASA's strength has been well demonstrated, and we strongly concur with NASA's own Aeronautics Advisory Committee in urging that "an explicitly written policy statement (is) required" to define NASA's role in these critical areas, partly to forestall implications that such research should not be conducted by NASA. Both the AIAA's Technical Committee and the NASA Aeronautics Advisory Committee suggest substantial increases in NASA's avionics research budget; e.g., double or triple the planned $9 million

the entire NASA budget, overriding the detailed questions as to which programs to cut and which to support: the intrinsic value of research and technology activities to the nation's overall well-being. Many people still ask why we should spend any money on such "frivolous" matters as space and aeronautics when we still haven't solved our societal problems here on Earth. The answer to that important question, of course, lies in the fact that all our social programs -- the Federal entitlement programs -- are funded by tax revenues. Such revenues are generated by commercial and industrial activities paying corporate and personal income and other taxes. Any real growth in the tax base depends directly on new industrial growth, and new technology is one of the key factors in developing that growth. I have already cited one example -- the U. S. aviation industry. Another is the burgeoning communication satellite industry: current annual revenues from tax-paying private-sector satellite communications services are already around a billion dollars worldwide, and growing by leaps and bounds -- a direct result of NASA-supported research and development in the sixties. I could cite many more examples.

But you yourself, Mr. Chairman, pointed out in a speech you gave about two years ago to the American Association for the Advancement of Science that over 75% of the Federal budget is uncontrollable, mainly due to the growth of the Federal entitlement programs. Thus any effort to balance the budget, as you have stated, can squeeze only the remaining 25%, which includes all of NASA's allocation. If indeed NASA and the other advanced-technology Federal programs

carry the technological seeds needed for tax-paying commercial and industrial expansion, this process is killing the goose that lays the golden eggs. Hence although it may seem self-serving for us to argue that NASA budget cuts should be reinstated in the face of such strong and justifiable pressure to balance the budget, we believe that these actions are essential to ensure that in future years we will have a budget to balance.

Thank you again for the opportunity to express our views to your Subcommittee members. I reiterate our recognition of the difficult task you face in setting a practical limit on federal expenditures, but I also reiterate our point that the relatively small additions we have cited are critical to the generation of hard economic benefits in both the near and distant future, and that it would be penny wise and pound foolish to curtail them.

Dr. Grey and I will be pleased to answer any questions you may have.

National Science Foundation

WITNESS

DR. ARLISS L. ROADEN, PRESIDENT, TENNESSEE TECHNOLOGICAL UNIVERSITY, REPRESENTING THE AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Mr. Sabo. Our next witness is Dr. Roaden, President of the Tennessee Technological University, representing the American Association of State Colleges and Universities.

Dr. Roaden, welcome.

Dr. Roaden. Thank you, Mr. Chairman. I am very pleased to be here, Mr. Chairman. I am here speaking on behalf of the American Association of State Colleges and Universities relative to the budget of the National Science Foundation, particularly that of the Science Education Directorate.

The American Association of State Colleges and Universities is comprised of 338 member colleges and universities throughout the country, and those include five from your State of Michigan, sir.

We have a combined enrollment of 2.5 million students, and this represents approximately 45 percent of all the baccalaureate degrees awarded by public colleges and universities and about 40 percent of all the baccalaureate degrees awarded by all the institutions in the country. Many of our member instutions have developed outstanding programs in graduate education, with opportunities in research, but our primary objective is high quality under graduate instruction, and for that reason the Science Education Directorate programs are terribly important to us because our AASCU institutions do play a major role in the national science effort.

The Science Education Directorate supplies much-needed funds for our undergraduate programs in science education. Because these funds are so fundamental to our institutions, we are distressed about the decline, the steady decline of funds for science education in recent years. Science education reached a high mark in 1968, because of the excitement created by Sputnik. That year the budget rose from $60 million in 1960 up to $130 million in 1968, but it has been on a steady decline since then, and now is receiving barely one-third of the amount of money that was the case in 1970.

Not only is there a decrease in constant dollars which I just described, but also there is a decrease in the proportion of the National Science Foundation budget. Thirteen years ago the support for basic research in science education was about equally divided, but now science education represents less than one-tenth of the total of that for basic research in the budget.

I want to state very clearly and unequivocally that I am not advocating a decline in the support of basic research. Certainly that would be unwise, and others who follow me will be speaking more directly on behalf of graduate education research, but my comments today pertain to science education particularly at the undergraduate level.

We think that there is an important relationship and interdependence between research and science education, and this interdependence was recognized when the National Science Foun-

dation was charged by Congress to develop and encourage the support of national policy for the promotion of basic research and education in the sciences.

There has developed, however, an imbalance between basic research and science education, and at no time has this imbalance been manifested more clearly than in the fiscal year 1981 budget proposals.

The January budget request of President Carter increased the National Science Foundation budget by 15.5 percent over fiscal year 1980, and increased science education by 9.6 percent. With the proposed cuts, however, from the January budget to the March budget, NSF's total research and development would still grow by about 10.6 percent, but science education would be 3.2 percent less than the 1980 budget. This, of course, would have a significant impact on a good number of our programs.

One program, the Science Education Resources Improvement Program, the reduction was 15.4 percent below the 1980 level, and to further compound these problems, fiscal year 1981 revised budget included $5 million in rescissions in science education programs. That would eliminate the $3.4 million ISEP program, Instructional Scientific Equipment, as well as reduce two others, and I am encouraged that this subcommittee has voted to deny the rescission as such.

I recognize these are troublesome economic times, and our colleges and universities are well aware of the impact of inflation and the need for belt-tightening, and as a university president I am forced to deal with the impact of inflation on a daily basis, and we certainly would welcome a sound economic program in that regard, but we are discomfited by the prospects of a reduction in NSF's science education funds.

Many comments have been made including a recently released report, "Science Education in the 1980s," that is a statement from the Advisory Council for Science Education to the National Science Board, indicating that science education funds are cost-effective, because they represent a best buy.

Historically, the science education funds of NSF constituted less than one-tenth of one percent of the total yearly in education, but the result has been a total revamping of the high school curriculum in the sciences, and we see the prospects of continuation of that.

I am pleased to note that the authorization levels in H.R. 7014 restore most of the funds that President Carter sought to cut in his March budget. But I would urge appropriations be made to the $92.2 level recommended in H.R. 7014.

Mr. Chairman, if I may, I would like to be quite specific about some programs, and I will cite examples here and I will use examples from my own university, because they are ones that I am most familiar with. Let me move to the Local Course Improvement program.

In January the budget included an increase of $522,000 to improve undergraduate instruction in science through the Local Course Improvement program. In March the decision was made to completely suspend this program, and we are very concerned about this apparent shift in priorities from January to March. I would

urge the Committee to restore this important program. The objectives here are to encourage colleges and universities to introduce important new concepts in science and technology to undergraduates, and to enhance the teaching capability of science faculty.

I might add that local institutions contribute 50 percent of the funds that come from the National Science Foundation, thus we have a multiplier effect there. In 1979 there were 151 local course improvement grants, and our AASCU institutions received 39 of those. I am glad that Tennessee Tech has just recently received such a grant of approximately $25,000. The university added to that $15,000 for the improvement of undergraduate courses in engineering mechanics, and in materials science.

Our plan is to develop a computer graphics program that will supplement the lecture presentations, and we will deal in those courses with such topics as stress-strain curves, volume fraction analysis, truss and frame analysis.

Another program, ISEP, or the Insructional Scientific Program, there was a recommended decrease of $286,000 in the fiscal 1981 request. The rescission would have completely eliminated this program, and we are encouraged that that has been denied. This is a major program to strengthen laboratory and fieldwork experiences with up-to-date equipment, and with up-to-date techniques in the classrooms.

Again, grantee institutions must put up 50 percent as matching funds, and it has enabled us to get some very much needed science equipment. It has been a major program for my institution and for AASCU institutions.

For example, in the electrical engineering department, we were awarded $20,000 to be matched by $20,000 from Tennessee Tech to develop a thick films microelectronics lab. That has now been expanded to a thin film lab. It now serves both undergraduate and graduate students, and it provides for fundamental study of the electrical properties of materials. The mechanical engineering department at my university was able to equip a transport phenomenon laboratory and totally upgrade both the control and simulation laboratories.

The transport lab serves undergraduate students by allowing experimentation in fluid mechanics, mass transport and heat transfer. This supports three courses, and both the control and simulation labs are required for all of our mechanical engineering students. They can perform experiments in analog computation, digital computation, pneumatic and hydraulic controls and motor speed and displacement controls.

Another program is the Science Faculty Professional Development awards program. This is zero-funded in the January request, in spite of the fact that NSF stated that revitalization of college science teaching is a priority in fiscal year 1981.

We regret that the plan was made to eliminate this program in preference to such awards as those for short courses, workshops, seminars and conferences. In 1980, 70 college and university science instructors received science faculty development awards, 10 from AASCU institutions. We think particularly at a time when the budgets are stressed and sabbatical leaves are being canceled out, that this represents a modest investment indeed for the im-

provement of science faculty members, and certainly has a multiplier effect when these faculty members return from major institutions or laboratories where they are working, and have an important impact on their students.

The minority programs is another one. The January 1981 budget states that improved access of underrepresented minorities and women to careers in science and engineering is a priority, and recommended $1.395 million to increase support for mnority high school students, and for women to broaden access of these groups.

In the March revision, a new million-dollar program of minority apprenticeships for 400 minority high school students was suspended, and the minority graduate fellowship program suffered a 20 percent reduction.

In another program, Comprehensive Assistance to Undergraduate Science Eduation, or the CAUSE program as we call it, was first initiated in 1976, a major program for improving the quality of undergraduate science programs. It has been quite vital to our institutions. In 1979 there were 72 grants, 11 to AASCU institutions. I am glad that Tennessee Tech was fortunate to receive a grant of some $144,000, and to that the university added $74,000 for a total program of $218,000, to develop undergraduate interdisciplinary real time digital systems programs. This, Mr. Chairman, is a 3-year project. It involves six engineering departments and four nonengineering science departments, biology, earth sciences, chemistry, and computer sciences.

Historically, undergraduate students at the smaller universities have been unable to do real time computer work because of the cost of standard computer equipment. This project will make it possible for us to develop four stand-alone micro-computer systems at about one-tenth of the cost of the standard systems, and will permit the undergraduate students to learn and apply data acquisition systems that are being used by industry, such as large processing industries that use micro-computer systems in their oil refineries or other processing plants. The biology students learn techniques for acquiring environmental information through data acquisition systems that are designed and tested in our micro-computer laboratories.

We now have faculty from 10 different teaching areas that are studying in the laboratory to learn these techniques, and thus have a significant impact on the students.

The fiscal 1981 budget recommendations for CAUSE was decreased by $448,000 from last year's level, and we urge that this Subcommittee increase the funding level for CAUSE so that it can continue as a valuable tool to strengthen all of our undergraduate science education.

Mr. Chairman, I appreciate very much the opportunity that you provided for us to meet with you and speak on behalf of undergraduate science education manifested through the science education budget.

Mr. SABO. We will keep your views in mind as we go about the process of making up the budget.

Mr. ROADEN. Thank you.

Mr. SABO. I assume your Association is regularly testifying before states that are passing resolutions to us to balance the Federal budget.

Mr. ROADEN. Yes, sir, we are. We are aware of the constraints, very painfully so.

[The statement follows:]

Mr. Chairman and members of the Subcommittee, my name is Arliss Roaden. I am President of Tennessee Technological University.

It is indeed an honor to appear before you today on behalf of the American Association of State Colleges and Universities and to express our views on the FY 1981 National Science Foundation budget and its request for the Science Education Directorate.

AASCU represents 338 state colleges and universities located throughout the U.S., including 12 in the state of Massachusetts. With a combined enrollment of approximately 2½ million students, our institutions award 45% of the BA degrees granted by public institutions and almost 40% of all BA degrees in the U.S.

While many of our association's members have developed outstanding graduate programs with opportunities for research, the highest priority of AASCU institutions is to provide quality undergraduate education. These predominately undergraduate AASCU institutions play a major role in the national science effort. Many students who ultimately pursue advanced degrees in the scientific and technical fields receive their basic training at our institutions. On the other end of the spectrum, a large proportion of the nation's future elementary and secondary school science and mathematic teachers are educated at AASCU member colleges and universities. These teachers must be able to communicate the knowledge and skills that will enable our youth to live in an increasingly complex scientific and technical society.

For these reasons, our institutions view the Science Education Directorate as a vital source of much needed funds. These funds are used to provide for subject matter reorientation of faculty, to assist in the improvement of undergraduate science instruction, to revitalize curriculum and to upgrade equipment.

Because science education funds are so fundamental to our institutions, we are concerned that these funds have fallen steadily in recent years. As a result of the challenges presented by Sputnik, President Eisenhower requested additional funding for science education. Prompted by this excitement the dollar support for science education rose from $60 million in 1960 to a peak of $130 million in 1968. It has been on a steady decline since so that in constant dollars science education is receiving barely one-third of the amount it received in 1970.

Not only is there a decrease in constant dollars but there is also a decrease in the percent of the total NSF budget received by science education. Thirteen years ago support for basic research and science education was nearly equal in the NSF budget—today it is less than one-tenth of that for basic research.

Let me state clearly and unequivocally that I am not advocating a decline in the support for basic research for that would be unwise in terms of our national needs and interests. Nor is it a question of choosing between basic research or science education because, in the long run, neither can proceed effectively or efficiently without the other. This interdependence was initially recognized in 1950 when Congress' charge to NSF was to "develop and

encourage the pursuit of national policy for the promotion of basic research and education in the sciences."

More recently the Research and Policy Committee of the Committee for Economic Development stated that "there exists a high complementary relationship between the performance of basic research and the education of engineers and scientists. Those who train engineers and scientists must have contact with the frontiers of knowledge that the conduct of basic research provides."

And in February 1980, Dr. F. James Rutherford, Assistant Director for Science Education, NSF, in an appearance before the House Subcommittee on Science, Research and Technology, Committee on Science and Technology, stated that "the balance in the Foundation's programs between research and education is a matter of continuing concern to NSF... We do realize that the NSF investment in science education has great importance for the nation's scientific future. The quality of basic and applied research and engineering in the future depends above all on the existence of talented, well-trained scientists."

Yet the history of appropriations for the Science Education Directorate in recent years indicates that NSF has chosen to emphasize research at the expense of science education. At no time has this been more apparent than in the deliberations over the FY 1981 budget.

President Carter's January budget request for FY 1981 increased the NSF total budget by 15.5% over FY 1980. Science Education was increased only 9.6%. With the proposed cuts recommended in the March budget, NSF's total research and development still would grow by 10.6% but the FY 1981 funding level for science education would be 3.2% below the current plan for FY 1980—the budget amendment submitted by NSF to Congress describes this as a "marked reduction when inflation is taken into account." In one of the Science Education programs—Science Education Resources Improvement—the reduction was 15.4% below the FY 1980 level. To further compound these inequities, the FY 1981 revised NSF budget included $5 million in rescissions in science education programs for FY 1980. This rescission would eliminate the $3.4 million instructional scientific equipment program as well as reduce two other science education programs.

I am encouraged that this Subcommittee has voted to deny this rescission.

This Subcommittee meets to consider the FY 1981 NSF appropriation at a troublesome economic time. Our colleges and universities are well aware that this is an era of tightening budgets and rampant inflation. As a college president I am forced to deal with the devastating impact of sustained high inflation on a daily basis. My colleagues and I would welcome a sound program that addresses the economic problems confronting this country. However, the case for cutting NSF science education funds in FY 1981 cannot be justified.

Against this economic background, it is useful to turn to a recently released report Science Education in the 1980's, a statement to the National Science Board from the Advisory Council for Science Education. Science education funds, according to the report are cost-effective because they represent a "best buy." "Historically, monies spent on science education have yielded a substantial

return in better education. For example, although accounting for only .1% of the total yearly national expenditure for education...NSF was able to revolutionize the high school curriculum. We believe that science education has the opportunity to continue this enviable record.... The record of return on dollars already spent through science education programs warrants confidence and justifies additional support." One wonders why the Administration has taken such disproportionate cuts from NSF's science education budget if this is the case.

I am pleased that the authorization levels in H.R. 7014 recently completed by the House Science and Technology Committee restoremost of the funds that President Carter sought to cut in his March budget amendment. I would urge that FY 1981 appropriations be made to the $92.2 million level recommended in H.R. 7014.

Let me now turn to some specific science education programs and offer my perspective on how these funds have helped Tennessee Tech. For the record I am including a list of recommended funding levels for selected science education funds.

In addition, careful examination of the January and March NSF 1981 budget requests indicates several inconsistencies that are frankly puzzling to me. I hope that this Subcommittee will be able to address these issues directly.

Local Course Improvement (LOCI)

In January the NSF budget request included an increase of $522,000 to improve undergraduate instruction in science through LOCI. In March the decision had been made to completely suspend this program. One wonders what occurred between January and March to completely eliminate this previously judged meritorious program.

I would urge this Subcommittee to restore this important program. The objectives of LOCI are to encourage colleges and universities to rapidly introduce important new scientific and educational concepts to undergraduates and to enhance the teaching capability of science faculty. These funds have a multiplier effect since they require a contribution from local or other sources of at least 50%. In addition, institutions receiving the award are expected to continue offering the revised instructional activities at their own expense.

In FY 1979 out of 151 LOCI grants, AASCU institutions received 39 awards. I am pleased that Tennessee Tech has just received its first LOCI award. The project is funded at $24,997 from NSF and $14,908 from Tech. The project is to improve undergraduate courses in engineering mechanics and material science. The plan is to develop instructional computer graphics programs which will supplement lecture presentations. The program will be tutorial in nature and will allow for active interaction of the students. It is anticipated that computer-graphics will aid the students in better understanding of difficult topics such as stress-strain curves, volume-fraction analysis, and truss and frame analysis. An evaluation of the computer-graphics method of instruction with the normal teaching methods will be made.

Instructional Scientific Equipment Program (ISEP)

There was a recommended decrease of $286,000 in the FY 1981 request. The proposed FY 1980 rescission would have completely eliminated this program. We are encouraged that this rescission has been denied and urge the Subcommittee to recommend increased funding for ISEP in FY 1981.

This is a major program to strengthen laboratory and field work experiences with up-to-date equipment as well as the appreciation of appropriate educational technique in science classrooms. Since ISEP awards require that a grantee institution must provide at least 50% of matching funds, the grant has enabled our institutions to acquire needed scientific equipment sooner than through the regular budgetary channels.

ISEP has been a major program for Tennessee Tech as well as other AASCU institutions. In FY 1979 AASCU institutions received 76 of the 284 awards made in this program.

In the Electrical Engineering Department at Tennessee Tech we were awarded $20,000 (to be matched by $20,000 from Tennessee Tech) from ISEP to develop a thick film microelectronics laboratory. This laboratory has now been expanded using University resources to include thin film facilities. Although the lab initially served undergraduate students, it now serves both undergraduate and graduate students for the fundamental study of the electrical properties of materials.

Our Mechanical Engineering Department was able to equip a much needed Transport Phenomena Laboratory and totally upgrade both the Control and Simulation Laboratories. The Transport Laboratory serves undergraduate students by allowing experimentation in fluid mechanics, mass transport and heat transfer. This lab supports three lecture courses. Both the Control and Simulation Laboratories are required for all mechanical engineering students. Students can perform experiments in analog computation, digital computation, pneumatic and hydraulic controls, and motorspeed and displacement controls. These two laboratories support four lecture courses.

Science Faculty Professional Development Awards (SFPD)

This is zero funded in the January budget request despite the fact that NSF stated that "revitalization of college science teaching is a priority in FY 1981." The plan to eliminate this award and concentrate instead on other forms of assistance, such as workshops, short courses, seminars, conferences, and institutes is regrettable.

In FY 1980, 70 college and university science instructors received Science Faculty Development awards. Of these 10 were from AASCU institutions.

These awards enable experienced undergraduate faculty members to improve their effectiveness as science teachers by participating in advanced study or ongoing research at academic or industrial facilities. At a time when stringent institutional budgets have often resulted in increased teaching loads and curtailed sabbatical leave programs, SFPD presents a unique opportunity to our faculties. The initial modest investment of the award is multiplied many times over when the faculty member returns with new ideas and concepts that are then

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incorporated in the curriculum.

I urge this Subcommittee to restore funding for the Science Faculty Professional Development program.

Minority Programs

The January FY 1981 budget request states that "improved access of underrepresented minorities and women to careers in science and engineering" is a priority of NSF. To this end it recommended $1.395 million to increase support for minority high school students and for women to broaden access of these under represented groups in the scientific and technological labor force. However, in its March revision a new $1 million program of minority apprenticeships for 400 minority high school students is suspended and the Graduate Fellowship and Minority Graduate Fellowship Program suffers a 20% reduction in new awards to be made in FY 1981. What happened to our priority commitments?

Comprehensive Assistance to Undergraduate Science Education (CAUSE)

First initiated in FY 1976 as a major effort to assist colleges and universities in improving the quality of their undergraduate science programs, the Comprehensive Assistance to Undergraduate Science Education has been vital to AASCU institutions.

In FY 1979 NSF awarded 72 grants under its CAUSE program. Of these 11 were to AASCU institutions. That year Tennessee Tech was fortunate to secure a CAUSE grant for $144,238. In addition to the NSF funds, the University provided $73,929, which gave a total of $218,167 to be used in the development of an undergraduate interdisciplinary real-time digital system program. This is a 3-year project and the first year is about completed. This is truly an interdisciplinary project that involves six engineering departments and four non-engineering departments. The non-engineering areas are biology, earth sciences, chemistry, and computer sciences.

Historically, undergraduate students at small universities have been unable to do real-time computer work due to the cost of standard computer equipment. This project has permitted the development and acquisition of four "stand-alone" micro-computer systems at about one-tenth of the cost of standard systems. The laboratory will let the undergraduate students learn and apply data acquisition systems that are being used by industry such as large processing industries that use micro-computer systems in their oil refineries and other processing plants. The biology students can learn techniques for acquiring environmental information through data acquisition systems designed and tested in the micro-computer laboratory.

Faculty from ten teaching areas are presently undergoing training in the laboratory in order that they will be able to use and teach in the laboratory. For the first time, Tech will have an undergraduate course offered this fall that will deal with the design and use of micro-computers in the processing industry.

The FY 1981 budget recommendations for CAUSE is decreased by $448,000

from the previous year's level. I urge this Subcommittee to increase the funding level for CAUSE so that it may continue to function as a valuable tool to strengthen the resources for undergraduate science education.

In conclusion, I urge this Subcommittee to approve appropriation levels adequate to permit us to maintain effective levels of science education. In this way current and future U.S. scientific progress will be insured. I thank you for the opportunity to appear here today.

Summary of Budget Requests for
Selected National Science Foundation Education Programs
(In Millions of Dollars)

Program Name	NSF FY 1981 Jan. Request	Our Request	Increase Over NSF Jan. Request	Previous Program High (Year)
Comprehensive Assistance to Undergraduate Science Education (CAUSE)	13.0	14.0	+1.0	13.8 ('79)
Instructional Scientific Equipment Program (ISEP)	3.0	5.0	+2.0	8.9 ('64)
Local Course Improvement (LOCI)	3.5[1]	4.2	+0.7	3.0 ('79)
Science Faculty Professional Development (SFPD)	0	3.0	+3.0	predecessors: a. 4.0 ('71) b. 1.3 ('73)
Student Science Training (SSTP)	3.0	3.3	+0.3	2.5 ('79)
Pre-College Teacher Development in Science	7.2[2]	8.2	+1.0	24.3 ('65)
Undergraduate Research Participation (URP)	3.0	5.0	+2.0	6.8 ('66)

1. Eliminated in the March budget request for FY 1981.

2. Excludes $2.5 million being requested by the Education Department for projects for teachers in grades K-4.

WITNESSES

MORTIMER H. APPLEY, PRESIDENT, CLARK UNIVERSITY, REPRESENTING THE ASSOCIATION OF AMERICAN UNIVERSITIES

Mr. SABO. Our next witness is Mr. Mortimer Appley.

Mr. APPLEY. My name is Mortimer Appley, and I am President of Clark University.

I am pleased to have this opportunity to present our views on the fiscal year 1981 budget. My testimony is in behalf of the American Council on Education, the Association of American Universities, the Association of Graduate Schools, the Council of Graduate Schools in the United States, and the National Association of State Universities and Land-Grant Colleges. As this Committee knows well, the member institutions of these organizations conduct virtually all of the Nation's basic research and related graduate education. They are the source of virtually all of our highly trained researchers and engineers. The NSF leads in our investments in fundamental research and advanced education. The Foundation now provides about 35 percent of all the Federal funds for basic research in universities and colleges, as compared to 26 percent in 1969.

My statement will be briefer than the printed form. I want to mention our concerns about proposed budget rescissions and deferrals now pending before the Committee, and briefly address three primary concerns in the fiscal year 1981 budget, the Basic Research Budget, Manpower, and Instrumentation and Equipment.

With regard to rescissions and deferrals, on April 16 President Carter sent to the Congress a request to rescind $5 million in NFS science education funds, including $3.4 million for instructional scientific equipment programs. I understand the Committee has rejected this rescission, and we want to express to you our deep appreciation for your action. The Administration was wrong. These are not low priority programs. The need for research instrumentation and instructional scientific equipment is greater and far outstrips the limited resources available to either our institutions or to the NSF. Acquisition and replacement of undergraduate instructional equipment alone, as your previous speaker mentioned, have slipped seriously in most science and engineering departments in this country. As you know, much scientific equipment has a productive half life of just a few years; so continual replacement and updating is vital. There is a growing need for a renewed Federal commitment to excellence in undergraduate institutional programs. Not so many years ago, the NSF led in the development of undergraduate instructional and research programs and in the acquistion of up-to-date instructional equipment. The Foundation's Commitment and funding for these areas in recent years has lagged seriously. The proposed rescission would only have compounded a growing problem, and we thank the Committee for rejecting it.

Last year you may recall I appeared before this Committee with President Sheldon Hackney of Tulane University and President Peter Magrath of the University of Minnesota. We registered

strong support for President Carter's strategy of significant investment in basic research and the mission agencies as an important step toward strengthening the economy, improving productivity and reducing inflation. We also discussed the indicators documenting our Nation's recent history of a declining investment in basic research.

Painstaking, long-term basic research is a key part of the Nation's efforts to help solve our defense, economic, and social problems. It requires faith and trust in our abilities and patience, commodities now in shortened supply. Yet, if we do persist and hold to our course of sustained investment, results will come. By these means we will be able to maintain a competitive edge, strengthen our economy, and check inflation.

I have attached some materials to this statement which I hope you will allow me to submit. In a few pages the booklet "How Basic Research Reaps Unexpected Rewards" explains, in terms of concrete results, the reasons why our country must continue to invest in the search for knowledge across all fields of science and engineering. I respectfully request that it be made a part of my statement for the record.

The January budget provided for a total increase from 1979 to 1981 of about 40 percent in support of Federally-funded basic research. But because of the erosion of high inflation, that 40 percent increase is a real gain of only about 9 percent. In response the Administration proposed some targeted investments in the basic sciences, particularly in the physical sciences, mathematics, and related fields. An overall increase of about 17 percent was proposed for the Foundation. Then inflation worsened and in March the Administration revised downward the fiscal year 1981 budget, including that of the NSF. Even if funded at reguested levels, the revised request provides for essentially no growth in NSF or other research programs and in fact could result in a cut in real terms if the inflation factor used is low. We hope that the modest gains made in the last four years now will not be lost.

If I may, Mr. Chairman, I would note that the House Committee on Science and Technology already has responded. That Committee has proposed a compromise authorization for the Foundation. It is well under the original January, budget but above the reduced March level. Their decision to sustain the Nation's investment commitment in basic research and education, we firmly believe, is a courageous and sound one. We urge this Committee likewise to sustain your leadership on behalf of NSF and to provide funding for the Foundation at least at the level of the revised March budget.

Turning to Manpower, it seems evident that if we are to address the grave problems we face and try to solve them, it will require sustained production of highly trained scientists and engineers. Let me comment on one area, Energy. In all its facets, this problem poses substantially new demands on our ability to educate, to train, and to supply adequate numbers of scientists and engineers. At the present time, as the Nation searches for solutions, it is clear that the Federal government lacks the commitment and the means to ensure this sustained training of high level technical and scientific individuals.

Take the field of engineering, I will tick off a few areas where there are potential shortages of manpower. In coal production, which has been emphasized recently, we have a shortage of coal mining engineers. The petroleum industry already is encountering serious shortages of petroleum engineers, geologists, and geophysicists. If the required research, development and commercialization of solar energy into electricity is to be accomplished, an infusion of highly trained individuals is essential. Today, we also suffer from an insufficient supply of scientific and technical personnel in many areas of nuclear science and engineering. We have a shortage of computer scientists, and at the recent meeting of the American Physics Society, early evidence suggested a new shortage of physicists.

Recently, the Administration proposed a major synfuels program, and there again an expansion of the technical manpower pool is essential if they are going to make any progress. The impact studies that will be needed to make these advances will also require more manpower. It has been estimated if we are to achieve the goal of $2.6 million barrels a day of synfuels production, an additional 25,000 engineers and 11,000 scientists were Bachelors Degrees or better will be needed over the next ten years.

Presently, universities and colleges turn out 58,000 engineers and 90,000 scientists a year, but of these numbers only 12,000 engineers and 3,000 scientists choose engineering-related areas as their career profession. Thus again we look to the future with the knowledge that we have not enough people in the pipeline to produce the persons that we need to solve these problems. Engineering and related science education is experiencing a particular shortage. In many fields we do not have sufficient numbers of advanced graduate students. Young researchers decline faculty appointments in favor of higher paying industrial jobs. Estimates prepared by the Engineering Manpower Commission reveal that enrollment of undergraduate students is continuing to increase. Within a few years as a result of national demographic changes, a gradual decline is expected. At the doctoral level, we have about 3,500 Ph. Ds. We had about 3,500 in 1973 being produced. They are down to about 2,500 now, and if you remove the number of foreign students, about 35 percent, the net U.S. productivity of Ph. Ds is only 1,700. As the total number of doctoral level students in the pipeline continues to decrease in the critical engineering and science fields, the percentage of foreign students in these programs increases. Essentially, we are saying that we do not have enough people coming along to solve the problems as they develop. As one person has put it, "We are in danger of eating our seed corn." Our enrollment of advanced graduate students in critical engineering and science fields are declining. Universities are failing to maintain a steady flow of highly trained researchers and teachers in their programs.

We do not urge a return to the boom or bust cycle of manpower support policies, but we do urge a sustained recognition of the growing danger we face, an alarming decline in erosion of our scientific, engineering and technical manpower base. One step which might be taken would be an expansion of the NSF predoctoral fellowship program. The proposed Administration cut of 20 percent is in our view precisely the wrong step at the wrong

time. This year only 460 fellowships were awarded across all fields. In the face of our Nation's needs in the energy field alone, surely this is imprudently low. Indeed, an expansion of the program in engineering and scientific fields of critical manpower shortages seems justified and needed. This is a problem of serious proportions and requires long-term solutions. We urge the Committee at a minimum to direct that the program be maintained at present levels. The Congress should ensure that the graduate fellowship and minority fellowship programs and advanced science programs of the NSF be equal to the task ahead.

A letter from Thomas A. Bartlett, President of the Association of American Universities, to the Administration and a recent report by NASULGC on the Supply and Demand of Scientists and Engineers in Energy and Related Areas is attached.

Finally, Instrumentation and Equipment. I would speak to the need at the graduate and the undergraduate level. In January, the Administration proposed a modest $14.25 million program to begin the renovation and rehabilitation of academic laboratories. That program too was the victim of the March revisions. It has now been deleted from the budget, yet the problem remains and is growing worse. We urge the Congress to give early attention to the eroding facilities base of our research and instructional laboratories.

Last year the AAU undertook a study at the direction of the distinguished Advisory Committee of the situation in laboratories at 16 leading universities and contrasted their laboratories in five fields with those of the number of government and commercial laboratories. If the report documents the needs as they exist at my institution, for example, and others that I know of, it will present an important trait of growing deterioration and obsolescence.

University researchers are increasingly placed at a disadvantage, particularly relative to the commercial laboratories and certainly in relation to the foreign laboratories in countries such as West Germany or Japan. We have I am sorry to say, laboratories with outmoded instrumentation, many have been federally funded. Researchers are working in old laboratories with outmoded instrumentation. Many are federally funded. Productive researchers are being forced to cut corners and to press harder with old tools if they hope to keep pace. Research areas are now being foreclosed and the pace of research is often slowed. Advanced graduate students in many departments, denied access to current instrumentation, are trained on old equipment behind commercial standards, and in no way competitive with their counterparts in Germany or Japan.

The needs vary widely, discipline to discipline and institution to institution, and universities vary in their ability to respond to these needs. However, it is a significant generalized problem. If it is not addressed, it can compromise our Nation's ability to sustain productive and competitive research and education programs. I strongly urge the Committee to bear these needs in mind, and as soon as possible to provide the funds to begin the upgrading of research laboraties, instrumentation and equipment.

In summary, Mr. Chairman, I want to commend the Committee for its continued support and leadership on behalf of basic science and particularly for the research and educational programs of the

NSF. Your efforts on behalf of science have been well noted across the community, and I know I can speak for my colleagues when I say that we deeply appreciate your continued efforts on behalf of scientific excellence.

I want to thank you for this opportunity to again present our views and I will be happy to answer any questions.

Mr. SABO. Thank you for being with us again this year.

[The statement follows:]

Testimony before House Appropriations Subcommittee on HUD-Independent Agencies

Mr. Chairman, and members of the Committee:

My name is Mortimer Appley and I am president of Clark University. I am pleased to have this opportunity to present to you our views on the FY 1981 NSF budget. My testimony is on behalf of the American Council on Education, the Association of American Universities, the Association of Graduate Schools, the Council of Graduate Schools in the United States, and the National Association of State Universities and Land-Grant Colleges. As this Committee knows well, the member institutions of these organizations conduct virtually all of the nation's basic research and related graduate education. They are the source of the vast majority of all of our highly trained researchers and engineers.

The National Science Foundation leads in our investments in fundamental research and advanced education. The Foundation now provides about 35% of all the federal funds for basic research in universities and colleges. This compares with about 26% in 1969.

Recissions and Deferrals

On April 16, President Carter sent to the Congress a request to rescind $5 million in National Science Foundation science education funds, including $3.4 million for instructional scientific equipment programs. I understand that the Committee has rejected the recission, and we want to express to you our appreciation and support for that.

The Administration was wrong. These are not low priority programs. Research instrumentation and equipment needs are now recognized generally. Those for instructional scientific equipment in university undergraduate laboratories and in four-year colleges are also great. They far outstrip the limited NSF resources available.

A recent study by the staff of the Association of American Universities of 16 leading universities has revealed clearly that acquisition and replacement of undergraduate instructional equipment have slipped seriously. Many science and engineering department heads and faculty readily point out the danger posed when quality instruction is compromised by outmoded equipment. A renewed federal commitment to excellence in undergraduate instructional programs is now required.

Not so many years ago, the NSF led in the development of undergraduate instructional and research programs and in the acquisition of up-to-date instructional equipment. The Foundation's commitment and funding for these areas in recent years has lagged seriously. The proposed recission would only have compounded a growing problem. We thank the Committee for rejecting it.

Basic Research Budget

Last year I appeared before this Committee with President Sheldon Hackney of Tulane University and President Peter Magrath of the University of Minnesota. We commended President Carter for continuing his commitment to investment in quality basic research programs in the National Science Foundation and the mission agencies. We supported President Carter's sustained strategy of strong investment in basic research as an important step toward strengthening the economy, improving productivity, and reducing inflation. We also discussed the indicators documenting our nation's recent history of a declining investment in basic research.

Painstaking, long-term basic research is a key part of the nation's efforts to help solve our defense, economic, and social problems. It requires faith and trust in our abilities and patience -- commodities now in shortened supply. Yet, if we do persist and hold to our course of sustained investment, results will come. The nation will then maintain scientific and technological competitiveness, strengthen our economy, and check inflation. Attached to my statement is an instructive compilation of research projects that have led, unexpectedly, to practical applications. In a few pages the booklet explains, in terms of concrete results, the reasons why our country must continue to invest in the search for knowledge across all fields of science and engineering. I respectfully request that it be made a part of my statement for the record.

The January budget provided for a total increase from 1979 to 1981 of about 40% in support of federally-funded basic research. High inflation eroded that 40% increase to a real gain of only 9%. This year the Administration proposed targeted investments in the basic sciences, particularly in the physical sciences, mathematics, and related fields. An overall increase of about 17% was proposed for the Foundation.

Then, inflation worsened. In March, the Administration cut the FY 1981 budget, including that of the National Science Foundation. The general strategy for support of basic research in NSF and the mission agencies shifted. A zero growth strategy was adopted. The revised NSF budget now provides for about an 11% increase, a level roughly equal to the March GNP deflator (10.4%). Even if funded at full budget levels the revised request provides for essentially no growth in NSF or other research programs. It could result in a cut in real terms if the inflation factor used is low. We hope that the modest gains made in the last four years now will not be lost.

If I may, Mr. Chairman, I would note that the House Committee on Science and Technology has already responded. That Committee has proposed a compromise authorization for the Foundation. It is well under the original January budget, but above the reduced March levels. Their decision to sustain our investment commitment in basic research and education, we firmly believe, is a courageous and sound one. We urge this Committee likewise to sustain your leadership in behalf of NSF and to provide funding for the Foundation at least at the level of the revised March budget.

Manpower

If solutions to the nation's grave problems are to be found, sustained production of highly trained scientists and engineers must be assured. I will comment on just one area -- energy. Energy in all its facets poses substantial new demands on our institutions' abilities to educate, to train, and to supply adequate numbers of scientists and engineers. At the present time, as the nation searches for solutions, it is clear that the federal government lacks the commitment and the means to ensure the sustained training of high level technical and scientific individuals.

There is growing evidence in the energy area that the nation soon will face not only a shortage of energy resources, but a significant shortage of advanced manpower of various kinds as well. As the country turns toward increased reliance upon coal production, a large number of coal mining engineers will be needed within the decade. The petroleum industry already is encountering serious shortages of petroleum engineers, geologists, and geophysicists. If the required research, development and commercialization of solar energy into electricity is to be accomplished, an infusion of highly trained individuals is essential. Today, the country also suffers from an insufficient supply of scientific and technical personnel in many areas of nuclear science and engineering. There is a shortage of computer scientists, and at the recent meeting of the American Physical Society, early evidence suggested a new shortage in physics.

Recently, the Administration proposed a major syn-fuels program. This also will require an expansion of the technical manpower pool in that area if a major development program there is undertaken. It has been estimated that reaching the 10-year goal of 2.6 million barrels a day of syn-fuel production, as proposed by the Administration, will require an additional 25,000 engineers and 11,000 new scientists with BS degrees or above. Presently, universities and colleges graduate 58,000 engineers and 90,000 scientists a year. Of these, roughly 12,000 engineers and 3,000 scientists choose energy-related areas as their career profession. Thus, looking into the future, we will not have sufficient numbers of highly trained researchers, teachers and practitioners that will be needed if we do not bolster our programs.

Engineering and related science education is experiencing a particular shortage. In many fields we do not have sufficient numbers of advanced graduate students. Young researchers decline faculty appointments in favor of higher paying industrial jobs. Projections prepared by the Engineering Manpower Commission reveal that the enrollment of undergraduate engineering students is continuing to increase. As the result of national demographic changes, however, a gradual decline is expected within a few years.

At the doctoral level, engineering Ph.D. production has shown a steady decline since 1971. The statistics show a drop in total engineering Ph.D. production from about 3,500 in 1972-73 to 2,600 in 1977-78. Of these, nearly 35% were foreign students, leaving a net productivity of U.S. Ph.D.'s of only about 1,700.

As the total number of doctoral level students in the pipeline continues to decrease in these critical engineering and science fields, the percentage of foreign students in our programs is increasing. Unless adequate incentives are provided to ensure a better supply of American doctoral students, the nation faces the prospect of an inadequate supply of engineering science doctorates. We will fall short of meeting the energy, defense, and other research and development needs of the country. In key disciplines, university professorships, the source of future generations, will stand empty. Donald E. Marlowe, Executive Director of the American Society for Engineering Education, sums up the problem this way, "We are in danger of eating our seed corn."

The Administration recently has undertaken a review of science and engineering policies. As our initial contribution to that effort, President Thomas Bartlett, of the Association of American Universities, on behalf of eight higher education associations, urged the Administration to address this and a number of related priority problems. We oppose a return to the boom or bust cycle of manpower support policies. Rather a sustained recognition of the growing danger we face -- an alarming decline and erosion of our scientific, engineering and technical manpower base is needed.

One step which might be taken now would be an expansion of the National Science Foundation pre-doctoral fellowship programs.

The Administration, however, proposes a 20% reduction next year in new awards for the Graduate Fellowship and Minority Graduate Fellowship programs. This, in our view, is precisely the wrong step at the wrong time. Only 460 new fellowships were awarded across all fields this year. In the face of the nation's needs in the energy area alone, surely this is imprudently low. Indeed, an expansion of the program in engineering and scientific fields of critical manpower shortages seems justified and needed. This is a problem of serious proportion and it requires long-term solutions. We urge the Committee, at a minimum, to direct that the program be maintained at present levels. The Congress should ensure that the graduate fellowship and advanced science education programs of the National Science Foundation are equal to the task ahead.

A copy of President Bartlett's letter to the Administration and a recent report on the "Supply and Demand of Scientists and Engineers in Energy and Related Areas" by the Energy and Environment Committee of the National Association of State Universities and Land-Grant Colleges also are attached to my statement.

Instrumentation and Equipment

Last year we again stressed the need to provide improved support for scientific instrumentation and equipment. Statements by several university research scientists on their instrumentation and equipment needs were attached to our statement. There now seems to be a growing awareness that universities do face a

substantial backlog of instrumentation, equipment and facilities needs.

In January, the Administration proposed a modest $14.25 million program to begin the renovation and rehabilitation of academic laboratories. That program too was a victim of the March revisions; it has now been deleted from the budget. Yet the problem remains, and it is growing. We urge the Congress not to further delay giving serious attention to the eroding facilities base of our research and instructional laboratories.

Last year, the Association of American Universities, under the direction of a distinguished advisory committee, undertook a study of the research instrumentation and equipment needs in our major research universities. The report will be available within a few weeks. It will review the instrumentation needs in 16 leading universities and contrast their laboratories in five fields with those of a number of government and commercial laboratories.

If the report documents the needs as they exist at my institution, and others I know, it will present a portrait of growing deterioration and obsolescence. University researchers increasingly are placed at a disadvantage, particularly relative to commercial laboratories and to foreign laboratories in countries such as West Germany and Japan. Working in old laboratories with outmoded instrumentation, many federally-funded, productive researchers are forced to cut corners and to press harder with old tools if they hope to keep pace. New research areas are foreclosed and the pace of research is often slowed.

National Science Foundation

WITNESS

DR. JAMES L. POWELL, VICE PRESIDENT AND PROVOST, OBERLIN COLLEGE, REPRESENTING THE GREAT LAKES COLLEGE ASSOCIATION AND OTHER INDEPENDENT COLLEGES OFFICE

Mr. Sabo. The next witness is Dr. James L. Powell on behalf of the Great Lakes College Association.

Mr. Powell. I also appreciate the opportunity to appear before you .

I might say that the kinds of schools that I speak for most directly would be illustrated by three in your home State, Macleste, Carleton, and St. Olaf.

My institutions are also grateful for the past efforts of Mr. Boland and Mr. Traxler and other Members of this committee in promoting the interests of science and education and we are also grateful for the good work of Congressman Pease from my home State of Ohio in his role as a Member of the House Committee on Science and Technology, which recommended an increase of $6.5 million in the NSF science education budget authorization.

I understand you may be hearing from Mr. Pease later in your session today.

I would like to submit my full written statement for the record, and only cover certain select parts of it.

You will note a good deal of consistency between what I have to say and what President Roaden had to say. In fact, not only what we say will be consistent but the way in which we will be saying it will be consistent, since I discovered he and I were both born in the central area of Kentucky. We will be saying it with the same accent as well.

I would like to begin by passing out this graph. I have some extra copies here which illustrates the point I am trying to make at the subheading "An Equitable Budget" at the bottom of my page 1.

It shows how the NSF fiscal 1981 budget was less than the January request, but still represents an 8.1 percent increase over fiscal 1980. But something happened to the science and education budget in between.

It went down rather dramatically, the same point Dr. Roaden made but illustrated better in the graph. This near demise of the science education program increases seems to be representative of the past attitude of the Foundation and OMB towards science education programs.

I would like to urge that this subcommittee review the original NSF fiscal 1981 budget request which was submitted in January and its justifications. In your amended version of the budget, we hope that you will consider increasing the science education portion, as you have in the past, and as the House authorizing committee already has. Then if you decide that budget cuts are necessary, in light of present economic conditions, we hope you will make such cuts across the board in all NSF divisions as they appear in the subcommittee's version of the January requested budget.

This process will be much more equitable than NSF and OMB's system of revising the budget to protect their own favorites and punish the stepchildren. The product of this process would represent the will of the Congressional Authorization and Appropriating Committees concerning NSF program expenditures.

I would like to skip down to the third paragraph under my next subheading, Scientific Understanding in the Nation.

We must have strong science education programs at all levels, including in our primary and secondary schools. Qualified teachers for those activities must be provided by equally strong programs of science education in our colleges and universities.

The most recent National Assessment of Science unfortunately shows that we are not succeeding in this effort. The Assessment showed that science achievement of nine, thirteen, and seventeen-year-olds continues to decline, especially in the physical sciences. There the plunge constitutes a crisis. This is illustrated in Appendix A.

Dr. Jerrold R. Zacharias, a leader in the areas of science policy, research and education, laments the decline of science education and lays the fault with university scientists who will no longer involve themselves in science education and with NSF. He points out, "The NSF wants the big [budget] amounts for research and peanuts for education."

It has been quoted that the President of the United States himself recognizes the importance of science education and the inadequacy of national efforts in the recent past. In a memorandum dated February 8, 1980, President Carter instructed Secretary of Education Hufstedler and NFS Director Atkinson: "I am increasingly concerned whether our science and engineering education is adequate, both in quality and in numbers of graduates, for our long-term needs. Accordingly, I would like you to carry out a review of our science and engineering education policies at the secondary and university levels to ensure that we are taking measures that will preserve our national strength."

We have the President calling for budget reductions, but here is a case where he has called special attention to this particular need.

I have been so presumptuous as to include in my testimony a summary statement from the report of Secretary Hufstedler and Director Atkinson. It seems to me a good, short one-paragraph version of that might read as follows: "Mr. President, your concern is well-justified. Indeed there has been a decline in the quality of science and engineering education in the Nation. No small part of the reason for that decline has been the consistent policy of the National Science Foundation over the past 12 years of supporting research at the expense of science education."

I doubt that that will appear, but it seems to be a fair appraisal of the situation. It would be inappropriate to cut science education programs. If anything, they ought to receive increased funding but, as I have said before, if reductions have to be made, I submit that there is no justification at all for having them fall disproportionately on science education programs.

I would like to skip to page 4 under the Instructional Scientific Equipment Program (ISEP) which President Roaden has also referred to.

One of the things we most appreciate about the Foundation and its work in the past few years has been the recognition of the problem that is created by the obsolescence of scientific equipment. However, it seems unfortunate that they have recognized the obsolescence of research equipment but not recognized in a similar way the obsolescence of the equipment used in science education. As you know, in the fiscal 1981 budget request from the Foundation funding for ISEP was to be reduced and the Administration recommended that it be rescinded entirely, but this Committee denied that.

I have done research and taught science at the college level, and it is no more possible to teach modern science without using instruments than it would be to conduct modern science research. The kinds of schools I represent, Oberlin, Macalester, send a large number of our graduates to the major graduate research universities and these people go on to earn Ph.Ds there. Surely those graduate institutions do not expect them to arrive on their campuses never having laid their hands on reasonably modern up-to-date equipment. Our institutions are doing all that we can to avoid that but we need help, and in the past ISEP has provided that. This program is noteworthy in that it requires matching funds, so there is a doubling effect.

Every argument that the Foundation has advanced for increased funding for research equipment applies equally well to education and scientific equipment. Both become obsolescent at the same rate, and the need appears equal.

The Foundation has only one program that allows an individual science educator to concentrate on developing a new course or a new set of courses. That is the Local Course Improvement Program, LOCI. The support for a science educator to spend a concentrated period of time in developing a new course or set of course is just as vital to science education as a research grant to the scientific researcher.

The pace of scientific research is so rapid and the teaching loads at many institutions are so heavy that even if one is able somehow to keep up with advances in the field, there may not be time to incorporate that new material or especially to create new courses and add them to the curriculum.

My own college believes that the development of new courses is so important, several years ago we set aside a large portion of a large bequest for that very purpose. We created a mini-foundation for improvement of the curriculum and the teaching skills. Those funds are now nearly exhausted, but they have caused a creativity in our faculty, a creativity that was there but latent because of the dire economic conditions of the day. We are so encouraged by what has happened among our faculty that we are asking for more funds for it as part of a major campaign for capital that we are now conducting. There aren't very many institutions that are as fortunate as my own in being able to provide their own money for this purpose, and to those institutions LOCI is really vital.

We hope it will not be suspended as the Foundation has requested, because we fear once it is suspended it will disappear forever.

One more specific program I want to mention, and I will wind up my remarks. That is the Science Faculty Professional Program. It

is an observable fact that science advances inexorably whether or not teachers or students keep up with it. Studies of the use of scientific journals show a great decline for those that are more than six or seven years old. They become obsolete very quickly in the same way minds will be without a great deal of attention. It is never easy to do all the reading that one should do, and that is just as true with Members of Congress as it is of college administrators and scientists.

One way the Foundation has really helped science faculty is through this Science Faculty Professional Development Program (SFPD) that allows people to take a semester or a year leave of absence.

The economic conditions of the seventies and the eighties have made and will continue to make it difficult for institutions to be able to to that. They are already cutting back on sabbatical programs and the need of the Foundation to come to the aid of the institutions is greater than it ever was.

Yet in each of the last two years, the Foundation has responded to this need by budgeting no money at all, and that will kill the program. They have tried that two years. Both years the Committee on Science and Technology has restored the funds. One would hope that the Foundation would get the message that Congress really likes this program. It is hard for me to understand this response of the Foundation.

It is such an important program. The NSF view seems to stem from the mistaken idea that a year-long leave is ineffective, can represent time wasted, even a boondoggle that the taxpayer should not be asked to support. I can testify categorically that such is not the case at the institutions I know. Faculty applications for leave are screened very carefully. The faculty plan for the time away with care, use that time well, and they and their institutions benefit significant. To whatever extent the boondoggle stereotype might be true, it cannot be true for the SFPD Program for that is one of the most competitive in the Foundation.

As evidence for the last four years, the success ratios vary between 7 and 13 percent. It seems to me that a program which is so appealing that people continue to apply for it, even though they have only one chance in ten, or one change in 13 of receiving funding deserves to be preserve, at least, if not to be increased.

In conclusion, let me underscore the main points I have tried to make in this presentation: Support for science education by the National Science Foundation has declined steadily for 13 years.

Only three months ago President Carter himself in writing expressed his concern with the state of science and engineering education in the Nation.

In view of this, it would be logicial to increase funding for science education and to begin to bring the level of that funding into a stable relationship with that of the research programs.

But if in order to combat inflation it is deemed necessary to trim the NSF budget, then we urge that you trim the science education portion of it by no more than its proportionate share of what Congress, not the Foundation and OMB, considers to be the appropriate budget.

We urge additional support for the Instructional Scientific Program. The instruments which this important program supports are badly needed by the institutions which share equally in the cost of acquiring them, but which cannot afford to do so without Foundation assistance.

The Local Course Improvement and Science Faculty Professional Development Programs each play an important role. NSF consistently tries to trim them back, but without offering a logical reason for doing so.

That concludes my remarks, Mr. Chairman, and I thank you for this opportunity.

[The statement follows:]

Chairman Boland and Members of the Subcommittee:

I am very grateful for this opportunity to testify before you as you review the budget appropriation of the National Science Foundation. I represent the sixteen independent colleges and universities which share the Independent Colleges Office*, the twenty-eight members of the Association of Jesuit Colleges and Universities and the 800 members of the National Association of Independent Colleges and Universities.

Our institutions are deeply concerned about the continued decline in overall support for Science Education within the Foundation, a decline that has occurred both in real dollars and in comparison to the steadily increasing funding for basic research. We know from experience that this Subcommittee and its Chairman share that concern and we wish to state publicly our appreciation for your unflagging support for science education.

In my testimony I wish to comment on:

+ A way to assure that equity and the will of Congress may be represented in a reduced NSF budget;

+ The role of science education in our Nation's scientific understanding, as a necessary partner of basic research and as a significant contribution of undergraduate colleges, and

+ The way in which certain of the Foundation-proposed budget rescissions and suspensions bear on science education.

An Equitable Budget:

The March request for the NSF fiscal 1981 budget, although less than the January request, still represents an 8.1 per cent increase over fiscal 1980 for the total budget. The Science Education segment, however, was decreased from its fiscal 1980 level by 3.2 per cent.

This is representative of the attitude within NSF and the Office of Management and Budget toward these Science Education programs: They must not only receive smaller portions of the originally requested budget but also sustain the punishment of rescissions and cuts.

We urge that this Subcommittee review the original NSF fiscal 1981 budget request, which was submitted in January, and its justifications. In your amended version of this budget, we hope that you will consider increasing the Science Education portion as you have in the past and as the House authorizing committee has.

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*The Independent Colleges Office is the Washington Office of the Great Lakes Colleges Association whose members are: Albion College, Antioch University, Denison University, DePauw University, Earlham College, Hope College, Kalamazoo College, Kenyon College, Oberlin College, Ohio Wesleyan University, Wabash College, The College of Wooster. Other Independent Colleges Office members are: Beloit College, Mount Holyoke College, Reed College, Rollins College.

Then if you decide that the budget cuts are necessary in the light of present economic conditions, we hope you will make such cuts across the board in all NSF divisions as they appear in this Subcommittee's version of the January requested budget. This process, we strongly believe, will be much more equitable than NSF's and OMB's system of revising the budget to protect their own favorites and punish their stepchildren. The product of this process will represent the will of Congressional authorizing and appropriating committees concerning NSF program expenditures.

Important Role of Science Education:

Scientific Understanding in the Nation

The future of our Nation is inextricably bound to the future of our progress in science. For example, two major current problems, energy and the productivity of our labor force, cannot be solved without continued and rapid scientific progress. It is clear that our ability to deal with the complex issues of the modern world depends greatly on scientific advancement and that our political and economic futures are tied closely to our technical progress.

Further, many if not most public policy decisions that face government from the Congress right down to the city council now require at least some scientific understanding. A trained group of scientists and a scientifically-aware government and electorate are critical elements in our Nation's future. The need for a strong, vital program of science education could not be clearer.

We must have strong science education programs at all levels, including in our primary and secondary schools. Qualified teachers for those activities must be provided by equally strong programs of science education in our colleges and universities. The most recent National Assessment of Science unfortunately shows that we are not succeeding in this effort. The Assessment showed that science achievement of nine-, thirteen- and seventeen-year-olds continues to decline, especially in the physical sciences. There the plunge constitutes a crisis. (See Appendix A.) Dr. Jerrold R. Zacharias, a leader in the areas of science policy, research and education, laments the decline of science education and lays the fault with university scientists, who will no longer involve themselves in science education, and with NSF. He points out, " . . . The NSF wants the big /budget/ amounts for research and peanuts for education."1/

The President of the United States himself recognizes the importance of science education and the inadequacy of national efforts in the recent past. In a memorandum dated February 8, 1980, President Carter instructed Secretary of Education Hufstedler and NSF Director Atkinson: "I am increasingly concerned whether our science and engineering education is adequate, both in quality and in numbers of graduates, for our long-term needs. Accordingly I would like you to carry out a review of our science and engineering education policies at the secondary and university levels to ensure that we are taking measures that will preserve our national strength."2/

1/As quoted in "About Education: Solving the Case of the Classrooms' Missing Scientists," Fred M. Hechinger, The New York Times, January 29, 1980.

2/As reported in "Is Science and Engineering Training Adequate," Luther J. Carter, Science, Vol. 28 (4 April 1980), pp. 35-36.

I hope that their report includes the data shown in Appendices B and C of this testimony, which show graphically how support for Science Education by the Foundation has steadily declined.

It seems to me that a fair summary statement for the report might read as follows:

> "Mr. President, your concern is well-justified. Indeed there has been a decline in the quality of science and engineering education in the Nation. No small part of the reason for that decline has been the consistent policy of the National Science Foundation over the past twelve years of supporting research at the expense of science education."

It would seem clear that in view of the expressed concern of the President it is inappropriate to cut science education programs. If anything they should receive increased funding. But if budget reductions absolutely must be made, I submit there is no justification at all for having them fall disproportionately on science education programs.

Science Education and Scientific Research

Basic scientific research and education in science form a continuum, as indeed Congress recognized when it mandated the National Science Foundation "to develop and encourage the pursuit of a national policy for the promotion of basic research and education in the sciences." It is, first, nearly impossible to carry out scientific research in an academic institution without science education occurring simultaneously, and that is true both in the graduate research universities and in our undergraduate colleges where faculty are joined in their research by students. Second, without science education today there would be no scientists trained to carry out tomorrow's research. Director Atkinson made this same point in his statement accompanying the January 1981 budget when he observed that the scientific developments of the 1970's were possible because of the Nation's past investment in "basic science and the training of scientists."

I wish to call the attention of the Subcommittee to the lack of balance, which I have referred to earlier, between Foundation support for basic research and that for science education. Appendices B and C show how the two, which were nearly equal in 1967 -- only thirteen years ago -- have now diverged to the point where the budget for science education is less than one-tenth that for basic research. This decline in funding for science education was not caused by any dropoff in college enrollments, for it began more than a decade ago when enrollments were climbing. As stated above, the explanation would seem to be clear: the Foundation and the Office of Management and Budget simply have chosen to emphasize support for basic research over that for science education. This same emphasis continued to be present in the 1981 budget as it was originally submitted in January: The total agency request was up by 15.5 per cent but that for Science Education was only increased by 9.6 per cent. The Science Education budget was only 7.45 per cent of the total NSF budget. Now, in the March version of the 1981 budget, Science Education is reduced to a mere 7.0 per cent of the total NSF request.

Thanks in part to Representative Pease from my State of Ohio, the House Committee on Science and Technology was able to recommend an increase of $6.5 million in the Science Education budget authorization. We strongly support Representative Pease's efforts and note with real pleasure that you will be welcoming him at these hearings. We hope you will support the full authorization figure as your base for Science Education.

Let me add here that as a former research scientist and speaking for the undergraduate colleges, we have no desire to see the support for basic research lessened. To recommend that would be irresponsible. But we do wish to see support for Science Education increased significantly and then held at a reasonable fraction of the basic research budget. We have suggested before that one-third, far less than the fifty per cent of 1967, would be a reasonable ratio. How can the Foundation meet its mandate for support of science education today and for basic research tomorrow if there is a continual decline in real support for science education?

The Role of the Undergraduate College

The undergraduate colleges are, as my remarks suggest, especially concerned with science education. It is often not recognized just what a vital role these institutions have played in our national science effort through the production of Ph.D. scientists. Not, of course, by granting the Ph.D. directly, but rather by the granting of Bachelor's degrees to a very large number of young scientists who then go on to receive their Ph.D. at one of the major universities. (See Appendix D.) Those of us at undergraduate institutions naturally bristle when it is implied that we have had only a minor role in the national science effort and when we observe the sharp decline that has occurred in support for science education.

The undergraduate colleges also serve two other important groups: those who will go on to teach at the elementary and secondary level and those for whom their undergraduate years represent a last opportunity to take a formal course in science. Both groups are of crucial significance in helping us to achieve a scientifically-literate citizenry.

Rescissions and Cuts: Selected Programs

Instructional Scientific Equipment Program

The obsolescence of research equipment has been correctly identified by Director Atkinson and the Foundation as a major national problem. At the same time, we are very disappointed that support for instrumentation for science education under the Instructional Scientific Equipment Program (ISEP) is not included as part of this problem. In the NSF 1981 budget request, funding for it was to be reduced, and the Administration even recommended that 1980 ISEP funds be rescinded! We are deeply grateful that this Subcommittee denied the rescission last week, apparently not agreeing with the Estimated Effect Statement on this rescission in which NSF called the ISEP program one of "lower priority."3/ Is this yet another example of the Foundation's bias against science education?

3/ "National Science Foundation Science Education Activities," Rescission Proposal No. R80-54, Federal Register, Vol. 45, No. 80 (April 23, 1980), p. 27690.

Both in my own research and in my teaching I have used scientific instrumentation extensively. I can tell you that it is no more possible to teach modern science without using instruments than it would be to conduct modern scientific research without them. Surely the graduate research institutions, which gladly accept our graduates as Ph.D. candidates, do not expect them to arrive never having laid hands on reasonably modern, up-to-date scientific equipment. We will do all we can to avoid that, but we need help and in the past ISEP has provided that help.

This program is noteworthy in that it requires that Foundation funds be matched by institutional funds, which results in a doubling of the impact of the grant and ensures that only items of high priority will be acquired. The program is already woefully underfunded. In fiscal 1979, only 19.6 per cent of the applications were funded.

Every argument NSF has advanced for increased funding for research equipment seems to apply especially well for equipment used for education. Both become obsolescent at the same rate, and the needs appear equal. We hope you will see fit to increase the budget for this vital need over the $3.2 million requested by NSF in its January budget request.

Local Course Improvement Program

The Foundation has only one program that allows an individual science educator to concentrate on developing a new course or set of courses: the Local Course Improvement program (LOCI). The support for a science educator to spend a concentrated period of time in developing a new course or set of courses is just as vital to science education as is a research grant to a scientific researcher. The pace of scientific development is so rapid, and the teaching loads at many institutions so heavy, that even if one is able to keep up with the field there may not be time to incorporate new material, even new courses, into the curriculum. My own institution believed the development of new courses to be so important that several years ago we set aside a substantial portion of a large bequest to the College for this very purpose. We in effect created our own mini-foundation for improvement of the curriculum and of teaching skills. These funds are nearly exhausted, but we are requesting more for the same purpose from donors as part of a major capital campaign.

Few institutions are as fortunate as Oberlin in this regard, and to them LOCI is vital. Yet the Foundation proposes to "suspend" its $3.5 million allocation in the March version of the 1981 budget. NSF recommended a 49 per cent funding increase for LOCI in its January 1981 budget. What logic now dictates the program's suspension? We fear that once so suspended, it will disappear from the scene. We ask that LOCI not be singled out for oblivion.

Science Faculty Professional Development

It is an observable fact that science advances inexorably whether or not teachers and students keep up with it. Studies of the use of scientific journals show a great decline in use for those that are more than six or seven years old. New journals with up-to-date information replace them rapidly. Just as scientific apparatus and libraries become obsolescent over time, so will scientific minds without a great deal of attention. Speaking as a scientist myself, I can testify that keeping current has never been easy. The fact that institutions

spend a significant amount of their own money on sabbatical leave programs shows how much value they place on this kind of activity. The effort has been greatly aided by the Science Faculty Professional Development Program (SFPD) of the Foundation.

The economic conditions of the 1970's and those that loom for the 1980's, however, have made and will continue to make it more difficult for faculty to maintain currency. Scientific knowledge and publications have expanded at an unprecedented rate. The financially-pressed institutions have had to increase teaching loads, and in some cases they have been forced reluctantly to reduce or eliminate their sabbatical leave programs. The need for the Foundation to come to the assistance of science faculty across the country has never been greater.

Yet in each of the last two years the Foundation has budgeted no monies for this important program, and each year the Congress has had to restore those funds.

This response of the Foundation to SFPD seems to stem from the mistaken view that semester or year-long leaves are ineffective and can represent time wasted, even a "boondoggle" that the taxpayer should not support. I can testify categorically that such is not the case at the institutions I represent. Faculty applications for these leaves are screened carefully. The faculty plan for the time away with care, use that time well, and they and their institutions benefit significantly. To whatever extent the "boondoggle" stereotype may be true, it simply cannot apply to the SFPD program for it is one of the most competitive in the entire Foundation. As evidence, in 1977, 1978, 1979 and 1980 the success ratios in the SFPD program were only 7.4, 8.3, 11.4 and 12.6 per cent respectively. It seems to us that a program which is so attractive that faculty apply even though there is only one chance in ten to thirteen of receiving an award deserves more funding, not less. Again, we ask that the SFPD be restored.

Conclusions

In conclusion, let me underscore the main points in my presentation.

1. Support for Science Education by the National Science Foundation has declined steadily for thirteen years. Only three months ago President Carter himself expressed in writing his increasing concern with the state of science and engineering education in the Nation.

2. In view of this, it would be logical to increase funding for science education and begin to bring its level into a stable relationship with that of the research programs.

3. If, in order to combat inflation, it is deemed necessary to trim the NSF budget, then we urge that you cut Science Education by no more than its proportionate share of what Congress, not the OMB, considers its appropriate budget.

4. We urge additional support for the Instructional Scientific Equipment Program. The instruments which this important program supports are badly needed by the institutions, which share equally in the cost of acquiring them but which cannot afford to purchase them without Foundation assistance.

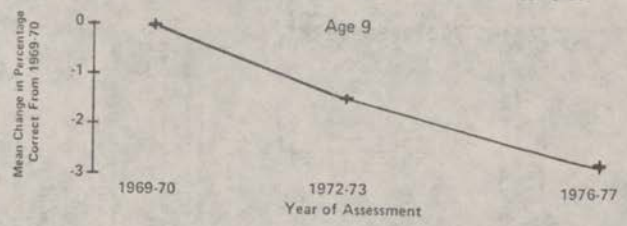
5. The Local Course Improvement and Science Faculty Professional Development programs each play an important role. NSF has offered no logical reason to single them out for suspension in the 1981 budget.

Finally, on behalf of the colleges I represent, I thank you for this opportunity to present our views.

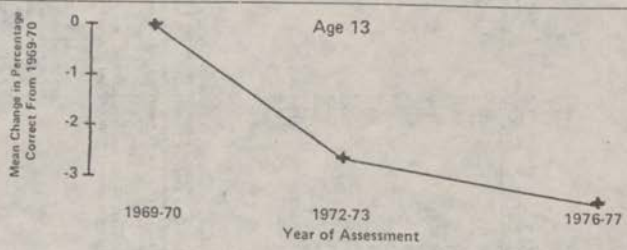
Independent Colleges Office
May 1, 1980

APPENDIX A

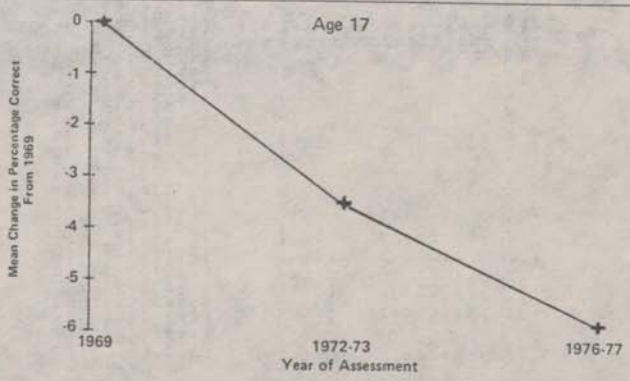
Changes in Physical Science Achievement From 1969-70 to 1972-73 and From 1972-73 to 1976-77 for 9-, 13- and 17-Year-Olds



Mean Change	-1.5	-1.3
Standard Error	.6	.6



Mean Change	-2.6	-.8
Standard Error	.7	.6



Mean Change	-3.5	-2.4
Standard Error	.5	.6

Source: Three National Assessments of Science: Changes in Achievement, 1969-77. National Assessment of Educational Progress, Education Commission of the States. Washington, D.C.: National Center for Education Statistics, June 1978. Exhibit 3, page 8.

REVISED[9]

SUPPORT OF SCIENCE EDUCATION & BASIC RESEARCH[1]

NATIONAL SCIENCE FOUNDATION

FY 1967-1981 in FY '67 Dollars

(In Millions of Dollars)

Fiscal Year	Calendar Year CPI[2]	A. Fiscal Year CPI Average[3]	B. CPI FY '67 Base=100	C. NSF Budget Expenditure for Science Education	D. Amount Needed to Equal FY 67 Expenditures for Science Ed.	E. Purchasing Power of NSF Sci. Ed. Support in '67 Dollars	F. NSF Budget Expenditure for Basic Research	G. Amount Needed to Equal FY 67 Expenditures for Basic Research	H. Purchasing Power of NSF Basic Research Support in '67 Dollars
'67	97.2-100.0	98.6	1.00	141.7	141.7	141.7	172.6	172.6	172.6
'68	100.0-104.2	102.1	1.03	147.6	145.9	143.3	170.8	177.8	165.6
'69	104.2-109.8	107.0	1.08	117.4	153.0	108.7	176.0	186.4	162.9
'70	109.8-116.3	113.0	1.14	107.0	161.5	93.8	161.0	196.7	141.2
'71	116.3-121.3	118.8	1.20	88.2	170.0	73.5	180.3	207.1	150.3
'72	121.3-125.3	123.3	1.25	74.0	177.1	59.2	248.6	215.8	198.9
'73	125.3-133.1	129.2	1.31	39.9	145.7	30.4	268.0	226.1	204.6
'74	131.1-147.7	140.4	1.42	58.1	201.2	40.9	281.0	245.1	197.9
'75	147.7-161.2	154.45	1.57	54.7	222.5	34.8	338.1	271.0	215.4
'76	161.2-170.5	165.86	1.68	44.3	238.1	26.4	520.9	290.0	310.1
TQ[4]				2.4	59.5	1.4	128.1	72.5	76.3
				46.7	297.6	27.8	649.0	362.5	386.3
'77	170.5-181.5	176.0	1.79	56.3	253.6	31.4	472.9	304.0	264.2
'78	181.5-202.9	192.2	1.95	59.1	276.3	30.3	601.9	336.6	308.7
'79	202.9-229.9	216.4	2.19	63.1	310.3	28.8	635.5	378.8	290.2
							679.4[7]	~~423.0~~ 428.0	~~193.3~~ 274.0
'80	229.9-259.3	~~241.9~~[5] 244.6[5]	~~2.45~~ 2.48	61.2[7]	~~347.0~~ 351.4	~~25.0~~ 24.7	~~791.0~~[8] 756.6[9]	~~468.0~~ 473.0	~~295.3~~ 276.1
'81	259.3-281.6	~~264.7~~[6] 270.5[6]	~~2.66~~ 2.74	~~66.0~~[8] 57.1[9]	~~370.0~~ 388.3	~~24.7~~ 21.1			

1/Science Education does not include Graduate Student Support or Traineeships, Technological Innovation in Education and Public Understanding of Science. Basic Research includes Mathematical & Physical Sciences; Astronomical, Atmospheric, Earth & Ocean Sciences; Biological, Behavioral & Social Sciences; the Engineering component of Engineering & Applied Sciences, and the following programs consolidated in "Cross-Directorate Programs," which were previously funded through one or more of the named directorates: Industry/University Cooperative Research, University Research Facilities Improvement, 2-Year/4-Year College Instrumentation, Regional Instrumentation Facilities and Research Initiation in Minority Institutions. (This is done to maintain compatible figures.)

2/CPI=Consumer Price Index (Bureau of Labor Statistics, U.S. Dept. of Labor).

3/Calculated by averaging two adjacent calendar years.

4/TQ=Transition Quarter, period from July 1 through September 30, 1977, created by changing Federal Fiscal Year to an October 1 through September 30 basis.

5/Projection based on CPI-keyed 12.8% inflation for CY'80, revised prediction announced in March 1980 (Council of Economic Advisers, OMB).

6/Projection based on CPI-keyed 8.4% inflation for CY'81 (CEA, OMB).

7/Current plan.

8/NSF Fiscal 1981 budget request, January 1980.

9/Amended NSF Fiscal 1981 budget request, March 1980.

Sources: NSF Annual Reports for fiscal years 1967 through 1978
NSF Fiscal 1981 "Budget in Brief"
NSF Budget Amendment, Fiscal Year 1981
Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Department of Labor
Economic projections made by the Council of Economic Advisers, Office of Management and Budget

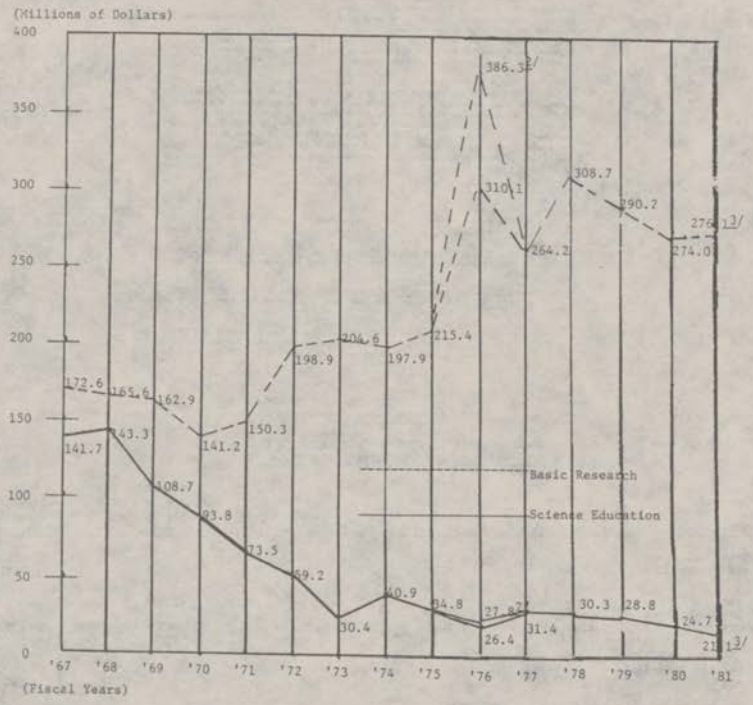
Independent Colleges Office
April 1980

APPENDIX C

REVISED[3/]

NATIONAL SCIENCE FOUNDATION

Support of Science Education and Basic Research[1/], FY 1967-1981
in FY '67 Dollars



1/Science Education does not include Graduate Student Support or Traineeships, Technological Innovation in Education and Public Understanding of Science. Basic Research includes Mathematical & Physical Sciences; Astronomical, Atmospheric, Earth & Ocean Sciences; Biological, Behavioral & Social Sciences; the Engineering component of Engineering & Applied Sciences, and the following programs consolidated in "Cross-Directorate Programs," which were previously funded through one or more of the named directorates: Industry/University Cooperative Research, University Research Facilities Improvement, 2-Year/4-Year College Instrumentation, Regional Instrumentation Facilities and Research Initiation in Minority Institutions. (This is done to maintain compatible figures.)

2/Figure includes obligations for transition quarter (July 1 through September 30, 1977) created by changing the Federal fiscal year to an October 1 through September 30 basis.

3/Amended NSF Fiscal 1981 budget request, March 1980.

Sources: NSF Annual Reports for fiscal years 1967 through 1978
NSF Fiscal 1981 "Budget in Brief"
NSF Budget Amendment, Fiscal Year 1981
Revised Consumer Price Index for Urban Wage Earners and Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Department of Labor
Economic projections made by the Council of Economic Advisers, Office of Management and Budget

Independent Colleges Office
May 1980

63-277 O - 80 - 6

APPENDIX D

BACCALAUREATE ORIGINS OF DOCTORATES
IN THE
PHYSICAL AND BIOLOGICAL SCIENCES

The smaller colleges have traditionally and consistently been highly productive of students who go on to get their Ph.D.'s in the sciences. In the most recent period for which we have data, graduates of the Associated Colleges of the Midwest and the Great Lakes Colleges Association colleges have continued to get their Ph.D. degrees in the physical and biological sciences at a rate of increase greater than that of ten leading sources of Ph.D. degrees and eight leading technical schools.

The average yearly production of the ACM and GLCA colleges for the period of 1967-76 proves to be greater than the production of the previous seven years. While ten leading baccalaureate sources of doctorates for the nation increased their average yearly output for the same period by only 45.2 per cent and eight leading technical schools by by 58.9 per cent, GLCA colleges increased their production by 65.8 per cent and the ACM colleges by 77.8 per cent. Comparing the recent ten-year period with the 1950-59 base period, GLCA Ph.D. production increased 136.7 per cent and that of the ACM colleges by 220.0 per cent.

Sources:

1950-59 figures: "Changes in Baccalaureate Origins of Doctorates in the Sciences," Albert B. Stewart, Antioch College, January, 1967. and
Doctorate Production in United States Universities, 1920-1952, Publication 1142, National Academy of Sciences - National Research Council, 1963, Appendix 3.

1960-66 figures: Doctorate Recipients from United States Universities, 1958-1966, Publication 1489, National Academy of Sciences, Washington, D.C., 1967, Appendix B.

1967-76 figures: "CY 1920-FY 1976 Doctorates by Baccalaureate Institutions in 31 Doctoral Fields, 3 Time Periods," unpublished statistics by the National Academy of Sciences, Washington, D.C., 1977.

SUMMARY TABLE

BACCALAUREATE ORIGINS OF DOCTORATES IN THE
PHYSICAL AND BIOLOGICAL SCIENCES

Baccalaureate Source of the Ph.D.	10 Years 1950-59 Yearly Average	7 Years 1960-66 Yearly Average	10 Years 1967-76 Yearly Average	Percentage Increase in Yearly Average Between 1960-66 and 1967-76	Percentage Increase in Yearly Average Between 1950-59 and 1967-76
Associated Colleges of the Midwest 2/	33.8	62.7	111.5	77.8	220.0 1/
Great Lakes Colleges Association 3/	65.9	94.1	156.0	65.8	136.7
Eight Leading Technical Schools 4/	205.6	389.2	618.6	58.9	200.9
Ten Leading Sources 5/	678.0	847.8	1230.9	45.2	81.5

1/ Increase based on difference between 1967-76 yearly averages minus Lake Forest College and 1950-59 yearly averages for which period Lake Forest figures are not available.

2/ The Associated Colleges of the Midwest are: Beloit College, Carleton College, Coe College, Colorado College, Cornell College, Grinnell College, Knox College, Lake Forest College, Lawrence University, Macalester College, Monmouth College, Ripon College, St. Olaf College.

3/ The Great Lakes Colleges Association members are: Albion College, Antioch University, Denison University, DePauw University, Earlham College, Hope College, Kalamazoo College, Kenyon College, Oberlin College, Ohio Wesleyan University, Wabash College, The College of Wooster.

4/ Eight Leading Technical Schools are: Massachusetts Institute of Technology, California Institute of Technology, Rensselaer Polytechnic Institute, Rice University, Lehigh University, Illinois Institute of Technology, Polytechnic Institute of New York (name changed from Brooklyn Polytechnic in 1973-74), Virginia Polytechnic Institute and State University.

5/ Ten Leading Sources include: University of California-Berkeley, CUNY-City College (formerly City College of New York), University of Illinois, University of Chicago, University of Wisconsin, Harvard University, University of Minnesota, University of Michigan, Columbia University, Cornell University.

Independent Colleges Office
May, 1978

Mr. SABO. Thank you.

If I hear accurately, you agree if the NSF budget is cut back you think basic research should have some of the cuts and money should be retained in science education?

Mr. POWELL. That would be the effect of what I am saying.

Mr. SABO. I think that is what you are saying.

I am wondering if Mr. Appley would agree with that conclusion?

Mr. APPLEY. I cannot.

Mr. SABO. You cannot?

Mr. APPLEY. No, sir.

Mr. SABO. Mr. Roaden?

Mr. ROADEN. I think that there ought to be proportionate reductions where reductions are made across the NSF budget, yes.

Mr. SABO. There is not unanimity within higher education?

Excuse me for getting into this dialogue but I want to be certain we understand what you are recommending.

Mr. APPLEY. I think it is a valid point. I would comment that undergraduate equipment becomes less obsolescent or becomes obsolescent at a slower rate than the work being done in research and equipment needed for research at the advanced level. That is the basis for the difference, and while those are desirable ends, I think that the decision really ought to be left within the scientific community at NSF.

Mr. POWELL. I would disagree with that, since the product of that process has been demonstrably unfavorable to science education.

Mr. SABO. Fine.

Mr. POWELL. The evidence is in my appendices.

Mr. SABO. Thank you.

NATIONAL CONSUMER COOPERATIVE BANK

WITNESS

ROBERT BARTELL, DIRECTOR, LEGISLATIVE AFFAIRS, LIBERTY LOBBY

Mr. SABO. Our next witness is Mr. Bartell, representing Liberty Lobby.

We are running a little short of time. We have one person following you, a Member of Congress, and we need to be finished by twelve. We would appreciate your summarizing the statement.

Mr. BARTELL. I, first of all, want to thank you for the opportunity to appear.

I want to talk about something a little different than what you have heard so far, but we are here basically to express our concern about the funding for the National Consumer Cooperative Bank.

I am Robert Bartell with Liberty Lobby.

Let me then in the interest of time summarize.

We have four major concerns which, of course, you can read in our statement.

Our major concern seems to be basically that if a consumer cooperative is not credit-worthy in the private community, it still under the terms of this bill can go in and ask for the taxpayers to fund them.

We feel that this is an unwarranted intrusion of government into the private sector and there has been no apparent difficulty in the past on the part of cooperatives where they were indeed credit-worthy in obtaining conventional financing.

If a cooperative cannot qualify for a loan under the terms that every other small business must meet, why should the Federal government pump in funds to make them credit-worthy?

Moreover, if government assistance is required, a number of programs now exist for them within HUD and the Small Business Administration where emerging cooperativeness can already obtain aid, and this was brought out by Assistant Secretary of the Treasury, Roger C. Altman.

Another concern, and this is a major one in Title II, is the Office of Self-Help and Technical Assistance. The appropriation for fiscal year 1981 is $48 million, an increase of 182 percent over the fiscal year 1980 of $17 million, and the very purpose of this Title guarantees self-perpetuation.

The very design of this new bureaucratic element almost ensures its reauthorization year after year. We have doubt that the Act will provide all the services that it purports to. As originally conceived, the measure was tailored to aid struggling cooperatives in poor and ghetto areas. However, the law does nothing to limit its financing to those projects.

Any consumer cooperative unable to obtain a loan from private or other Federal sources would qualify. If they did not qualify, the Self-Help Development Fund would kick in the money until they did qualify.

We question also the philosophical underpinnings of many of those who have been involved in the establishment of this bank. Ample evidence suggests that the NCCB is to be used as a tool for radical and fundamental restructuring of our Nation's current economic system.

Ralph Nader, a strong proponent of the bank, stated that the Consumer Cooperative Bank is about to open its doors. The cooperatives receiving loans from the bank will be politically active in addition to providing goods and services.

We have, of course, three recommendations, one, that the appropriation for NCCB should be eliminated now so it doesn't hurt too much.

Two, if the entire appropriation is not eliminated the funds for carrying out Title II should be removed, and there should be language in the report and the appropriations bill prohibiting the use of funds for any political purpose.

We don't feel that the National Consumer Cooperative Bank is a boon to democracy. We feel it is anti-competitive, and it destroys small business initiative.

It has the potential to spend billions of our dollars at a time when the economy is crying for increased capital formation.

Even more reprehensible, the NCCB is a direct Federal subsidy of a political philosophy and inimical to the Foundations of American democracy.

I thank you very much for giving us the opportunity to present our views. I will be happy to answer questions.

Mr. SABO. Thank you for being with us today.

[The statement follows:]

Statement of: ROBERT M. BARTELL, Director of Legislative Affairs, LIBERTY LOBBY
300 Independence Ave., S.E., Washington, D.C. 20003
202 - 546-5611

Before the: HOUSE SUBCOMMITTEE ON HUD/INDEPENDENT AGENCIES

Hearings on: NATIONAL CONSUMER COOPERATIVE BANK

May 6, 1980

Mr. Chairman and Members of the Committee:

I am Robert M. Bartell, director of legislative affairs of LIBERTY LOBBY. I appreciate this opportunity to appear today and present the views of LIBERTY LOBBY's 25,000-member Board of Policy, as well as the concern of nearly 1 million readers of our weekly newspaper, The SPOTLIGHT.

Our particular concern is the funding included in the bill for the National Consumer Cooperative Bank (NCCB). As you know, NCCB was authorized by Congress in 1978, P.L. 95-351. Title I of that act provided for a National Consumer Cooperative Bank and authorized the Treasury to purchase up to $300 million in class A stock over a five fiscal year period, beginning with the fiscal year ending Sept. 30, 1979.

The bank would be governed by a board of directors of 13 members appointed initially by the president. When the terms of six directors expire, their replacements would be elected by voting stockholders of the bank other than the Secretary of the Treasury. When two-thirds of the stock is held by persons other than the Secretary of the Treasury, voting stockholders would elect six more directors.

Thus, initially the federal government puts up all the venture capital for the operation. This amounts to some $300 million over five years, as I said before.

This particular activity of the bank is eventually to be owned by the cooperatives. They, as contemplated under the law, will buy out the stock initially financed by the government and a successful private venture will have begun.

The second major provision of the law, under Title II, is the establishment of an office of Self-Help and Technical Assistance. This entity sets a new precedent in the domestic banking industry. After discarding all the legal rhetoric, this provision essentially states that any cooperative applying for a loan that is deemed uncreditworthy under the already liberal guidelines of the new federal bank will be made creditworthy via an infusion of government money.

The amount allocated to this program from 1979 to 1981 is $10 million. Moreover, this program is not to be subsumed by the private sector. It is to become another ongoing federal handout designed to expand and extend the influence of the cooperative movement.

Mr. Chairman, our concern is fourfold:

1. This seems to be an unwarranted intrusion of government into the private sector. There has been no apparent difficulty on the part of cooperatives, where they were indeed creditworthy, in obtaining conventional financing. If a cooperative cannot qualify for a loan under the terms every other small business must meet, why should the federal government pump in funds to make them creditworthy? Moreover, if government assistance is required, a number of programs now exist within HUD and the Small Business Administration where emerging cooperatives can already obtain aid.

2. Another concern lies with Title II of PL 95-351. As I mentioned before, this provided for an Office of Self-Help and Technical Assistance. The appropriation request for FY 1981 for this program is $48 million, an increase of 182% over the FY 1980 level of $17 million. The very purpose of this title guarantees its self-perpetuation. The very design of the new bureaucratic element almost insures its

reauthorization year after year.

3. We doubt the act will provide all the services it purports to. As originally conceived, the measure was tailored to aiding struggling cooperatives in poor and ghetto areas. However, the law does nothing to limit its financing to these projects. Any consumer cooperative unable to obtain a loan from private or other federal sources would qualify. If they did not qualify, the self-help development fund would kick in money until they did qualify. George H. Dixon, former Deputy Treasury Secretary under President Ford, said about similar legislation at that time, "It ties federal subsidies and assistance not to the attainment of specific objectives, but rather to the form of organization involved."

4. This brings us to our final observation. We question the philosophical underpinnings of many of those who have been involved in the establishment of the NCCB. Ample evidence suggests that the NCCB is to be used as a tool for radical and fundamental restructuring of our nation's current economic system. Ralph Nader, a strong proponent of the bank, stated at a forum on public interest law, Jan. 4, 1980, "The Consumer Cooperative Bank is about to open its doors. The Cooperatives receiving loans from the bank will be politically active in addition to providing goods and services."

This is most disconcerting when one examines the leanings of those heavily involved in the cooperative movement. Many of those are avowed socialists and Marxists or have aligned themselves with those philosophies. Derek Shearer, a member of the board of the NCCB, stated in an article entitled, "How to Plan a Mixed Economy":

> The comprehensive economic reform program which we've described will inevitably be labeled socialistic. If socialism is defined as both a democratic government and a democratic economy, accountable to public representatives and not to a rich and powerful elite, then this is democratic socialism. In any event, it is a pluralist economy. The label is not important. As Ralph Nader has said on numerous occasions, "Socialism or Capitalism--I don't care what word you use. Just tell me, is it thoroughly democratic?"

This new economy Mr. Shearer discussed uses NCCB as a major tool for restructuring.

We question the appropriateness of spending taxpayer dollars for such blatant political ends. It is particularly abhorrent when these goals are contrary to the private enterprise, capitalist economic system, long the backbone of the American dream.

Mr. Chairman, based on these views and perceptions, we offer the following recommendations:

1. THE APPROPRIATION FOR THE NCCB SHOULD BE ELIMINATED. The program is still in its start-up phase. There would be no disastrous effects from nipping this program in the bud.

Congress passed the authorizing legislation for the NCCB by one meager vote. During a time of budget austerity, it doesn't seem reasonable that a program lacking significant support and providing significant economic gains should be encouraged to exist.

2. IF THE ENTIRE APPROPRIATION FOR NCCB IS NOT ELIMINATED, AT BARE MINIMUM, FUNDS FOR CARRYING OUT TITLE II of PL 95-351 SHOULD BE REMOVED. This is by far the most potentially self-perpetuating and costly component of this program. As we all know, on a federal agency is created, it tends to remain and perpetuate itself. There is no reason to believe Parkinson's law will be repealed in this one special case.

3. THERE SHOULD BE LANGUAGE IN THE REPORT AND THE APPROPRIATIONS BILL PROHIBITING THE USE OF FUNDS FOR ANY POLITICAL PURPOSE.

If funding is to remain in this appropriations bill, there should be guarantees that it is used only for the goals set forth in authorizing legislation and not to achieve a political end. The evidence is clear from the comments and writings of those most heavily involved in the promotion of this new program that they have every intention of using it for this purpose.

Mr. Chairman, the NCCB is no boon to democracy. It is anticompetitive and destroys small business initiative. It has the potential to spend billions of taxpayers' dollars at a time when the economy is crying for increased capital formation. Even more reprehensible, the NCCB is a direct federal subsidy of a political philosophy inimical to the foundations of American democracy.

Thank you again for this opportunity to appear today and present our views.

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Environmental Protection Agency

WITNESSES

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

RICHARD GLAZER, DIRECTOR, ENVIRONMENTAL AND ENERGY PROGRAMS, ULSTER COMMUNITY COLLEGE

Mr. Sabo. Welcome, Representative McHugh. Do you have somebody you would like to introduce?

Mr. McHugh. It is my privilege this year as I have in the past to introduce to the Subcommittee and to you in particular a good friend and constituent, Professor Richard Glazer.

Professor Glazer is a professor of biology associated with the State University of New York, and more specifically is the Director of the Environmental and Energy Programs at the Ulster County Community College, which is in my district.

His concern, as he can best explain it, the Administration has again requested no funds for academic training of environmental work force people, those who can monitor water pollution programs and those who can work in the plants which we are spending billions of dollars to construct, but Professor Glazer will get into that more in detail than I.

Mr. Sabo. Thank you.

We welcome you to the Committee.

Mr. Glazer. Over the past three years, I have appeared before this Committee to defend the need for academic training to develop an environmental work force that would meet the challenge of our rapidly proliferating environmental problems and to request financial support for the continuing development of this work force.

The figures that I provided Congress at that time have not changed nor have the problems gone away. They have in fact become worse.

We have had the disasters of Three Mile Island, halogenated hydrocarbons in water supplies, kepone contamination of the James River, PCB contamination of the Hudson River, the continuing contamination of the New York bight, organic chemical pollution by carcinogens of the City of New Orleans Water Supply, asbestos fibers in the water supply of Duluth, Minnesota, the toxic wasteland of the Love Canal, the acid rain which not only complicates our Nation's energy plan but has caused international repercussion in Canada.

Even more regretable is that this is not only clear evidence that we have yet to achieve our goals of adequately protecting the public health but that we have only discovered the tip of the iceberg.

It is inconceivable that as each year passes and as our environmental problems expand at a runaway rate, the EPA Policy continues to insist that funding for academic training be terminated and work force development be left up to "marketplace forces", forces which because of their inherent slowness have failed to respond to the rapidly evolving environmental problems which arise with great suddenness because they require rigidly trained, highly

skilled people who are not available to detect, analyze and control them.

We must recognize that these environmental problems hit hard because we lack a prepared work force to effectively anticipate and respond to them. The new hazardous material clean-up program associated with superfund legislation, will strain our work force pool even further.

At this time the well established Wastewater Treatment Facility Construction Grants Program is presently suffering manpower problems. EPA has recognized that more than half of the facilities under the program fail to perform up to design specifications. The primary reason for this is improper operation and maintenance; fundamental manpower problems.

EPA has obligated, as of February 29, 1980, over $25 billion in construction funds for municipal wastewater treatment. It is presently requesting from Congress over a billion dollars in superfunds, H.R. 4566, to provide a system of response to the environmental.

At the same time, it is continuing its policy of zero funding for training the skilled work force that would assure that the billions of dollars spent through these programs will be effective and perform the task that they are earmarked for.

With these facts in mind, EPA can no longer maintain its "head in the sand" attitude towards Federal support for academic training in developing an environmental work force.

Unfortunately, EPA phased out the funding of academic training programs in fiscal year 1976. The American Academy of Environmental Engineers is presently completing a study of EPA's policy toward this training. The draft report strongly recommends that EPA's role in work force development should be a major one.

For these reasons, I wish to recommend the following to the Congress:

1. That EPA be directed to support academic institutions to provide specialized training to deal with the continuing environmental crises threatening the quality of our Nation's surface and underground water resources.

2. That the following statement be placed either as an amendment to the 1977 Clean Water Act or into the fiscal year 1981 EPA budget.

To assist the academic institutions in developing and delivering these training programs, this amendment appropriates $2,000,000 for Water Quality Academic Training authorized by the Clean Water Act of 1977 (P.L. 95-217) Section 104(g)3(A) and 109(a); and $2,000,000 for Drinking Water Academic Training authorized by the Safe Drinking Water Act (P.L. 93-523) Sections 1442(b)(3) (A) (B) and (C), and the Clean Air Act (P.L. 95-95) Section 103(b)(5) and Section 325.

It is recommended that the appropriated funds be used in the following manner:

Forty percent to develop innovative curricula and training programs addressed to the crisis situations listed above.

Fifty percent to support students enrolled in these specialized training programs developed above.

Ten percent of the appropriated funds to support curricula training programs and student support in water resources at Historical Black Universities.

It is further recommended that:

Curriculum development and student support should be available for training from the two-year associate level through the graduate level.

Part of the student support should be used to provide fellowships for the training of State and local professionals working with these crisis situations.

Both curriculum development and student support funding resources should be distributed geographically throughout the United States to assure that the training programs are available to most of the States.

It is EPA especially who should assume the leadership role for the responsibility of providing the required work force resources to assure the worth of the billions of dollars spent on facilities construction and superfund efforts and to properly protect the public health and welfare as is their charge.

I wish to thank you, Mr. Chairman, for the opportunity to address you and the committee.

Mr. SABO. How much of those funds go to the graduate level versus undergraduate?

Mr. GLAZER. I would say probably around 60 percent of the funds go to graduate level. Part of the problem, and I am not completely aware of where all the funds go, by the time it gets down to academic training and water resources, they have been siphoned off to a host of different groups that simply fit in under the general bill.

Last year, I believe out of the $1½ million that were allocated for academic training, we received in water resources undergraduate level some $60,000.

Mr. SABO. But that was for undergraduate?

Mr. GLAZER. Now some will go into State training and some consulting firms which will get amounts of this money and other groups that also pick up some of this money to do various things under the guise of training or manpower.

Really what has happened, what money has been allotted has been siphoned off for EPA into various projects because of the looseness of the wording of the budget.

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

Mrs. BOGGS. Thank you.

Hello, Mr. McHugh.

We are grateful that you are here, and are sitting on the President's Council of Tulane University.

I know some of your problems. I was interested in looking at a part of your statement that said that the well-established waste water treatment facility construction grants program is presently suffering manpower problems.

Could you expand on that a little bit?

Mr. GLAZER. One of the problems that we have in this area is getting trained people to run the plants, monitor the plants, to also monitor the national pollutant discharge elimination system which

not only is for plants but for commercial buildings, industries, and so on.

One of the things that happened to me, for the past six years I have been Supervisor at the Town of Rosendale waste water treatment program, which is an elected position.

We did embark on a waste treatment facility which for a town of that size was an expensive project. We found it almost impossible to get trained people to work in this area.

As a result, very frankly I think the last election, I felt a sting of a good part of this, as though it was our responsibliity as elected officials when we had no choice but to go along with the people that were available and they really were not trained.

The program had some problems. The problems were basically trained personnel.

Mrs. BOGGS. One of my feelings about coordinating programs and making certain that the programs that we put online work, and that communities or institutions can afford them, is that we do have various training programs. It seems to me that there should be a coordination with the waste water treatment program and secondary schools, colleges and universities to train young people to carry forth the goals of the clean water and clean air programs.

The National Science Foundation has a good program in which they train junior high school teachers to work with that program. Also, they are cooperating with "Contact 1-2-3," which is a great public television program for young people.

It was designed for young people ages 8 to 14, but all children of all ages seem to enjoy it.

I would hope that the other colleges and universities that are suffering similar difficulties would look at their own curricula and realize that we have to begin training programs for monitors, for people who can be solar experts or water experts and to do the monitoring investigations.

Mr. GLAZER. I agree. Developing a public awareness is essential, and the place to start is the elementary schools.

That is where the students are more aware.

Mrs. BOGGS. We can train monitors very easily. You don't have to have multiple scientific degrees to monitor waste water treatment.

Mr. GLAZER. We are talking about very sophisticated instrumentation, working with very dangerous chemicals, infrared equipment, and so on, which really takes highly specialized people.

Mrs. BOGGS. Of course it does, but they can be trained. They don't have to have graduate degrees to do this.

Mr. GLAZER. We agree, and we have been doing a great deal of this training on the two-year level, taking high school graduates and training them within two years to be able to perform almost all of the tasks that are necessary for water pollution control, even trying to get them ready for wrecker and the Hazardous Chemical Act.

The problem is that education money is soft. The States and the schools are bound up right now just as everybody else is. The environmental problems don't go away and they come with a very real suddenness. They burst upon us.

You open up the newspaper and you have a Love Canal or you have in the Times today that EPA is not performing its function and why it hasn't been doing it.

What it really means is that tremendous problem in relation to the public health.

We have cases of cancer. You don't have to go to the statistics. You just have to go to your family, relatives or friends to know the tremendous upsurge in cancer. Most of those are environmentally caused and, because of those, the impact, the suddenness of them, it is hard for any one agency except for EPA to know where the resources have to be placed and be able to do it quickly, and that is what we are asking for.

We are asking for money to have curricula to do very rapid training. If there is a problem that comes about and which ones come about within a short period of time, how do we train people to handle this type of problem?

We wait for two or three years that it would take for the new Department of Education or NSF or someone else to catch up with us and very honestly the answer is no.

We have to have them sometimes by the end of the week. We will get calls from people, can you give us somebody who is trained to do these types of things.

We are asking for the type of funding that will continue those types of programs.

Mrs. BOGGS. I think that is excellent. I am glad you are asking for funding and I am delighted to hear that your own institution is indeed embarked upon a training program. I hope that it will spread.

I think we should involve the Labor Department in this as well. With all of the emphasis on reaching out to the private sector to help in the training of young people, one of the criteria that we have to use is assurance of jobs after training, and here is an area where there are good jobs waiting for them.

Mr. GLAZER. Very good jobs. After two years, our student average salary is around $12,500 to start, many of these students are 19 years old.

Mrs. BOGGS. For entry level that is a pretty good start.

Well, thank you very much for your very fine input.

Mr. MCHUGH. We have been here each year, and the problem every year is that the Administration does not request any money for academic training through the EPA program, and each year your Subcommittee either at this level or when conference arrives puts in some money.

For the last two years it has been $1½ million which keeps some of these programs just alive barely, and I guess what Professor Glazer and I are asking again is that you consider at your level, markup, putting some funds in recognizing how tough it is this year to add anything above what has been requested, but the Subcommittee has done that before, and we hope you will be able to do that again.

Mr. SABO. Thank you both for being here.

The Committee will recess until two o'clock.

AFTERNOON SESSION

NATIONAL SCIENCE FOUNDATION
AND
FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

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

HON. DONALD J. PEASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. TRAXLER. We would like to welcome our distinguished colleague, a member of the authorizing committee, Mr. Brown.

You are our first distinguished witness this afternoon. We will insert your statement in the record and you may proceed in any fashion you care to.

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

I am here this afternoon to present to you briefly the views of the Science and Technology Committee and the Subcommittee which I chair with regard to the National Science Foundation Budget and, at your discretion, the portions of the FEMA budget which come before our Subcommittee. The larger portion by far of the FEMA budget is in the Armed Services Committee, and we have only the Fire Act and the Earthquake Act but we consider them very important.

I would like to just explain briefly what we have attempted to do, and my full statement explains it in more detail. We had completed our Subcommittee action on the Administration's request for the National Science Foundation, basing our work on the original January submission, when the revised budget came before the Subcommittee.

We subsequently reviewed the actions which we had taken. In accordance with the general attitudes of retrenchment, we reduced our original actions by $50-odd million. Our final authorizing figure for the National Science Foundation is somewhat higher than the revised March request, but somewhat lower than the original January request of the President.

I would like very much to indicate to you the areas in which we felt we couldn't agree with the Administration with regard to the emphasis which they had given in the National Science Foundation budget.

To begin with, historically, we have felt that the Foundation and the Administration tended to undervalue the importance of the science education factors in the National Science Foundation budget, and rather than cut other programs and reassign the funds to education, we added an amount to the science education programs, using as a rule of thumb, the same percentage as the Administration had added over last year's budget to the other basic research directorates. We thought of this as a matter of equity that

would preserve the relative position of science education in the overall budget, and we felt that to be important.

May I also say that the Committee felt very strongly that research and development have a major contribution to make in improving national productivity, and the ability of the business and industrial community to maintain a competitive posture in world markets through innovation.

The Administration as a part of their overall program to foster innovation and productivity, had begun several small programs in the National Science Foundation. They are working well. We felt that they should be expanded. To put this in perspective, I recognize that we are in a period of tight budgetary constraint. Under those conditions, it is common to take the newest programs and cut those back in order to maintain the longstanding ongoing programs. We felt that cutting out the proposed new innovation programs was absolutely the worst way to go, for these programs involve directly the ability of American industry to improve its productivity.

What we see in the overall picture is that we are going into a period of deliberate recession, which perhaps is inevitable. We are going to contribute to that recession through cutbacks in a number of programs, and then in six months to a year we are going to face the need to stimulate the economy in various ways. I think this is just fundamental truth. We heard this at a lecture this morning put on by the Library's Legislative Research Service, who indicated that this was the inevitable course that this recession and recovery would follow.

Soon, instead of wanting to cut back on programs aimed at increasing the productivity of American business, we are going to want to stimulate those programs. This legislation, this budget that you are considering now, won't take effect for another six months, about in the middle, perhaps at the bottom of the recession, and it will last over the following year when we are going to be wanting to stimulate the role of the American industry in global markets, when we are going to want to apply the know-how produced by our scientists, to meeting the problems of society. So we did not feel that we could go along with the emphasis taken from these very small programs in the National Science Foundation by the Administration. We felt that they should be increased over the January budget. Then what happened in the March proposal, they were the ones that were cut back the most seriously, and we did not feel that we could go that far. We have cut them back somewhat from the March request, but we have maintained a modest increment over the Executive Branch's request for some fields of science and for one or two other areas of applied research, where we felt there was a substantial contribution to the health of the American economy.

In all other major items, we have accepted the Administration's recommendations. I wanted to emphasize the importance which the Authorizing Committee gave to these particular aspects of the National Science Foundation program. If I don't speak at length about the basic research programs in physics and engineering and mathematics, that is not to downgrade them. They are very impor-

tant. They are producing the knowledge which we want to see utilized for the benefit of the national economy.

In a very brief way, Mr. Chairman, that summarizes much of the posture that we took in the Authorizing Committee. I will point out again that we aimed for a range that is less than the January request by the Administration, but somewhat more than the March reduction, and we did that primarily to give emphasis to what we thought were high priority items without cutting back what the Administration had recommended on the major basic research programs.

[The statement follows:]

Mr. Chairman, I'm privileged to present Congressional authorizing actions regarding two of the appropriations requests before you today. The House Science and Technology Committee has finished its regular process of authorization of the National Science Foundation Budget, and I will discuss that with you and the Subcommitte today. In addition, we were faced this year with the challenging task of reauthorizing the federal earthquake and fire programs in their new home under the direction of the recently-created Federal Emergency Management Agency (FEMA). Though we supported the President's desire to consolidate these emergency management functions, we were faced, as I'm sure you have been, with the confusing organizational and priority-setting problems which accompany formation of any new agency. On the other hand, we have been excited by the opportunities for new strength and mutual reinforcement among the emergency programs and attempted to provide program direction aimed at this goal. Following my statement on the Fiscal Year 1981 National Science Foundation budget, I will look forward to discussing with you our authorization actions regarding FEMA.

FISCAL YEAR 1981 NATIONAL SCIENCE FOUNDATION AUTHORIZATION—TESTIMONY OF GEORGE E. BROWN, JR.

In accordance with its responsibility to authorize appropriations for the National Science Foundation, the Science and Technology Committee has just completed its work on a Fiscal Year 1981 authorization bill. The bill caps several weeks of budget and program review and it reflects, in considerable measure, the year-round oversight activity of the Subcommittee that I chair. It also reflects the unusual circumstance of a last-minute shift in Presidential budget recommendations. Thank you, Mr. Chairman, for giving us an opportunity to explain some of the facts and the reasoning that went into making up this year's authorization for the National Science Foundation.

As you know, the shift in budget recommendations came when the authorizing process was in full swing. All oversight reviews had been completed, hearings held, and Subcommittee debates and markup of the bill had been completed. Many of those proceedings, and much of what we and others had done earlier in the year was influenced by concern about how science and technology could help the country bootstrap itself out of an innovation and productivity slump.

As a result, the President's original budget, and the budget marked up by the Subcommittee, featured a moderate but positive emphasis on science as a sound—and much needed—Federal investment.

When the budget revisions came in from the President, the authorization bill before the Committee was reluctantly cut to match many of the Administration's revisions. But an attempt was also made to preserve some of the positive emphasis on innovation programs, and to preserve much of the overall profile, or the relative emphasis between programs, that the Committe believes is important. In the short time we have here this afternoon, I will indicate some of the subject areas of concern, but probably should refrain from trying to cover many details. For the details, you may refer to the chart I have included with my printed testimony. I will also see that the complete Committee report on the authorization bill is sent to you as soon as there is a copy available.

The chart shows numerous details, but the major action of the Committee affects only a small number of items. Most of the increases were authorized for science education, behavioral and social science, and selected programs in innovation. Most of the reductions are accounted for by eliminating a new $14 million program in research facilities, cutting back some of the exceptional increase requested for

innovation programs, and deferring most of the commitment on the Ocean Margin Drilling Project.

Despite considerable admiration for the effort of the Administration and Dr. Press, the President's science advisor, in putting together a joint industry-government project for ocean margin exploration, we were unable to sustain that budget item against a general Committee mood to seek budget cutting opportunities. We do commend Dr. Press for taking a timely initiative toward building a partnership between government, industry and academia in this kind of "big science" project where both benefits and costs ought to be shared among sectors. We think the project is a good one and by maintaining some "seed" money this year we hope to encourage future development when budget pressures are less intense.

I would also like to comment very briefly on the other items I just mentioned.

The largest change made in any category was a nearly $20 million cut in Cross-Directorate Programs. Most of that was achieved by eliminating the research facilities program I just mentioned, and by taking away some of the increase requested for Industry/University programs. It still leaves that program with a healthy $9 million raise. Again we believed that the programs were important, but could be reduced this year to help meet the stringent targets of the Budget Committee.

The second largest action of the Committee was focused on Science Education. We did not agree with the disproportionately small increase planned in the original budget request. And we agreed even less with the disproportionately large cut proposed in the revised budget request. In an era when technological leadership requires well educated professional engineers and scientists, and public participation in difficult societal decisions requires a scientifically literate public, science education seemed to the Committee to be an essential investment in the future. It would be especially inappropriate for this area to bear the brunt of efforts to find budget cuts.

We also took exception to what appears to be an Administration reaction to Mr. Ashbrook's successful amendment last year to the social science budget. This year the Administration asked for less than enough to keep up with inflationary pressures. The Committee approved an increase for Social and Behavioral Science that was more comparable to what had been requested for the other sciences. And it chose to do that for a number of reasons, among which I would include the following:

Neither the Behavioral nor the Social Sciences, as supported by the Sciene Foundation, are "soft" sciences or subjects unrelated to the productivity and well-being of society. About 50 percent of NSF Social Science is Economics and related subjects. The rest is largely social measurement and analysis on which we depend for or indexes of unemployment, productivity, and consumer prices, and on which we depend for methods of assess the state of the Union. No modern government can function without these tools, and we certainly are nowwhere near ready to stop improving them.

Behavioral Science is another term that deserves careful consideration. It does, of course, seek to understand why people react and behave as they do and so contributes to economics and social theory and other practical matters. But because it is intimately related to neural science and the study of how the brain works, it is a vital adjunct to the scientific study of language and meaning. And it is in that area that we look hopefully for major assistance with the problem of how to store and retrieve all the valuable products of the information explosion. The important—and the hardest—part of information storage, is not making it small and packing it in;—it's getting it back. We look toward behavioral, neural, and linguistic science to tell us how living organisms accomplish that, and how we might better do it with computer systems and library machines.

In summary, then, we have made some changes in the Administration's budget in order to adjust the relative emphasis and indentify certain programs for more equitable support. We made some cuts, mostly out of large new programs requested for start-up this year. We also made some increases mostly for Science Education, for Innovation, and for Social and Behavioral Science.

No time is ideal for collecting or spending tax money, and this year seems to be a specially conservative one. But you can't really save money by feeding a horse on straw. And you can't save money by cutting the basic out of science education, or by eliminating programs to stimulate business. Finally, while many of our current problems are financial, it is even more true that many of our most serious problems are social. We cannot afford to continue trying to address these problems from a position of needless ignorance.

Line Items	Original Request	Revised Request	Science & Technology Committee Added	Science & Technology Committee Subtracted	H.R. 7115 Authorizes
Biological, Behaviorial, and Social Science	182.0	177.9	$5.51 M added to equalize emphasis with other sciences		187.51
Science Education	85.70	75.7	$.0.5 Pub. Ser. Sci. Ctrs. 2.4 Sabbaticals 2.1 Educ. Resource Ctrs 1.5 Approp. Tech.		92.2
Engineering and Applied Science	137.0	119.6	5 Ctr. for Innov. Devel. 3 Approp. Tech. 0.3 Alt. Bio. Sources 0.26 Intergov. shift $	1.6 from Elec., Computer & System Science (Pres. cut) 3.0 Small Business (vs. Pres. cut of 9.0)	148.56
Scientific, Technological, and Internat'l Affairs	28.85	27.75	$1.6 from US/USSR (Cross-Directorate) shift $		30.45
Cross-Directorate Programs	51.97	29.75	$1.15 for "Geographic Dist'n"	($1.6 from US/USSR) 4.0 Univ/Indus. (vs Pres cut of 5.1) 14.3 Spec. Facil. instrm'm	33.2
Program Development and Management	60.8	59.8		$1.0	59.8
	TOTAL REQUEST $1148.0	TOTAL REQUEST $1074.0			TOTAL AUTHORIZED $1125.72

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National Science Foundation Budget Amendment

Line Items	President's Original Request	President's Revised Request	President's Cut	Funds in H.R. 7014	SRT Recommends cut from H.R. 7014	SRT Recommends Authorization
1) Mathematical and Physical Sciences	264.20	259.8	4.4	264.20	4.4	259.8
2) Astronomical, Atmospheric, Earth and Ocean Sciences	241.30	235.8	5.5	241.30	5.5	235.8
3) U.S. Antarctic Program	63.40	60.4	3.0	63.40	2.0	61.4
4) Ocean Drilling Programs	27.30	22.0	5.3	27.30	9.8	17.5
5) Biological, Behavioral and Social Sciences	182.00	177.9	4.1	191.51	4.0	187.51
6) Science Education	85.70	75.7	10.0	93.20	1.0	92.2
7) Engineering and Applied Science	137.00	119.6	17.4	148.56	3.0 -- Small Business 3.0 -- Earthquake	142.56
8) Scientific, Technological and International Affairs	28.85	27.75	1.1	30.45	---	30.45
9) Cross Directorate Programs	51.95	29.75	22.2	51.5	4.0 -- Industry/Univ. 14.3 -- Spec. Fac./Inst.	33.2
10) Program Development and Management	60.8	59.8	1.0	60.8	1.0	59.8
Special Foreign Currency	5.5	5.5	---	6.0	0.5	5.5
TOTALS	1,148.0	1,074.0	74.0	1,178.22	48.0	1,125.72

Mr. TRAXLER. Thank you very much, George, for that fine synopsis of your statement.

Looking at your chart, we notice that the Administration's original budget submissions for National Science Foundation totalled $1,148,000,000. Their revised request of March was $1,074,000,000, and it is proposed by your Committee that the authorization be $1,125,000,000, which would be less than the original submission of the Administration, and somewhat more than their revised.

Mr. BROWN. Correct.

Mr. TRAXLER. I think that your analysis of where the economy is going to be six months from now is totally correct. I must say that my obvservations are the Administration has consistently erred in regard to where the economy was going to go. I must say I think they don't appreciate the depth of the recession that we are going to be entering into, and I think your analysis is the proper one.

Mr. BROWN. If I may comment, Mr. Chairman, I think that we have been dealing too much with fiscal and monetary policy, basically trying to control through the supply of money as well as tax actions and budgetary actions, trying to manipulate the economy so as to control inflation and yet maintain reasonable employment. Those actions will not succeed unless we improve the posture of the American economy in terms of productivity and competitiveness. These programs are aimed at doing that.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. Brown, I, too, was highly impressed—and I was sitting over here nodding affirmatively——

Mr. BROWN. We appreciate the nods.

Mrs. BOGGS [continuing]. With your very succinct and very well stated reasons for keeping the programs to improve productivity. I was curious about the cross-directorate programs. I see, of course, they are higher than the President's revised budget, but considerably lower than the President's original request, and therefore the request is H.R. 7014.

Mr. BROWN. Yes.

Mrs. BOGGS. Wouldn't some of the reasoning that you just pointed out to us apply to the industry-university cross-directorates, special facilities at institutions?

Mr. BROWN. There is no question but what they do, Mrs. Boggs. It was a very difficult decision for the Committee to make to propose these reductions from what we had originally thought was acceptable. The major reduction you refer to is that $14.3 million for special facilities and instrumentation. Our investigation, and the reports we have had from all of our major universities indicates that in their basic research programs they are now drastically handicapped by obsolete and outmoded equipment and research facilities.

Mrs. BOGGS. Right.

Mr. BROWN. And this was to be a modest effort to begin to provide them with the resources.

Mrs. BOGGS. Exactly.

Mr. BROWN. The Administration wanted to do that, but because it was a new initiative, they decided they would recommend cutting back, and we felt that we would go most of the way with them

in that area because it was a new program, and we could put it off until next year. I don't like to make that kind of a decision, but all of these are——

Mrs. BOGGS. But exactly the same reasoning?

Mr. BROWN. Yes, I think the same reasoning applies.

Mrs. BOGGS. The same reasoning follows because the National Science Foundation personnel appearing before this Committee admitted to us that lack of instrumentation was what made us fall behind Japan and West Germany in our own productivity as a nation. If we are trying to rectify that situation, we must recognize that instrumentation is a very, very important component of the whole program. I don't see how we can cut back on the cross-directorate instrumentation program.

Mr. BROWN. I couldn't agree with you more as to the importance of that, and I expect that this Committee will have many very difficult decisions of that sort to consider as it goes through this.

Mr. TRAXLER. Just for a moment, we are pleased to welcome Congressman Don Pease, who I recall serving on your Committee.

Mr. BROWN. Right.

Mr. TRAXLER. He has a very fine statement. We will submit your statement for the record, Don, if you want to add to it.

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

Mr. BROWN. I was going to give you a glowing introduction.

Mr. PEASE. I would be happy to yield to my distinguished chairman for that purpose.

Mr. BROWN. I do want to point out, Mr. Chairman, that Mr. Pease has taken a very strong interest in science education and its importance and has made a very important contribution in this area.

Mr. PEASE. I thank my Chairman and I thank the Subcommittee. I am pleased to have the chance to appear with Mr. Brown, who is doing a very distinguished job as Chairman of our Subcommittee. I think I certainly share his concern about the funding level for the National Science Foundation, and in particular for the Education Directorate. The funding request for all of NSF represented a 15 percent increase in January, and that was revised to 8.1 percent in March.

In contrast, the request for science education began at 9.6 percent, well below the increase that the President recommended for NSF as a whole, and in March when the revision came through, the recommendation was for a negative 3.2 percent growth, or loss over fiscal year 1980 funding. It is hardly possible to believe that the National Science Foundation looks upon science education as a major priority in its activities when it tolerates the cutting of the Science Education Directorate below the level for this year.

The evidence this year is not very encouraging, but it is consistent with recent history. Looking at actual dollar amounts, with inflation taken into account, the purchasing power of the science education budget has dropped to about a third of the level it enjoyed as recently as 1968.

It seems to me that science education is extremely important for many more than the two reasons that I will cite. One is we need desperately to have top-flight college and university professors training the scientists of tomorrow, if we expect to excel scientifi-

cally and technologically. Another is that, many of the decisions which are made affecting science and technology are made in a democratic society by your constituents and mine.

The science education Directorate has a responsibility for the general level of science literacy among people of the United States. And it seems to me that while there is no direct payoff between a science education program, say, at the junior high school level, and a new missile system or a new breakthrough on energy, in a democratic society we cannot neglect the falling-off of general public literacy about science.

I am particularly interested in a program for small college undergraduate professors who go off typically for a sabbatical year, and need some funding so that they can recharge their batteries and get some new ideas about science teaching and experimentation. These National Science Foundation year-long grants have been extremely important from that point of view. In our Subcommittee we have tried to emphasize that, and I would hope that this Subcommittee, in considering the appropriation, might do the same.

It seems to me that the continued decline in support for the programs that will produce our scientists of the future is a dangerous course. Since the National Science Foundation and the Science Board seem to fully appreciate that, I think it is up to those of us in Congress who do believe in the importance of science and the role of science education, to protect those programs from deterioration.

I would urge the Subcommittee to follow the wisdom exhibited by the Committee, on Science and Technology, and try within your budget constraints—and I know they are serious—to provide as much emphasis as you can for scientific education.

I do thank you for the opportunity to be here.

[The statement follows:]

STATEMENT OF CONGRESSMAN DON J. PEASE

Mr. Chairman, I appreciate this opportunity to appear before the Subcommittee on HUD-Independent Agencies appropriations. I am here today to speak briefly about the National Science Foundation budget for fiscal year 1981.

The Subcommittee on Science, Research and Technology, under Congressman George Brown's able leadership, has recently completed an extensive review of the NSF budget request. Mr. Brown has detailed here the recommendations made by the Subcommittee and the rationale for them. As a Subcommittee Member, I fully support the decisions reached by the Authorizing Committee regarding the National Science Foundation.

For a number of years, this Subcommittee and the Congress have been concerned over the fate of Science Education within the National Science Foundation. As the record so strongly shows, Science Education has not fared well—either relative to the rest of the Foundation or in absolute terms. And this year is no exception. The funding request for all of NSF was a 15 percent increase in January and was revised to 8.1 percent in March. In contrast, the request for Science Education began as a 9.6 percent increase—not even enough to keep up with inflation—and was revised to a negative 3.2 percent over the fiscal year 1980 level. In my mind, these funding decisions are the true reflection of the ordering of priorities. NSF has discarded even the illusion of science education as one of its priority missions. Fortunately, our Subcommittee agreed to oppose this disastrous proposal which would have balanced the budget on Science Education's already over-burdened back.

As this Subcommittee is well-aware, you are evaluating an NSF funding proposal for fiscal year 1981 that is consistent with recent history. We have seen the purchasing power of the Science Education budget cut to one-third of the level it enjoyed as recently as 1968. This trend cannot be allowed to continue in the face of mounting

evidence of an impoverished degree of science literacy on the part of this country's 200 million residents and in the face of an imminent shortage of top-flight scientists.

In order to reverse this negative trend, the Committee added $6.5 million to the President's original budget request for the Science Education Directorate. In addition, I asked that $2.4 million in the Faculty Improvement Program be used for sabbaticals. The intent is to provide year-long awards to experienced, full-time two- and four-year college and university science teachers who are involved primarily in undergraduate science instruction to increase their competence in science. The Administration had abolished this highly competitive program for fiscal year 1981.

Mr. Chairman, the President's budget this year places an important emphasis on basic research. Providing some means for ensuring high quality science education seems to me an integral part of such an emphasis. However, in the President's revised budget, an inequitable share of the reduction from the January budget for NSF was borne by the Science Education Directorate. Even the costs of peer reviews and project management which are presently paid from the directorate's funds place undue strain on the science education budget, when compared to better-funded parts of NSF.

The continued decline in support for the programs that will produce our scientists of the future is a dangerous course. Since the National Science Foundation has not been successful in getting important programs, such as undergraduate faculty improvement, funded at an adequate level, it is up to Congress to preserve what we consider to be a crucial part of the science education budget. Our students of today will be our scientists of tomorrow and it is important that they be well-trained by competent teachers in classrooms with modern laboratory equipment.

I am heartened by the continuing supportive role this subcommittee has played in recognizing the importance of science education, particularly in light of the myopia of the Foundation's own National Science Board as well as the Office of Management and Budget. I would like to quote from a portion of testimony that was offered before our Subcommittee in February by Dr. Jerrold Zacharias, who is widely recognized as a leader in the fields of nuclear physics and educational reform. Dr. Zacharias stated that "the Education Directorate is struggling against an almost impossible enemy—an enemy from within. From its inception, the Science Board that supervises the NSF has treated the Education Directorate as a trivial country cousin. They have said that the government should give the NSF money for scientific research and never mind what happens to the 200 million people who don't do research." I agree with Dr. Zacharias that, "It is those very people whose lives, jobs, leisure, entertainment, food, security, and everything else depend on a sound economy in a democratic society." As the formulator of policy for science education's lead agency, the National Science Board expressed their conviction in hearings before this Subcommittee seven years ago that, "Basic research has always had the highest priority." Today, the Science Board continues to rob Peter to pay Paul as is evidenced by the Administration's request for science education rescissions for fiscal year 1980 which the Subcommittee so wisely rejected just a few days ago.

The funding pattern for science education adds up to a national policy of neglect that, if allowed to continue, will have disastrous consequences. I believe it is imperative that Congress begin a long-term commitment to improving the quality of science courses, science teachers, science literacy and to expanding the pool of science and engineering students from which our cutting edge of researchers will be drawn. Therefore, I ask that this Subcommittee consider appropriating the full authorization for science education of $92.2 million for fiscal year 1981.

I hope that we are in agreement on the importance of this matter, Mr. Chairman, and I thank you again for a chance to speak before your Subcommittee.

Mr. TRAXLER. We are pleased with your appearance today and we are most appreciative of your bringing this information to us. Within the limitations that the House may place upon us, depending on what happens with the Udall Amendment, we will do what we can.

Mr. BROWN. Mr. Chairman, may I make one concluding observation?

Mr. TRAXLER. Please do.

Mr. BROWN. In proceeding with our very extensive work on this budget, the Subcommittee and the full Committee took the posture that these expenditures represent investments in the future health of our own economy and society. At every step the Committee was

unanimous, and you have testimony on that from our ranking minority member, the Honorable Harold Hollenbeck, who unfortunately couldn't be here. I want to make special note of the contribution which he made to the deliberations of the Committee.

Mr. TRAXLER. We will place his complete statement in the record at this point.

[The statement follows:]

TESTIMONY OF THE HON. HAROLD C. HOLLENBECK
BEFORE THE H.U.D.-INDEPENDENT AGENCIES SUBCOMMITTE
HOUSE APPROPRIATIONS COMMITTEE

REGARD IN
FISCAL YEAR 1981 APPROPRIATIONS FOR
THE NATIONAL SCIENCE FOUNDATION
AND FOR
THE FEDERAL EMERGENCY MANAGEMENT AGENCY

MR. CHAIRMAN, AS RANKING MINORITY MEMBER OF THE SCIENCE, RESEARCH AND TECHNOLOGY SUBCOMMITTEE I TAKE GREAT PRIDE IN JOINING MY COLLEAGUES, GEORGE BROWN, CHAIRMAN OF THE SUBCOMMITTEE AND DON PEASE IN SUPPORT OF THE PROGRAMS OF THE NATIONAL SCIENCE FOUNDATION AS WELL AS THE U.S. FIRE ADMINISTRATION AND EARTHQUAKE HAZARD REDUCTION ACTIVITIES OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY.

MR. CHAIRMAN, OUR SUBCOMMITTEE DEVOTED MANY DAYS OF HEARINGS AND GREAT EFFORT IN PREPARING THE FY 81 AUTHORIZATION FOR THE NATIONAL SCIENCE FOUNDATION. WHILE WE ORIGINALLY RECOMMENDED MODEST INCREASES OVER THE PRESIDENT'S JANUARY REQUEST FOR SELECTED PROGRAMS, AS THE ECONOMIC CLIMATE DETERIORATED, THE COMMITTEE REDUCED THE RECOMMENDATIONS BY 52.5 MILLION OR 22.28 MILLION BELOW THE PRESIDENT'S JANUARY REQUEST. BUT WE COULD NOT SUPPORT ALL THE PRESIDENT'S PROPOSED REDUCTIONS, WHICH HIT SEVERAL PROGRAMS, NOTABLY SCIENCE EDUCATION AND APPLIED SCIENCE. HOW, FOR INSTANCE, CAN THE PRESIDENT JUSTIFY A CUT OF $10 MILLION OR 11.7% IN SCIENCE EDUCATION AT THE SAME TIME WHEN HE HAS ORDERED A SPECIAL STUDY BY THE FOUNDATION OF THE NATIONWIDE SHORTAGE OF ENGINEERS!

MR. CHAIRMAN, THIS IS A TIME OF FISCAL AUSTERITY, NO DOUBT. THE NATION IS AWAKENING TO THE LIMITS IN ITS RESOURCES -- I AM THE FIRST TO RECOGNIZE THESE. BUT INFLATION, UNEMPLOYMENT, AND THE BALANCE OF PAYMENTS PROBLEMS WE FACE IN ENERGY, AND INCREASINGLY EVEN IN SOME HIGH TECHNOLOGY AREAS, CAN ONLY BE TURNED AROUND BY AN IMPROVEMENT IN OUR TECHNOLOGICAL AND SCIENTIFIC COMPETITIVENESS VIS A VIS OTHER NATIONS. WE MUST DEVELOP NOW THE BASIC UNDERSTANDING WHICH IS NECESSARY TO DEVELOP NEW SECTORS OF THE ECONOMY IN THE 1990'S AND BEYOND THE MILLENIUM. UNLESS WE MAKE THESE INVESTMENTS TODAY, THEIR RESULTS WILL NOT BE RETURNED UNTIL AFTER THE TURN OF THE CENTURY. THAT IS TOO LONG TO WAIT!

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

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

BASIC RESEARCH IS NOT SOMETHING WE CAN AUTOMATICALLY EXPECT INDUSTRY TO FUND. AT LEAST HALF OF THE RETURN ON BASIC RESEARCH ACCRUES NOT TO THE FIRM OR INDIVIDUAL FUNDING THE RESEARCH, BUT TO SOCIETY AT LARGE; THAT IS, INDIRECTLY TO HIS COMPETITORS. THUS, LAYING THE CONCEPTUAL FOUNDATIONS FOR EOCNOMIC GROWTH THROUGH BASIC RESEARCH IS AN ACTIVITY WHICH MUST BE SUPPORTED BY SOCIETY. AS I INDICATED EARLIER, THE DATA SUGGESTS THAT THE RETURN FROM THIS INVESTMENT MAY BE VERY LARGE.

TO SUMMARIZE, MR. CHAIRMAN, I STRONGLY URGE YOUR SUPPORT FOR THE COMMITTEE'S RECOMMENDATIONS FOR THE NATIONAL SCIENCE FOUNDATION FOR FISCAL YEAR 1981; THE PRESIDENT'S SELECTIVE REDUCTIONS ARE NOT, AS I INDICATED, JUSTIFIED IN LIGHT OF BROAD NATIONAL NEEDS.

TURNING TO THE PROGRAMS OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY, LET ME OBSERVE THAT AS RANKING MINORITY MEMBER, I CAN REPORT THAT THE MINORITY STRONGLY SUPPORTS THE COMMITTEE'S RECOMMENDATION.

MR. CHAIRMAN, THE U.S. FIRE ADMINISTRATION HAS HISTORICALLY BEEN APPROPRIATED ABOUT 11% OF THE FUNDS RECOMMENDED BY THE NATIONAL COMMISSION ON FIRE PREVENTION AND CONTROL. HOWEVER, AS WE SAID IN OUR COMMITTEE REPORT, SOLID DATA DOES NOT EXIST TO SUPPORT A SUBSTANTIAL INCREASE AT THIS TIME. WE KNOW THE PROBLEM EXISTS -- NATIONAL FIRE STATISTICS ARE SHOCKING -- BUT WE DON'T KNOW PRECISELY THE BEST STRATEGY TO LOWER FIRE DEATHS. TO IMPROVE THIS SITUATION, THE COMMITTEE HAS RECOMMENDED AUTHORIZATION OF $1.1 MILLION FOR A CONCENTRATED DEMONSTRATION PROGRAM IN FIRE PREVENTION AND CONTROL. I STRONGLY URGE YOUR COMMITTEE TO RECOMMEND APPROPRIATIONS OF THE PRESIDENT'S MINIMAL REQUEST PLUS THE COMMITTEE'S SMALL SUPPLEMENT.

MR. CHAIRMAN, YOU MAY WONDER WHAT A CONGRESSMAN FROM NEW JERSEY IS DOING SUPPORTING INCREASES IN EARTHQUAKE MITIGATION. SURPRISING AS IT IS TO A LAYMAN LIKE MYSELF, NEW JERSEY IS ON THE EDGE OF AN EARTHQUAKE ZONE LOCATED IN NEW YORK STATE AND THE ST. LAWRENCE VALLEY. BOSTON, MASS. SUFFERED ONE OF THE LARGEST EARTHQUAKES THIS COUNTRY HAS EXPERIENCED. AND WE KNOW VERY LITTLE ABOUT THESE "MID-PLATE" EARTHQUAKES. IN SHORT, EARTHQUAKES ARE NOT MERELY A PROBLEM OF INTEREST TO CALIFORNIANS--THEY ARE A NATIONAL PROBLEM. FURTHERMORE, THE LESSONS OF A TECHNICAL AND POLICY NATURE WHICH WE LEARN ON HOW TO MEET EARTHQUAKES COULD BE OF GREAT USE IN MITIGATING THE EFFECTS OF OTHER LARGE SCALE DISASTERS SUCH AS FLOODS, NUCLEAR WAR, AND TOXIC CHEMICAL EXPLOSIONS.

I URGE THAT YOUR COMMITTEE APPROVE THE FULL APPROPRIATIONS RECOMMENDED BY THE SCIENCE COMMITTEE.

I THANK YOU FOR PERMITTING ME TO TESTIFY HERE THIS AFTERNOON.

Mr. BROWN. What we have tried to do is reach a consensus posture on this program, and we commend it to you from that standpoint.

Mr. TRAXLER. We appreciate that.

Mrs. Boggs, do you have further questions?

Mrs. BOGGS. Yes, Mr. Chairman.

I would like to thank and to commend Mr. Brown and Mr. Pease for their continuing interest in science education, and I would like especially to say to Mr. Pease that I am delighted that you recognize the need for science literacy. We have been plummeted into the scientific and technological age, and it is highly necessary for people to have some literacy in science.

In addition, I am sure you are aware that the departments and agencies of the government have a difficult time in complying with having enough women and minorities in various scientific areas. Unless we have the junior high school program, unless we have the persons trained to teach in that program, we are never going to be able to reach down far enough to train the young scientists regardless of sex or racial status. I think that is enormously important.

In addition, I think as a Nation, we have to look into writing some moral perimeters around our scientific marvels, and unless the Nation is scientifically literate we will not be able to do so. So I thank you both for your leadership.

Mr. BROWN. Those are very perceptive observations, Mrs. Boggs. We appreciate it.

Mr. TRAXLER. Thank you very much.

ENVIRONMENTAL PROTECTION ADMINISTRATION

WITNESS

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

Mr. TRAXLER. We are pleased to welcome our distinguished colleague Mr. James Florio, who is a member of the Interstate and Foreign Commerce Committee, and who also chairs the Subcommittee on Transportation and Commerce.

Mr. FLORIO. Mr. Chairman, in the interests of conserving the Committee's time, I have a statement I would appreciate being placed in the record.

Mr. TRAXLER. We would be pleased to.

Mr. FLORIO. I will try to summarize it as succinctly as possible. I am here in my capacity, as you know, as the Chairman of the Transportation Subcommittee of the Interstate and Foreign Commerce Committee which has jurisdiction over EPA's solid and hazardous waste programs. This includes the existing law, that is, the Resource Conservation and Recovery Act, which puts forth a means of dealing with appropriate disposal of hazardous wastes in the future as well as pending hazardous waste cleanup legislation, which has been referred to by many as the "Superfund" legislation.

With regard to the Superfund legislation, the Administration has developed a proposal and has included in the fiscal 1981 budget an allocation of $250 million for the Federal portion of this cleanup

fund. I would urge the support of this Committee for that appropriation.

We have a bill that we are marking up in the full Commerce Committee within the next week that provides for an effort to deal with a portion of this problem that will entail some $300 million over a period of four years.

Just to indicate to you some degree of the magnitude of the problem, Love Canal, which we have all heard of, has already utilized some $29 million in public funds for cleanup and containment. It is estimated that by the time that project is through, it will require the use of some $124 million for that one site alone. EPA has estimated there are some 30,000 sites around the country.

I would note, this is not an academic problem, there was a site in Michigan, a site in Pennsylvania, a site in Louisiana that is currently the subject of litigation by EPA. These sites have been designated as sites are imminent hazards as of this moment to the health and well-being of the people in those areas.

I would like to talk about the other portion of the problem, which is the regulatory scheme that is now being implemented. As a matter of fact, regulations were just announced yesterday by EPA to make sure that we don't have Love Canals in the future; that is, to designate a regulatory mechanism for insuring appropriate disposal from this point forward. This is the implementation of the Resource Conservation and Recovery Act.

EPA has established a hazardous waste program for the safe "cradle to grave" management of hazardous materials. My main point here is that if this is going to be a real program that is going to deal with a real problem, we have to provide the appropriate resources to implement this system. To do less than to provide the appropriate monies is to perpetrate a cruel hoax on the American people that are looking to the Congress for relief from the problem of hazardous waste disposal.

There are four major areas of this RCRA program that will require stepped-up support, and it is for these areas that we need the money that the Administration has requested, so in essence I am asking for support for the Administration's proposal. The first will be to strengthen the technical information and state-of-the-art technology that has to be developed, for purposes of developing improved waste analysis capability; that is to say, that if we are going to insure that wastes are not inappropriately disposed of in the future, we have to know how to appropriately dispose of them.

The second major area for expansion is increased support to the states. The program under RCRA provides for minimal standards at a Federal level, but then encourages the states to assume the responsibility for the implementation of those minimum standards. With regulations in place and guidance in hand, the states will require increased availability of resources to turn their plans into effective hazardous waste management programs. The fiscal year 1981 budget request provides for a 50 percent increase in the program, which will provide the states with inspection, monitoring and permitting capability, a manifest system for tracking the transportation of wastes, an active public participation program, which is very important, an effective emergency response-capability.

A third area for increased implementation will be the permitting aspect of the program. This is the part of the program that will ensure that a disposal facility is inspected and approved with a permanent permit after a period of time. EPA estimates that there are approximately 30,000 sites which will require permits over the next decade. We need the funding to ensure that permits will be issued only to appropriate sites.

The fourth area for increased activity will be enforcement of the manifest system and permitting program requirements.

The Administration requested a total of $145.4 million for fiscal year 1981 for program implementation and research and development. This represents an increase over fiscal 1980 appropriations, but as I have suggested to you, the increase is justified on the grounds that we are now going into the process. As I have stated, the publication of the regulations took place within the last number of days. An increase in the funds is called for as well to support not only the activities listed above, but important program initiatives contained in Authorizing Legislation which will serve to link these two programs that I have talked about, that is, the cleanup of the past practices as well as the program which will provide for the prohibitions against the development of new sites that are going to be problems in the future.

What I am referring to specifically is the abandoned and uncontrolled hazardous waste inventory program recommended in the House Authorizing Legislation which is already passed. This is a program which requires a comprehensive inventory of abandoned and inactive sites. The significance of this is that we know that we are not going to have enough money to clean up all the sites in the country. Therefore, we have to draw priorities, and to do that we have to have a comprehensive inventory undertaken, and therefore we can have the two programs, the inventory prospectively as well as the monies being used to clean up the old sites working in conjunction with each other.

Finally, the bill that is in conference now between the House and the Senate also provides for an authorization for Federal assistance to develop aid to communities with extraordinary circumstances posing extreme risks to public health and to the environment. There are lots of these situations around the country, and we need money to be made available immediately when we uncover some of these programs.

I would just conclude by saying that I think the Administration is to be commended that at a time of obvious fiscal austerity they have made the distinctions between the need to trim and the need to expand. I am convinced that the environmental issue of the 1980s will be our need to deal with hazardous waste disposal. The Administration, commendably, has said that this is their perception of the most important work that EPA is doing, and therefore they have provided for, I think, an appropriate amount of resources to be allocated for EPA for this particular type of program, and would ask the Committee to support the Administration's requests in this area.

I thank the committee for its attention.

[The statement follows:]

STATEMENT OF HON. JAMES J. FLORIO

Good afternoon. I appreciate the opportunity to be here today to discuss a pressing matter now pending before the Congress. I am referring to the resolution of our hazardous waste management and clean-up problems.

As you know, the Interstate and Foreign Commerce Committee has jurisdiction over the Environmental Protection Agency's solid and hazardous wastes programs. This includes the existing program under the Resource Conservation and Recovery Act now in the last stages of reauthorization, as well as the pending hazardous waste clean-up and containment legislation. I would like to take this opportunity to impress upon you the importance of full implementation of the existing program as well as successful enactment of the clean-up and containment initiative under consideration in committee.

Last session, the administration developed a "superfund" proposal which provided for a fund of $1.6 billion comprised partly of federal appropriations and partly of a fee on industry. The administration's proposal addresses clean-up for three types of releases into the environment: oil spills, toxic spills, and the clean-up of inactive and abandoned sites. Our committee's proposal addresses the third category only—abandoned and inactive hazardous waste sites.

In the fiscal year 1981 budget request, the administration requested $250 million for the federal portion of this clean-up fund. I feel that this request is reasonable and justifiable for the task that lies before the agency in launching this greatly needed clean-up program.

Over the last year, our Committee has devoted considerable attention to the scope and severity of the abandoned dumpsite problem. Several studies have been published estimating the probable number of these sites. Industry estimates that approximately 450 sites are potentially dangerous. The EPA estimates the number to be higher for sites which are endangering the public health and the environment. EPA's estimate ranges from 1,000 to 5,000 such sites.

Regardless of which estimate we rely on, one thing is clear. Far too many sites exists and there is far too little assistance currently available to mitigate the dangers they pose.

Last week, my subcommittee took one step toward providing the needed assistance, on April 30th, the subcommittee reported out H.R. 7020, a bill to clean-up and contain these abandoned and uncontrolled hazardous waste sites. The bill provides for a total fund of $600 million over four years with $300 million, or half of the funding, to be provided out of federal funds.

Though this may appear to be a substantial authorization level, it will have a great demand place upon it. For instance, the EPA estimates that containment costs average $3 million per site. Containment activities include field investigation, extensive sampling, engineering planning and design, and alternative analysis to determine the most reasonable approach in terms of cost. However, $3 million is a conservative estimate when one considers that the Love Canal clean-up and containment alone has cost an estimated $30 million to date.

The full Commerce Committee is expected to consider the bill prior to the May 15th authorization deadline. I feel confident that this legislation will receive favorable consideration in committee and that the Congress will move to enact the superfund proposal this year.

Mr. Chairman, as a cosponsor of H.R. 7020, and as a supporter of similar proposals in the past, I know that you are already aware of the importance of the need for such legislation. I urge the members of this committee to provide an appropriation in the amount requested by the administration for support of this critial program.

By providing an appropriation at this critical time for this important program, we will launch the first real effort to resolve the dangerous environmental problems resulting from past dumping practices. However, in order to ensure that our communities will not be plagued long into the future by the dangers posed by improper disposal, we must take steps to strengthen and ensure the full implementation of the harardous waste management program as provided for under the resource conservation and recovery act.

Under this act, the EPA has established a hazardous waste program for the safe "cradle-to-grave" management that should result in the prevention of future disposal disasters. Though long overdue, the agency has promulgated the bulk of its regulations over the past year. Yesterday, the agency promulgated yet another set of these regulations. The implementation of this program will go into full force in 1981.

We are at a crucial time in the success of this program, without the full and rigorous implementation of the Federal and state programs, our efforts to control our hazardous waste problem will fail. Without the full appropriation of the admin-

istration's budget request, full implementation will not be possible. As this program moves into place, it is critical for the Congress to provide adquate resources to the agency to carry out its mandate.

There are four major areas of this program which will require stepped-up support. The first will be to strengthen the status of technical information and state-of-the-art technology for purposes of developing improved waste analysis capability. This activity draws heavily on an expanded research and development program to develop more effective land and incineration disposal technology. Efforts in this area will serve not only to benefit the agency's implementation capability but will expedite the development of alternative technology for use by industry.

The second major area for expansion is increased support to the states. With regulations in place and guidance in hand, the states will require increased availability of resources to turn their plans into effective hazardous waste management programs, the fiscal year 1981 budget request provides for a 50 percent increase in the program which will provide the states with:

Inspection, monitoring and permitting capability.
A manifest system for tracking the transport of wastes.
An active public participation program.
Effective emergency response capability.

A third area for increased implementation will be the permitting aspect of the program. EPA estimates that approximately 30,000 sites will require permits over the next decade. Though this effort will be shared at the federal level, the states will assume a major role in issuing these permits.

The fourth area for increased activity will be enforcement of the manifest system and permitting program requirements. Effective enforcement can only be realized with adequate numbers of well-trained state and federal personnel.

The administration requested a total of $145.4 million for fiscal year 1981 for program implementation and research and development. This represents an increase of approximately 64 percent over fiscal year 1980 appropriations, including supplemental funding. This increase is justifiable on the grounds that the largest part of program implementation lies ahead.

The increase in funds will support not only the activities listed above, but important program initiatives contained in the authorizing legislation which will serve to link the RCRA program with the clean-up initiative.

By this, I am referring to the abandoned and uncontrolled hazardous waste site inventory recommended in the house authorizing legislation. With the conference nearly completed, it appears that this provision will be adopted and subsequently enacted. It is our intention to provide assistance to the states so that they may prepare a comprehensive inventory of abandoned and inactive sites. The committee feels strongly that such an activity carried out under RCRA will provide valuable information for developing statewide priorities for clean-up activities to be carried out under the proposed clean-up and containment legislation once enacted.

And finally, the bill in conference also provides $2.5 million in federal assistance to special communities with extraordinary circumstances posing an extreme risk to public health and environment. It appears that this provision will be included in the final House-Senate conference report.

A strong implementation effort under the RCRA program will ensure that the public is adequately protected from exposure to harmful, uncontrolled hazardous wastes. Futher, vigorous enforcement will go a long way toward providing future generations with an environment that is free of harmful substance that would spoil our limited natural resources.

I urge the committee to uphold the administration's fiscal year 1981 budget requests for both important hazardous waste programs.

Mr. TRAXLER. I thank the gentleman for his appearance before our committee today, and giving us the benefit of his views in this most important and vital area.

Mr. Coughlin, do you have any questions?

Mr. COUGHLIN. Thank you, Mr. Chairman.

I want to join in thanking my very distinguished colleague for the leadership that he has shown in this area and for taking time to come here. The $145 million of which you are speaking, I take it that is just for funding for RCRA?

Mr. FLORIO. That is right, the implementation of the new system which is going into operation.

Mr. COUGHLIN. And that doesn't go at all to H.R. 7020?

Mr. FLORIO. That is correct.

Mr. COUGHLIN. Which you anticipate being passed this year?

Mr. FLORIO. Yes, I do. The Administration has asked for $250 million for that first year, and I think that is appropriate.

Mr. COUGHLIN. That would be in 1981 funding; is that correct?

Mr. FLORIO. That is correct.

Mr. COUGHLIN. Under H.R. 7020?

Mr. FLORIO. Yes.

Mr. COUGHLIN. And that would be funded entirely by——

Mr. FLORIO. No, 7020 is our committee's response to the problem, but 7020 just deals with abandoned hazardous waste sites as opposed to the Administration's proposal which deals with oil spills, chemical spills and abandoned sites.

Mr. COUGHLIN. But is there any Superfund facet of 7020? Is that funded by industry fees as well?

Mr. FLORIO. Fifty-fifty; that is, it is a total of $600 million, $300 million by industry assessments, and $300 million by federal contributions.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Jim, give us some assistance here. I am looking specifically at a provision in the existing law, which under general authorization and general administration of the act, it sets aside not less than 20 percent of the amount appropriated under Subsection A, ". . . shall be used for purposes of resource, recovery and conservation panels which are established under Section 203" and in 203 it says, "The administrator shall provide teams of personnel including federal, state and local employees or contractors" and they are referred to as the resource panels, "to provide federal agencies, states and local governments upon request with technical assistance on solid waste management, resource recovery and resource conservation. The team shall include technical marketing, financial and institutional specialists, and the services of such teams shall be provided without charge to the states and local governments."

Mr. FLORIO. That is right. If I can be of some assistance——

Mr. TRAXLER. Yes, please.

Mr. FLORIO. That really goes to the solid waste as opposed to the hazardous waste components. This is energy recycled materials. My remarks have been directed for the most part to the hazardous waste component of the Resource Conservation Act.

Mr. TRAXLER. I am advised that our staff believes that the authorization covers both of those categories. Twenty percent is a lot of money when you set aside that much for these panels. Can you help us there?

Mr. FLORIO. Yes. I would suggest that your observation is correct. I have tried to focus, and I believe that we have EPA's concurrence, in trying to reassess its priorities. That certainly solid initiatives are very important, but I have seen in EPA, commendably, their willingness to tilt towards hazardous wastes, and it may very well be that we should address within the Authorizing Legislation some modifications to provide for more flexibility in the allocation.

Mr. TRAXLER. If we set aside the 20 percent for the panels, it would seem that that would distract from the thrust of the appro-

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priation itself. I am just concerned that we are not going to be able to do the kind of job that is necessary in a clean-up effort if we are putting 20 percent into talk shows.

Mr. FLORIO. It is my understanding that the proposal from the Administration does do that. It makes the modification so as to allocate these monies towards hazardous wastes.

Mr. TRAXLER. We want to thank you very much, Congressman. We appreciate your views.

Mr. FLORIO. My pleasure. Thank you.

NATIONAL SCIENCE FOUNDATION

WITNESS

DR. RUSSEL C. JONES, DEAN, SCHOOL OF ENGINEERING, UNIVERSITY OF MASSACHUSETTS, REPRESENTING THE AMERICAN SOCIETY OF CIVIL ENGINEERS

Mr. TRAXLER. Our next guest is Dr. Russel C. Jones, Dean of the School of Engineering, University of Massachusetts. He is representing the American Society of Civil Engineers, here to speak on the National Science Foundation.

Dr. JONES. Mr. Chairman, thank you very much for hearing me today. I would hope you would insert my written testimony in the record.

Mr. TRAXLER. We would be pleased to.

Dr. JONES. The American Society of Civil Engineers is an organization of some 80,000 civil engineers in the United States and I am here representing its Technical Council on Research, which is the arm of the Society concerned with research, and therefore am most interested in the National Science Foundation.

Some of the crucial issues facing the country, as one of our previous speakers said, are the economy, particularly productivity, energy, the environment, and in the opinion of many of us these issues can only be addressed by more technology, which is perhaps a strange viewpoint, but I think it is one that is defensible. Clearly, if we are going to have a strong program in basic energy research basic scientific research, we need to have strong support from the National Science Foundation. This has been the primary matter area at universities where a lot of research has been done, that they have come for many years for support.

We have a base of knowledge now. I don't think a base of knowledge is enough to solve the problems that are facing us in energy and the environment and productivity in the foreseeable future.

In the judgment of many people, the United States is losing its position as a leader in technology. We are concerned about the Japanese, the Western Europeans, the Russians overtaking us, and many scientific and engineering organizations believe that during the 1980s they will overtake us and surpass us.

As you perhaps know, government spending on research and development has been decreasing since the 1980s, when it was substantially higher than it is today, and I believe your Committee and the Congress in general has an opportunity if there is to be a

turnaround in the United States to begin catching up on the world scene.

One difficulty in addressing the National Science Foundation is that it combines science and engineering, and many of the statistics which are seen there and many of the budgetary items spread across those two disciplines. If one looks at manpower, for example, one would conclude that there is sufficient scientific manpower currently available coming out the Ph. D. pipelines at our universities and colleges, that is, if you lump engineering and science together.

What one finds in looking at it in a little more detail, however, is that science is turning out more people than can be assimilated into the economy, and engineering is having great difficulty turning out enough. The difficulty of getting enough money into applied research for close-in problems, that is, 5- or 10-year solution, is facing the same way. If you look at the NSF budget, you find that approximately 9 percent is oriented toward applied research and the balance for basic research.

At this point in time, some very pressing problems are close enough in the 5- or 10-year range that it is our judgment that more of the funding should be pushed toward the applied research side.

The Civil Engineering Society retreated last June to Arlie for a 3 day conference trying to look at the future for civil engineering research and what was needed in the zero to 10 year time frame. The variety of topics covered included energy, environmental engineering, construction engineering and management, particularly large-scale projects, geotechnical engineering, land planning, land development, materials, structures, transportation, surveying, and water resources.

In the process of several days and review of position papers, some 182 critical research needs were addressed. This document coming out of the conference almost a year ago now is awaiting NSF action. Our hope would be that this would be the plan for at least the civil engineering portion of NSFs expenditure over the next 5 to 10 years. We think there is a research plan in place for effective utilization of applied research as funds are available for that.

There are two critical issues I would like to address in engineering education, and they are issues on which I think NSF will have a major stake for solution. One of these is that the number of engineers currently being graduated at the Ph. D. level, at least those with U.S. background, is rapidly approaching zero. The *Boston Globe* up in my part of the country in its Sunday edition these days is carrying about 70 pages of help-wanted ads for engineers.

The number of engineers being graduated at the undergraduate level is the highest it has ever been, and it appears it may still be increasing because of this huge market pull. Starting salaries are also extremely good, and that means that very few students are choosing an undergraduate education spending one to four additional years preparing themselves in the field of research and development rather than immediate practice.

Back some two decades ago, I found myself in a similar position. I finished my own engineering undergraduate education and went immediately out to practice, at a very good salary. I found, though,

that national needs intervened. The National Defense Education Act was passed as a response to the Russian Sputnik. As a response to a phone call and quick lunch, I found myself back in graduate school about two weeks after that Act was passed. It has certainly changed the shape of my career, and I think very positively so.

I think what I am trying to indicate is that it may be time for another similar massive infusion of fellowships, traineeships, onto the scene, to try to bring to us the kind of flow of Ph. D. engineers who are going to be our teachers and researchers for the 1980s and 1990s.

At this point many of our engineering classrooms are filled only with people who speak languages other than English, and we are extremely concerned that this will have a serious detrimental effect on the quality of engineering education over the foreseeable future, and also on the quality of research that is being carried out in engineering disciplines.

I would hope that either through the NSF budget or something similar to the National Defense Education Act that the possibility be explored of a very major infusion of dollars into fellowships and traineeships to attract students into engineering education.

To give you some order of magnitude feeling for the problem, my current students graduating with bachelor's degrees are starting with salaries of perhaps $25,000 a year. The traineeships or teaching assistantships or research assistantships that I am able to offer are approximately $5,000 a year. That opportunity cost of $20,000 a year times one to four years is something that very few people are willing to invest at this point. Clearly, a major piece of that is going to have to be subsidized if we are going to attract appropriate high-level people into the Ph. D. pipeline.

I would like to come back to something that Mrs. Boggs mentioned earlier, the critical issue of degradation and obsolescence of laboratory equipment, and again give you a brief case study.

The original NSF budget proposed $14.3 million to improve university research laboratories. That has now been reduced to zero.

At my own institution, the University of Massachusetts, I am currently engaged in a capital fund drive to try to bring my own engineering laboratories up to the 1980 standards. As you probably know, most institutions when they build new buildings equip them very well and that is allowed to deteriorate until the next building is built. The last building in my complex was built 12 years ago. I have had no infusion of money since then, and my institution is very typical of about 50 engineering schools around the country.

The difficulty in trying to appropriate something through the NSF budget is that the dollars are very short. My target, which I will easily raise within a year, is $7 million to refurbish my own laboratories, one school. $14.3 million presumably could help two schools at the order of magnitude of my institution, but it is just too small, and to make it decrease to zero is also a move in the wrong direction.

These twin problems of manpower to do the research, to do the teaching and engineering, and equipment, are extremely crucial at this point in time. It is at the point where we are now risking the degradation of the quality of our graduates.

The equipment that they will have access to in industry is so much better than the equipment that we are able to provide for them that they simply are not well equipped to go out there in industry. The very rapid change in the state of the art, for example, I now carry as much computing power in my pocket as I had available to me in a whole roomful of computers when I was a graduate student. That rapid change in the arts in 20 years is still happening. One of the industries in my area just brought on line a new $60 million plant to do semiconductor fabrication. I asked the vice president of the company in charge how long that plant would be in that configuration before there were radical changes. Three years.

To try to educate students to keep up with that kind of technology—and as I say, the demand is much higher than we are able to currently turn out—is a real challenge to us. I would hope that you in your deliberations would focus on support particularly in these two areas of traineeships or fellowships for people who end up as Ph. D.'s for the 1980s and 1990s, the area of equipment for science and engineering education, and in my judgment more dollars into the applied research end of the spectrum, that is, engineering, trying to improve the balance between engineering and science.

Mr. Chairman, I thank you.

[The statement follows:]

TESTIMONY CONCERNING FY 1981 APPRPRIATION
FOR THE NATIONAL SCIENCE FOUNDATION
BY RUSSEL C. JONES

My name is Russel C. Jones and I am here representing the American Society of Civil Engineers, an organization of approximately 80,000 civil engineers in the United States. I am Chairman of that Society's Technical Council on Research, and speak from that perspective. My major affiliation is as Dean of the School of Engineering at the University of Massachusetts at Amherst.

It is important to recognize that many of the crucial issues facing our Nation today -- energy, the economy, and the environment -- can only be effectively dealt with using sound technological approaches. Short term solutions to these complex problems can be developed with application of available engineering and scientific knowledge and skills. At the same time, however, we must continue a strong and expanded program of basic engineering and science research to provide the base for appropriate longterm solutions. The restoration of our industrial leadership and competitiveness in the world market can only be assured if we have the undergirding of a strong research program. Only with higher industrial productivity and a more competitive position in the world market can we be assured of the job opportunities needed to develop and maintain a strong national economy.

According to an analysis recently issued by the Conference Board, the United States is expected to lose its position as the leader in scientific and technological advances in the world during the 1980's. U.S. advances in science and technology are not expected to keep pace with those in many other major countries. Investment in research and development has declined in the U.S. during the 1970's, while that in other nations, including the Soviet Union, West Germany and Japan has been increased over the same time period. One primary factor is that there has been little or no growth in the pool of U.S. scientific talent in the 1970's. Government spending on research and development has been dropping since the beginning of the 1960's. In the current budgeting process you have the opportunity to begin a turnaround in U.S. spending for research and development.

The Nation's research and development policy traditionally has not recognized the importance of engineering in responding to national issues. The distribution of funds in the National Science Foundation budget typically has emphasized basic science, with too little emphasis on applied research and development. While I would not say that the support provided for basic science is too high, there is no question but that the engineering component is considerably too low. Only 9% of the original National Science Foundation budget presented to the Congress is for applied research, and the budget proposes that applied research grow at a slower rate in FY 1981 than the funding proposed for basic research. The critical issues mentioned earlier, including energy productivity and the environment demand a larger applied research component.

In June 1979, approximately sixty civil engineers elected from government, industry, consulting and academia gathered at Arlie House to define needed civil engineering research in the United States in the next five to ten years. The most critical issues facing society in each of the following ten sub-disciplines of civil engineering were addressed: energy, environmental engineering, construction engineering and management, geotechnical engineering, land planning and development, materials engineering, structural engineering, transportation engineering, surveying and photogrammatry, and water resources engineering. In each of these areas the most important civil engineering research required to provide solutions to the critical problems defined was identified. A total of 182 critical research needs to be addressed over the next five to ten years were so identified and documented. This workshop was sponsored by the National Science Foundation, and the definitive report of applied research needs is intended to guide NSF programs in this area for the next decade. Thus a research plan for effective utilization of applied research investments has been developed.

It is important to recognize that many of the engineering research needs in such areas as energy and the environment are not related to manufacturing or industry, but are public works related. For this reason it is not possible to look to industrial sources for support. This is a primary rationale for increasing the engineering and applied research components of the National Science Foundation budget as I recommend.

There are also crucial issues related to the education of engineers to work in these important applied research and development fields. Over the past decade the number of researchers in U.S. colleges and universities has declined. These researchers generally perform most of the basic research in our Nation. For a clear focus on the manpower trends, science education and engineering education must be treated separately. In engineering education undergraduate enrollments have reached an historic high and may still be growing. Graduate enrollments, particularly of U.S. citizens, are declining dramatically. The production of engineering Ph.D.'s appears to be suffering particularly because the market for engineers at the bachelor's and master's levels is so strong that few students are electing to continue with advanced graduate education. At this same time there is a substantially increased industrial demand for engineering Ph.D.'s thus exacerbating the problem of obtaining an adequate flow of talent into academic positions. Because the need for highly qualified engineering educators and researchers is expected to remain high for the foreseeable future, it is imperative that mechanisms be developed to attract appropriate engineering students into Ph.D. programs. There is an immediate need for the institution of a program of substantial multi-year fellowships funded at a level competitive with industrial positions to refill the engineering Ph.D. pipeline so that faculty members and researchers will be available over the decades ahead. The crisis in engineering manpower with advanced degrees is reaching the proportions which led the Congress to enact the National Defense Education Act two decades ago, and I recommend that serious consideration be given to the establishment of a similar fellowship program through the NSF budget or other appropriate mechanism at this point in time.

A second crucial issue in engineering education and research conducted at universities is the serious degradation and obsolescence of laboratory equipment and facilities. At a time when the state-of-the-art of equipment for engineering education and research is moving at a rapid pace, funding sources have diminished substantially. Deferred maintenance on facilities and technological advancement leading to obsolescence of previously obtained equipment has escalated the problem to near crisis proportions at most engineering schools. The original NSF budget proposed $14.3 million to improve university research laboratories. My own School of Engineering at the University of Massachusetts is currently engaged in an effort to raise approximately half that amount to upgrade the facilities and equipment we are currently working with, so it is apparent that this order of magnitude of funding for equipment is much less than that needed to make a meaningful amount of progress in the more than one hundred major institutions providing engineering education today. If our engineering school graduates have not used up-to-date equipment during their education they cannot be as productive as desirable when they reach industrial or research positions. Thus it is critical that the NSF budget and other appropriate federal mechanisms provide substantially increased funding for equipment and facilities at educational institutions.

Finally, there needs to be greater recognition of engineering on the National Science Board and in responsible administrative positions within the National Science Foundation in order that priorities keyed to solution of our Nation's problems can be properly set. NSF must be mandated to support engineering research as a responsibility co-equal to its support of basic science research. Recent changes are steps in the right direction but additional steps such as reorganization of the National Science Board and further strengthening of the engineering and applied science directorate should also be taken. It may be timely to even consider the establishment of a national engineering foundation parallel with NSF at this time.

In summary, I have tried to indicate that many of the crucial issues facing our Nation today require sound technological approaches to be dealt with effectively. To assure a flow of sound technology for current and future national needs, federal support through the National Science Foundation appropriation must be increased in several key areas: the applied research component, support for the engineering programs of the Foundation, fellowships to attract capable students into the engineering Ph.D. pipeline, and equipment support to upgrade the educational and research facilities of our engineering schools. Your positive response to these needs will be greatly appreciated.

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Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Thank you.

I think that the connection between engineering and biomedical sciences is something that all of us have to look to most seriously, and I am very grateful for your testimony. Thank you.

Mr. TRAXLER. Mr. Coughlin?

Mr. COUGHLIN. No questions, thank you, Mr. Chairman.

A very good statement.

Mr. TRAXLER. Thank you very much.

Dr. Jones may I simply say the American Society of Civil Engineers stands ready to answer any questions if they develop later.

Mr. TRAXLER. We appreciate that.

Dr. JONES. Thank you.

NATIONAL SCIENCE FOUNDATION

WITNESS

ARTHUR C. GENTILE, EXECUTIVE DIRECTOR, AMERICAN INSTITUTE OF BIOLOGICAL SCIENCES

Mr. TRAXLER. Mr. Arthur Gentile, Executive Director of the American Institute of Biological Sciences, will address himself to the National Science Foundation budget.

Please proceed with your statement.

Mr. GENTILE. Thank you for the privilege of appearing before this Committee. My name is Arthur Gentile, the Executive Director of the American Institute of Biological Sciences. The Institute represents 452 professional scientific societies whose members represent all of the major divisions of biology. I believe the views I shall express today are shared by the vast majority of my colleagues.

As an American, I am not unmindful of the economic and social consequences of uncontrolled inflation and the need to exercise budgetary restraint as one means of combating the inflation psychology. I am also aware of the many financial demands made upon the Federal government.

But as a biological scientist, I feel compelled to urge increased support for basic research at this time because I am excited about the prospects for new and important discoveries in biology in this decade. I am convinced that in the 1980s we can achieve greater understanding of the innermost workings of living organisms than we have in any other decade in the history of scientific research. Unfortunately, I do not see in the Administration's budget the determination to support this promising research adequately.

Perhaps biology is being shortchanged because some people think that biology cannot match the remarkable advances of the 1970s, when biologists learned to manipulate the genes of bacteria to produce new organisms with new characteristics. Recombinant DNA—once the cutting edge of basic biological research funded with federal dollars—has become the basis for one of our fastest growing industries. Some four new corporations—at least four as far as I know; there may be more—as well as some well-established

ones—are perfecting techniques for producing bacteria to manufacture insulin and growth hormones.

The large pharmaceutical houses are racing to discover methods for applying recombinant DNA techniques for the mass production of a new chemical substance derived from living cells, interferon, which shows promise as an anti-cancer drug. In view of the track record of the past decade, it seems to me that wisdom should tell us to continue to nourish biological research on the expectation that more good things lie ahead.

Let me tell you about a few extremely provocative studies that NSF is now funding that may bring us as many startling discoveries in the 1980s. I predict that if we maintain an adequate level of support now, the value of our return will far outweigh the investment in 1980 dollars.

One of the hottest areas in bioligical research today is brain chemistry. A new discipline—neurobiology—has emerged to identify, locate, and determine the effects of a class of proteins called peptides. These substances, secreted by the brain, are involved in transmitting impulses from one nerve cell to the next. One group of peptides—the enkephalins—are known to act as natural pain killers. Others appear to be associated with drug addiction and mental disorders. If enkephalins and other peptides can be synthesized and mass produced, their value in the treatment of human illness is incalculable.

The logical place to start learning about peptides would appear to be the human brain—an intricate and delicate collection of about 50 billion cells. But scientists have discovered that the relatively elementary nervous systems of lower forms of animals are surprisingly similar to the human nervous system. The major difference is that, as one descends through the animal kingdom, the number of cells comprising the brain become fewer and individual cells become larger. Such lowly creatures as slugs, snails, leeches, and sea hares have simple brains composed of large cells. These are now the models for brain hormone research.

Using these models, neuroscientists follow the movement of the peptides from one nerve cell to another to learn how they work. Studies of these lower life forms then lead to research in more complex animals and eventually in man. In supporting research to develop cheaper, faster, and simpler ways to study brain hormones, NSF is supplementing research supported by biomedical agencies to bring these promising new drugs to clinical application.

Ten years after the first Earth Day we are learning that our environmental problems are much more complex and challenging than we thought they were when Congress passed the National Environmental Policy Act. We now know that pollutants travel hundreds of miles through the atmosphere, combine with rain to form nitric and sulfuric acids, then fall or seep into lakes and kill fish. We are told that the build-up of carbon dioxide from the burning of fossil fuels may warm our climate over the next century. Others tell us that the mounting concentration of particulates in the air will filter out sunlight and eventually cause a cooling of our climate. How does a nation come to grips with such overwhelming problems? The answer is that we use many scientists in

many disciplines to gather information, bit by bit, and we piece this information together like a jigsaw puzzle.

The environmental biology program at NSF is an important part of the data-collecting chain. For some 13 years NSF has funded a comprehensive study of the ecosystem of Hubbard Brook in the White Mountains of New Hampshire. The first purpose was simply to learn more about an ecosystem—the recycling of nutrients, the balance of energy. During the course of this broad study, it became obvious that acid was entering the stream and causing severe damage. The Hubbard Brook studies have become the classic textbook for our knowledge of acid rain. Work continues at Hubbard Brook, and with each new piece of knowledge the direction of the studies is likely to change.

But our knowledge of acid rain cannot be complete from one project—even such a comprehensive one as Hubbard Brook. Other scientists are studying the movement of nitrogen into the atmospohere. There is evidence that much more nitrogen moves from the soil into the atmosphere than we had first supposed. If current research supports this hypothesis, it may suggest that we look more closely at the impact of current agricultural practices that depend heavily on nitrogen fertilizers.

The global carbon problem is even more complex than acid rain. It is widely acknowledged that the burning of fossil fuels introduced carbon into the atmosphere. However, deforestation also adds carbon, and reforestation removes carbon. Should we strive for a balance? Will the rapid destruction of tropical forests affect the Northern Hemisphere's climate? NSF is supporting two teams of ecologists building models of the carbon cycle with the expectation that this will give guidance to further research on how the world can balance its atmospheric carbon.

Is the earth of the future to be warmer or cooler? Theorists are still arguing both trends. Whichever way it goes, policy decisions will have to be made, and these should be based on the best knowledge available. NSF-supported biologists are simulating both conditions in laboratories to anticipate what may happen to growing things when the climate gets hotter or cooler.

Food production is a continuing international concern. It may come as a surprise to some that the National Science Foundation is also involved in research to complement the research done by our agricultural sciences establishment. Molecular biologists, supported by the NSF, are using recombinant DNA techniques in an effort to produce plants with greater nutritional value and inherent resistance to disease and other stresses.

Another research project related to crop production focuses on the ancestor of modern corn—a cereal grass known as teosinte. Discovered growing in Mexico, teosinte has two qualities modern corn lacks: It is a perennial and it grows in the mountains. Researchers now are looking into the possibility that teosinte can provide genetic stock to develop a corn variety that does not have to be planted every year and that will grow on marginal, hilly land.

The point I am trying to make with these few illustrations is that biology did not exhaust its vigor in the decade of the 1970s. It is alive and well and continuing to uncover new knowledge that

the world desperately needs. However, biology cannot fulfill its potential if an inflation-adjusted, stable level of support is not maintained. The Administration's budget for the Biological, Behavioral, and Social Sciences Directorate requests $177.9 million—a 6.8 percent increase over 1980. With inflation currently running at 18 percent, it is apparent that research support will shrink with that budget. Many promising studies will have to be put aside indefinitely.

I believe I have given you a chart which I refer to very briefly which shows the number of awards by directorate in 1979, the estimate for 1980, and the estimate for 1981 using both the January and March budgets from the Executive Office.

In the environmental biology program, the President's March budget asked for $39,800,000 for next year. This is only 5.5 percent above this year's funding level. With the current rate of inflation, NSF-supported research on the environment will shrink by about 13 percent. Will the basic understanding of how nitrogen moves into the atmosphere be available in time to counteract the effects of acid rain? Will we be ready with the information on which to base national policy options when it becomes clear whether the earth is moving into a warming or cooling period?

Physiology, cellular, and molecular biology have fared somewhat better in the Administration's budget. However, with $73 million—an increase of 8.7—this activity will also lose ground. The number of grants funded in some of the very important areas I have discussed will fall below this year's total. When this happens, the burden usually falls on the young scientist seeking his or her first grant; the established scientist survives the lean unfunded years. The danger of failing to maintain stable support in any discipline is that the young Ph. D.'s unable to initiate their research, will drift into other creative endeavors, perhaps never to return to the laboratory.

I have touched upon only some of the areas of research which deserve maximum support. There are others, but those which I have mentioned promise to provide us ultimately with solutions to serious problems in human health and welfare. Obviously, I have selected basic research projects which show real promise of providing benefits to the public. We should not forget, however, that basic research, by its very nature, cannot always be defended in terms of future benefits. Studies which at this moment do not appear to be useful may become some of the examples that I can site before this committee next year.

I would like to submit a chart for the record indicating the number of grants by activity in the Biological, Behavioral, and Social Sciences area.

[The information follows:]

Number of Grants by Activity

Biological, Behavioral, and Social Sciences

Activity	1979	1980 (est.)	Jan. 1981 (est.)	Mar. 1981 (est.)
Physiology, Cellular & Molecular Biology	1,344	1,305	1,270	1,241
Behavioral & Neural Sciences	783	753	740	722
Social & Economic Sciences	460	480	500	489
Environmental Biology	685	695	715	699
TOTAL	3,272	3,233	3,225	3,151

Mr. TRAXLER. We will be pleased to welcome you back next year.

Mrs. Boggs?

Mrs. BOGGS. I just want to thank you very much for your excellent testimony, and I am very pleased that you have broken it down into some specific examples, which are always very good for us to use in logical explanations to our constituents of funding for scientific programs.

Thank you very much.

Mr. TRAXLER. Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

As always, your testimony was very stimulating.

One question, the American Institute of Biological Sciences is what exactly?

Mr. GENTILE. It is an umbrella organization which is composed of individual scientific, professional and scientific societies which represent very narrow disciplines, most of them, and ours is sort of an umbrella organization.

Mr. COUGHLIN. How is it funded?

Mr. GENTILE. Two ways, by individual members who subscribe to our journal. We publish a journal called Bio-Science, and each member society contributes each year. There is a formula, and they support us on the basis of the size of their organization.

Mr. COUGHLIN. Entirely privately funded?

Mr. GENTILE. Yes, sir.

Mr. COUGHLIN. A great deal of biological research is done privately. Do you have any suggestion as to what you could do to increase the private sector biological research?

Mr. GENTILE. Well, I guess there are two types of private research. A great deal of it is done in medical schools, and this is done largely I think on the basis of individual contributions for people who have a, how shall I put it, a real concern for a particular ailment, to be very honest, usually coming because someone in their family has suffered or perhaps died from it.

Many of the gifts to the large medical research centers come from this source.

Of course, there is a great deal of private work going on in the drug industry and related industries and here, I think, you can depend on private industry to do this, once it has reached the point where it appears that there is a way to market a product.

I think many of these things that I refer to today, either they are at that stage or will be at that stage very shortly.

I was reading just coming up here on the subway today that this drug interferon, the company seems to think that that has great progress, and is looking very hard at it.

Mrs. BOGGS. I had written down over there interferon, and then you referred to it. I had a very interesting experience this past weekend with the Cancer Institute group in New Orleans, and with families of cancer patients who have an organization of support organizations.

Apparently, the possibility of being able to chemically reproduce something that now, as I understand it, is made of the white corpuscles that are discarded in the blood transfusion situation.

It is really very near being discovered and interferon made from the white corpuscles has proved to be enormously successful in various types of cancer without any really bad side effects.

Mr. GENTILE. The National Institutes of Health has just let a contract to a firm right here in McLean that is going to produce interferon; they are going to use cultured skin cells because the supply of blood is very limited, hard to come by.

They have a technique for using skin cells and this material that they produce will be used exclusively for clinical tests on cancer by the National Institutes of Health.

Mr. COUGHLIN. Should we encourage more private participation the basic research?

Mr. GENTILE. I don't know that I can come up with a simple solution. As we show people, a lot of the basic research is going to pay off, that you are going to get more private research done, I think there are two types.

Bascially, there is the philanthropic type of support for any kind of research. People just give money because they want to give it to research and then there is the kind where there has to be a payoff.

I think particularly in the private sector, I don't think we really have to worry too much about that. We see these things coming down the pike. There will be people working on them if they see prospects for producing a drug or something of that sort that is useful.

I am not belittling that. I think that is their role.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Can I use teosinte in one of my agricultural speeches? Is it too early to tell?

Mr. GENTILE. I wouldn't push that too hard.

Mr. TRAXLER. Thank you very much.

VETERANS' ADMINISTRATION

WITNESS

JEAN IRWIN, CONSUMER MEMBER, CHESTER COUNTY SUB-AREA COUNCIL, HEALTH SYSTEMS AGENCY OF SOUTHEASTERN PENNSYLVANIA

Mr. TRAXLER. We are pleased to welcome Mrs. Jean Irwin representing the Sub-Area Council of the Health Systems Agency of Southeast Pennsylvania.

She is here to talk to us about the Veterans' Administration.

Welcome, you may proceed with your statement.

Mrs. IRWIN. I would like to ask you if you would make part of the record the 250, more or less, names of citizens from Chester County that I sent to you prior to this hearing who support what I am saying here today.

Mr. TRAXLER. Okay; we may have a mechanical problem.

We will do it if at all possible.

Mrs. IRWIN. Okay. I would appreciate it because it was no small task.

Mr. TRAXLER. We can place them in the Committee files. It is a question of how much it will cost us to reproduce that complete list. It will be available to the public.

Mrs. IRWIN. We folks back home feel that this is the way our government should work, and we very much appreciate it, so I will begin my testimony.

My purpose in testifying here today is to urge you to refuse to appropriate $8.5 million which has been requested by the Veterans' Administration to build a 120-bed nursing home on the property of the Coatesville Veterans Medical Center, Coatesville, Pennsylvania in Chester County.

The exorbitant construction cost of this proposed facility, $65,000 per bed, is $43,000 higher than the $22,000 ceiling placed upon the construction of nursing homes in the private sector by the Department of Welfare.

As a consumer member of the Chester County SAC of the HSA/SP, I represent approximately 5,000 consumer members of the HSA/SP from Chester County.

We are worried about the extremely high cost of health care and we are deeply concerned about the double-digit inflation which is due in great part to our government spending for many years more money than we are able to provide.

The day of reckoning is at hand. The Federal budget must be cut and any and all unnecessary spending must be stopped. This is what we hear and this is what we ready every day. It is also something with which we are very familiar in our daily lives as we make alternative choices in order to stretch our pay checks to try just to provide the necessities of life for our families.

We would like to present an alternative for your consideration in the matter before you today.

In his Inaugural Address, I remember well that President Kennedy admonished us: "Ask not what our country can do for you; ask what you can do for your country."

In Chester County we have many fine, well managed, well equipped nursing homes which provide quality care to many members of our families and our friends. Some of these homes at this very moment are caring for veterans placed there under contract by our Coatesville VA Hospital.

According to the latest figures, the HSA projects an excess of over 400 skilled and intermediate care nursing home beds in Chester County by the year 1983. Certainly, this is more than an adequate number to care for the general population and the veterans. However, if more are needed, they can be provided.

I also submit to you that if we are permitted to care for our veterans in private nursing homes, proprietary and nonprofit, the ongoing costs of operation would be far less than in a government operated institution.

Private enteprise is the backbone of our economy but at every turn we see our government getting into the marketplace. This incursion is discouraging to private enterprise and, even worse, our taxes are being used against us in many instances.

There is healthy competition among our nursing homes which motivates them to upgrade and improve both their facilities and their services. Costs can be also controlled much more effectively when there is competition.

Now, we understand that the Davis Bacon Act, legislation which was instituted during the depression years of 1928 and 1929 is the

cause of the high cost of government construction. We also know that every effort to repeal this outdated piece of legislation has met with defeat in the House of Representatives.

It is shameful that at the same time the Federal government requires HSA's to evaluate every project on the basis of cost, a $22,000 per bed maximum, that same government refuses to abide by its own guidelines and, indeed, appears to be saying to the taxpayers of this Nation, "The sky is the limit when it's your money we are spending."

The simple truth is, we cannot afford to build a nursing home which costs $65,000 a bed. We build our nursing homes safe and efficient within the $22,000 ceiling and we expect our government to do the same.

Therefore, we respectfully request that you deny the appropriation of these funds, thereby demonstrating your faith in the ability of the HSA/SP to efficiently plan and provide for the nursing home beds needed by all of the people in our area, including the veterans who deserve and will receive the best we can give.

Thank you for the opportunity to testify here today.

Mr. TRAXLER. Well, thank you for coming to Washington with this statement.

Mrs. Boggs?

Mrs. BOGGS. Thank you too for the devoted work that the members of the Board of the HSA of Southeast Pennsylvania render.

I had a meeting with the Board members in my area, because they are concerned about the cuts in the budget.

Mrs. IRWIN. I know that is a problem, but we are concerned about our planning.

We would like to have the confidence that we can handle it.

Mrs. BOGGS. Is there any other place where a nursing home could be constructed under proprietary and private auspices at $22,000 a bed for all the veterans who would be going to the one that would be built, or where Veteran Administration grounds could be taken care of?

Mrs. IRWIN. Absolutely. There is plenty of property. We turn down applications for nursing homes all the time, because we don't want to be overbedded, you see.

That is the effective plan of HSA, and absolutely; I mean, if we need extra nursing home beds for veterans we can provide them in the private sector, and we have an example which will be given to you by the next witness, that six of our most recent approvals have built nursing homes for less than $22,000.

They came in under the $22,000 limit, and they met all state specifications, all safety codes. They are beautiful. They are well run. The environment that they put them in is as important really as the care almost, a beautiful environment around a nursing home like that. That is very important.

We have plenty of room for those.

Mrs. BOGGS. You say you already have veterans who are in some of those?

Mrs. IRWIN. We have 143 veterans now under contract to private nursing homes in Chester County.

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Mrs. BOGGS. Mr. Chairman, as a point of information, when we contract out from the Veterans' Administration, to give care to veterans in nursing homes that are not veterans' nursing homes, does the government assume it costs us more than if we take care of them within a Veterans' Administration nursing home?

Mr. TRAXLER. Cost more in the private sector?

Mrs. BOGGS. Yes.

Mr. TRAXLER. I don't think that is the case. I think the per bed cost is higher in the veterans.

Mrs. IRWIN. It is; in fact four times higher.

Mr. TRAXLER. I think it is about double, not four.

Mrs. IRWIN. Thirty-eight a day is the going rate for intermediate now in the private sector.

Mr. TRAXLER. I am looking at——

Mrs. IRWIN. One-hundred forty dollars is the rate for daily care in a hospital.

Mr. TRAXLER. I am looking at the justification for the 120-bed nursing home care facility at Coatesville that the VA submitted to us. Presently there are 15 nursing home care beds at Coatesville. In Medical District No. 4, which Coatesville is part of, VA has 380 nursing home care beds and 120 are funded for construction at Wilkes Barre, Pennsylvania.

These 500 beds represent 52 percent of the district's estimated need for nursing home care beds through 1978.

The additional 70 beds at Coatesville increase in percentage to 60 percent. That is the information that they provided us.

Mrs. IRWIN. You see, they plan as the Act allows them to separately from the Health Systems Agency. That presents a problem to us.

Mr. TRAXLER. I guess it comes down to the philosophy really of whether we are going to integrate the veteran within the General Health Care Program, or whether the veteran is going to have a separate medical program.

Mrs. IRWIN. I live within a mile of that Coatesville facility, and within two miles of a privately owned facility which has five contract veterans, and I tell you, the private home is the best. If I had a veteran and my husband is a veteran of World War II, I would put him in it, because they get to meet the general cross-section of people that come in there and it is just so much better.

Their attitude, their everything, even their appearance is better.

Mr. TRAXLER. Well, unless the law has changed the decision on the part of the Congress is and has been historically that we will have separate facilities for veterans.

Mrs. IRWIN. I understand, but I think when we are almost $850 billion in debt, maybe we might have to take some drastic steps and make some changes.

Mr. TRAXLER. I don't want to tell you that everything that the government does is efficient, because that wouldn't be the case. But in connection with that $850 billion, please count off against it the assets that this Nation has.

Mrs. IRWIN. Absolutely.

Mr. TRAXLER. Our Post Office is worth something, that building, and the Federal lands in Alaska are worth something also and our national parks.

Mrs. IRWIN. If you have a chance to cut, here is a place you could cut where we could do our part and that is what we would like.

Mr. TRAXLER. I am sure Disney World would pay us a billion dollars for Yellowstone National Park, if we want to sell our assets and pay our debts off.

Mr. COUGHLIN. I wanted to join in welcoming my neighbor from neighboring Chester County, and say it is nice to have someone before us who wants less rather than more money.

Mrs. IRWIN. I thought that was kind of unique myself.

Mr. TRAXLER. You sort of get the medal for the year.

Mrs. BOGGS. There is one thing for sure, you can't cut the salaries of the Board because they are already a goose egg.

Mr. COUGHLIN. Have you communicated your concern to Representative Schulze?

Mrs. IRWIN Representative Walker is my Congressman. I have very strongly represented my views to him.

Mr. COUGHLIN. Are your views the official position of the HSA?

Mrs. IRWIN. I am going to let the next witness testify, Mrs. Fry, who is chairman of our Sub-area Council, but the HSA, yes, does oppose this based on cost.

That is my main concern too.

Mr. TRAXLER. Well, let me ask you this question: Do you think the HSA would support the project if the bed costs were the same as the limitations placed upon the private nursing homes?

Mrs. IRWIN. Well, I think they would. It would have been more palatable, let's say, but when you think of how the individual taxpayer looks at things and knows that while we can build fine nursing homes for $22,000 and our government comes along and wants to build one for $65,000, three times more per bed, with our money, where in the private sector they are built with $22,000 and we ask for the difference.

I wrote and asked Mr. Max Cleland; he wrote back and said a lot of things like nurse cost systems, paging system, air-conditioning, things that private nursing homes don't have; I don't know where he comes from, but I tell you that a private nursing home that doesn't have every one of those things I just said to you would not be allowed to operate.

So our private nursing homes have every bit as many facilities and more volunteer help, just a better atmosphere all together.

Mr. TRAXLER. Thank you very much, Mrs. Irwin.

Mrs. IRWIN. You are welcome, and thank you, sir.

VETERANS' ADMINISTRATION

WITNESSES

NANCY FRY, CHAIRMAN, CHESTER COUNTY ADVISORY COUNCIL OF THE HEALTH SYSTEMS AGENCY OF SOUTHEASTERN, PENNSYLVANIA

MARILYN NORBOM, FIELD SERVICES REPRESENTATIVE

Mr. TRAXLER. We will hear next from Ms. Nancy Fry, representing the Chester County Advisory Council of the Health Systems Agency of Southeastern, Pennsylvania.

Ms. FRY. Chairman Traxler, I have asked Marilyn Norbom, our Field Services Representative, to accompany me, if there are any technical questions that I am unable to answer as a volunteer.

Mr. TRAXLER. We will make your statement a part of the record, and you may proceed.

Ms. FRY. My name is Nancy Fry.

I serve as the Chairman of the Chester County Advisory Council of the Health Systems Agency of Southeastern Pennsylvania, and am a member of the Exceptions Review Committee.

On behalf of Chester County Advisory Council of the Health Systems Agency of Southeastern Pennsylvania, I thank you for the opportunity to address you this afternoon.

The Advisory Council, together with the Health Systems Agency, is composed of people elected by their constituencies to represent the area; physicians, nurses, other health professionals, health administrators, labor union representatives and consumers of health care comprise the advisory council and other boards.

We oppose the construction of the proposed new Veterans' Administration Medical Center Nursing Home Care Facility of 120 beds. By government mandate our agency is committed to encourage quality care and cost effectiveness.

The Board of Directors of the Health Systems Agency of Southeastern Pennsylvania on June 27, 1979 voted to oppose the Coatesville Veterans Administration Medical Center's skilled nursing home. This resolution in oppostion to the proposed new facility states the following objections:

1. The project does not meet the health service needs of the community.

2. The project cannot be adequately staffed and operated.

3. The project is not economically feasible without assurances that it will not result in "unreasonable" patient charges.

4. The project will not reduce costs through increased efficiency and/or productivity. It will not prompt improvement, assure quality patient care and cost-effectiveness, and provide a mechanism for follow-up by the Health Systems Agency of Southeastern Pennsylvania.

Let me discuss these objections with you:

Objection number one: The project does not meet the health service needs of the community. According to the Health Systems Agency, by 1983, there will be 465 excess beds in Chester County, Pennsylvania. If the veterans that the VA nursing home proposes to serve come predominantly from Chester County, then according to the best estimates unneeded beds will be built, to be filled only at the cost of existing facilities in the County.

The existing facilities are sufficient to meet the needs of the local community. And if the nursing home proposes to serve veterans from the entire South Eastern Pennsylvania, Delaware and Camden, New Jersey area, additional problems arise.

Most people choosing a nursing home for themselves or for a member of their family stress the desirability of closeness to their homes and families. A familiar neighborhood and accessibility to family visits are prime considerations. A nursing home to serve the whole Delaware region would not meet these standards. Philadelphia and Wilmington are one hour by car; Camden is further still.

The proposed facility is too far from population centers to be a convenient regional facility.

Objection number two: The project cannot be adequately staffed and operated. The construction costs for the nursing home are excessive. At $7.8 million the proposed new facility is three times as costly as six 120-bed facilities which were recently approved for construction in the region.

These already approved nursing homes together with the costs and square footage are as follows:

Neshaminy Manor Nursing Home, Doylestown, Bucks County, $1,795,855, 29,500 square feet;

Regina Nursing Home, Norristown, Montgomery County, $2,640,000, 59,040 square feet;

Langhorne Gardens, Langhorne, Bucks County, $2,365,000, 55,000 square feet;

Philadelphia Presbyterian Homes, Inc., Wayne, Delaware County, $3,650,000, 60,000 square feet;

Park Pleasant Nursing Home, Philadelphia, Philadelphia County, $2,684,000, 46,200 square feet;

Green Acres Home for Convalescents, Springfield Township, Montgomery County, $2,378,961, 41,880 square feet.

The average cost per bed at these nursing homes is $21,547.

The VA Nursing Home Care Facility at $7,800,000 and 57,500 square feet.

The proposed new facility $65,000 per bed development cost for the contemplated project is $43,453 more than the average per bed cost of the above named "private sector" nursing homes, and $43,000 above the Department of Welfare ceiling of $22,000 per bed.

We do not believe this tremendous expenditure can be justified. We are concerned that in order to keep per diem costs down, the nursing home will be forced to cut the staff budget or operations budget.

We are also concerned that additional subsidies will be necessary to maintain the financial viability of the proposed new facility. Excessively high patient charges will have to be resorted to.

Objection number three: The project is not economically feasible without assurances that it will not result in unreasonable patient charges. We are concerned that not only will the excessive cost of the initial construction compel high operating costs; but that the size of the proposed new facility will also compel excessive operating expenses, resulting in prohibitively high patient charges or additional government subsidies.

To deplete the economic resources of the veteran or his family or compel additional government subsidies for the dubious satisfaction of placing the veteran in an excessively large and costly facility is not reasonable or prudent.

Objective number four: The project will not reduce costs through increased efficiency and/or productivity. It will not promote improvement, assure quality patient care and cost-effectiveness, and provide a mechanism for follow-up by the Health Systems Agency of Southeastern Pennsylvania.

The isolation of an older person or a disabled person from the larger community is a policy diametrically opposed to quality patient care. The grounds of the V.A. Medical Center in Coatesville,

though beautiful, are cut off from shopping centers and restaurants, theaters and other cultural activities. In winter the hilly roads to the VA Medical Center can be treacherous. Such a location would not encourage the independence of nursing home residents but rather create a sense of isolation and dependence.

Both the size, there are 10,909 patients in residence——

Mr. TRAXLER. Excuse me; that is not a typo? There are actually 10,000?

Ms. FRY. I called and verified this with a Mr. Low Washington, Wednesday, and the nature of the Coatesville Veterans' Administration Medical Center, specializing in psychiatric and drug-related illnesses, contributes to an atmosphere of estrangement between its resident veterans and the surrounding community.

This atmosphere of estrangement would further cut off nursing home residents from their community.

I envision instead the commitment of American citizens and the Veterans' Administration to the careful placement of veterans in need of skilled nursing care into facilities in the private sector, close to the veterans' families, friends and communities.

I suggest that the VA with the expertise at its disposal, track these veterans, study the methods of rehabilitation utilized in their care, and augment our country's knowledge of geriatric care through the comparisons possible.

As American citizens face our uncertain future we must remember and honor our past, its leaders, its veterans. Let us do so by assuring the availability of quality care in a variety of settings in the private sector with all the variety that different sponsoring organizations can assure.

In this way, the veteran can and will receive the best available treatment at a price his country can afford.

Thank you, Mr. Chairman.

Mr. TRAXLER. Thank you.

Ms. FRY. I had been under the impression that it was closer to 4,000; and when he said 10,900 I was quite surprised.

Mr. TRAXLER. That would be the biggest hospital in the country.

Ms. FRY. It is quite large.

Mr. TRAXLER. We will get you the figure.

You are asking this Committee to change a national determination that has been made by the Congress.

Ms. FRY. I understand.

Mr. TRAXLER. First, I am pleased you are here, and we think citizens ought to avail themselves of their constitutional right to petition the Congress.

Ms. FRY. Thank you.

Mr. TRAXLER. We want at the same time to tell you that, and I speak for myself and my colleagues, I am sure will address this point, the question of these decisions normally comes through what we refer to as the authorizing legislation.

Our determinations in areas of specific instances, whether or not a project that complies with the authorizing legislation, ought to be funded or not funded, usually is done on the basis of certain priorities that the VA has, and in this particular category that you are interested in, categories of priorities that the VA has, and it is referred to this Committee on that basis, and we make a determi-

nation how much money is available and which in that prioritized listing, where the cut-off line is.

The determination that we would have a medical facility program within the Veterans' Administration was made many, many years ago.

This Committee does not legislate. We only appropriate. In the event we were to agree with you we would really be saying that we disagree with the law of the United States, and that we would be saying that in those instances the Subcommittee would look into the private sector to determine whether or not there were adequate facilities available for the veterans.

I assume if there were, they would say we would not construct any veterans facilities in these areas. That is a rather monumental task for us to undertake.

The policy decision has already been made by the Congress. If that policy is to be changed, I would ask you to go to the appropriate committee that handles that, and that would be, I assume, the Veterans' Committee.

Mr. COUGHLIN. I am a little constrained in this, because we either appropriate it or not appropriate it.

I am not sure the authorizing committee authorizes specific hospitals.

Mr. TRAXLER. I don't know how this got in the budget.

I guess what I am saying is that in these matters where the question goes to the very philosophy of the VA Medical System, then I guess, what I am saying is if we say yes in this instance or say no in this instance haven't we, therefore, challenged the whole VA medical structure, and wouldn't the door be opened to every community to come in and say we don't need a VA facility, that it can all be handled in the private sector?

Mr. COUGHLIN. Saying it could be handled in the private sector versus the public sector is another thing, but we certainly have refused a recommendation of the Veterans' Administration for a particular project.

Mr. TRAXLER. Oh, yes.

Ms. FRY. I am glad to hear that.

Mr. TRAXLER. But never on these grounds that I can recall.

Mrs. Boggs?

Mrs. BOGGS. I did wish very much to thank you, and that is one of my concerns.

Also, it seems that we have heard in previous testimony that the veterans' community is growing older, and there will be more and more need for nursing home facilities and perhaps half-way houses, and less for Medicare hospitals. Thus, we have been urged to construct nursing homes.

I do understand the need in that direction, because some hospitals are so overcrowded that many veterans who have no other kind of hospitalization because they have always known they could go to a Veterans' hospital are inadequately covered for their medical care. So we need to relieve the hospitals of the kind of care nursing homes could provide.

This is, of course, one of the reasons for Veterans' Administration going into the nursing home business.

I do know that your organization, and particularly the volunteer board, and the expert staff that you gathered, is dedicated to the consumer and cutting down the costs of health care for the consumer which is something all of us are devoted to, because we recognize that something has to be done. And so we do appreciate your interest in saving Federal dollars in this regard.

We thank you for being with us.

Ms. FRY. I thank you for your comments.

Mr. COUGHLIN. Can I ask a couple of questions?

Mr. TRAXLER. Sure.

Mr. COUGHLIN. One is a question I asked earlier, yours is the official position of the Chester County Advisory Council of the HSA of Southeastern Pennsylvania.

Ms. FRY. The points I read come from a letter written by the Director of the Health Systems Agency of Southeastern Pennsylvania denying the response.

Mr. COUGHLIN. This represents not only the position of the Chester County Advisory Council but the position of the Health Systems Agency of the District of Southeastern Pennsylvania on the parent organization?

Ms. FRY. Yes, sir.

Mr. TRAXLER. We pulled out some information from the VA.

In the Coatesville facility, it has an average operating bed of 1,392.

Ms. FRY. Oh, 13; that is much more reasonable.

Mr. TRAXLER. I think so.

Ms. FRY. I am glad to hear that.

Mr. SABO. Mr. Chairman, did the VA go through the Certificate of Need process for this proposed nursing home?

Ms. FRY. The Health System Agency reviewed it under an A-95(a) review.

Mr. SABO. Okay; go ahead.

Ms. FRY. The only thing that was necessary from the Veterans' Administration was a letter to the Delaware Valley Regional Planning Commission notifying them of the construction.

They do not come under Health Systems Agency jurisdiction.

Mr. SABO. I know that, but we are going through the question of replacing an entire hospital in my community. In that process they have gone through the regular Certificate of Need process, despite the fact it was not required. The report and recommendations of the Health board are now being finalized. They have recommended a reduction in beds from the proposal made by the VA.

We are in the process of awaiting to hear from them.

Is the group here that is saying no the same as the group that would do the Certificate of Need for the proposal?

Ms. FRY. Yes.

Mr. SABO. The VA has not submitted any detailed materials to the local board?

Ms. FRY. That is correct.

Mr. SABO. Did the local board request the VA to do that?

Ms. NORBOM. We showed interest in the project and did get maybe two pages of materials and did call them perhaps once with questions, and it was presented for information only at the Board

meetings with no representaive there, so it was something we called non-substantive review.

They really didn't offer us enough information to review it the way we would a normal application, because all we have the authority to do is comment in any case. Our decision is not binding on them.

Mr. TRAXLER. Did you comment, submit your dissenting views?

Ms. NORBOM. Yes; what we are saying now is——

Mr. TRAXLER. So they complied with the law?

Ms. FRY. Yes.

Mr. SABO. The problem is that the law really does not get us to the heart of what should happen.

I don't particularly have problems with the requirement of the law that the Certificate of Need process should not be binding on the Federal government.

I see problems in having that occur. I think it is very crucial in projects like this to be able to go through the Certificate of Need process, so that we get and the VA gets the recommendations in the normal health planning process as if it were binding, although it isn't. That way we can give consideration to it.

In my judgment, it would seem that this is the appropriate place for judgment to be made about whether the requests are legitimate or not. When there was indication of local interest, I regret the VA didn't pursue it aggressively and go through the normal process as they have done in our community.

Ms. FRY. I regret that also. When we discussed this again at the Local Advisory Council level and decided to write our legislators, and even actually to come here, and we invited the new Director of the Veterans' Administration to attend our meeting.

However, he did not, so we do feel that the lack of——

Mr. SABO. The Director serves as an ex-officio member?

Ms. FRY. That is right, but I assume since he does not have a vote that he felt that this was not necessary to attend the meeting.

Mr. SABO. Mr. Chairman, this spurs my memory. I would like at this point, to request that the Certificate of Needs Study made by the Minneapolis-St. Paul Health Planning Commission on our proposed VA Hospital be entered into the Committee files.

Mr. TRAXLER. You want it——

Mr. SABO. Not for the record.

Mr. TRAXLER. We will be pleased to do that. Do you want us to obtain it?

Mr. SABO. Yes.

Mr. TRAXLER. Sure.

Mr. SABO. I would hope that we seriously view the report by those local people involved in the health planning process as we go to the markup of this bill.

Mr. TRAXLER. One of the difficulties that we have in this area is that the Congress specifically exempted the VA facilities from the HSAs. I think we can ask the VA in each instance as they come before us, to what extent they have submitted a project for review by the HSAs and what the HSA's views are on it.

Certainly the authorizing committee would feel very strong, in view of the exemption that the VA facilities have for this kind of review, and we would probably be hearing from them.

Mr. SABO. Mr. Chairman, I guess I don't particularly think that that review should be binding on the Federal government.

I think this is a good case to be made for having that exclusion. On the other hand, I think we make serious mistakes if we simply ignore that process.

I find, as someone who is a strong supporter at the local level of the health planning process, I find it very difficult that I want that to exist on the whole segment of the health care system when I am not even going to ask for their comments when it comes to the expenditure of Federal dollars.

Frankly, I think the VA makes a very, very serious mistake when they don't aggressively seek that cooperation. Dollars are limited, and there are limited dollars for veterans as there are for everyone else and we best serve veterans by making sure the dollars are best spent.

In our own experience, there is still quarrel over the recommendations of the Health Board for scaling down the size of the hospital. It started out with substantial objection to the building of the hospital. That now is dissolved, because the Health Board rather clearly said they think it needs to be built, it needs to be replaced at the location the VA wanted.

They have built substantial more community support for a substantial portion of their project than existed previously and it still raises some questions. If we are serious about spending dollars wisely, I think it is a process that we have to go through and the VA has to go through.

I was pleased with the cooperation we got in the Minneapolis-St. Paul area. I was told one of the reasons it does not happen more so throughout the country is because local people weren't interested.

I take it you were?

Ms. FRY. Certainly.

Mr. SABO. You didn't request it as agressively as we did in my area, but the VA made a serious mistake when they said local interest did not actively pursue it.

Ms. FRY. This local VA was between directors. They had an acting director, and certainly it is possible that decisions were made that would not have been made had there been a director throughout the whole application process.

Mr. SABO. There is always this natural tendency not to be reviewed. That is true as well as of the private sector as well as the public sector.

Mr. TRAXLER. It is true of politicians, too.

Mr. SABO. The VA Health Care System has to be treated with some of the same critical analysis that balances and in my judgment the end result is we would spend our dollars better for health care than we do.

Mr. COUGHLIN. I want to associate myself with the remarks of my colleague from Minnesota. I know that if we build something like this we will end up shutting down some private facility, just as we built the Camden Veterans Hospital which will shut down some hospital in Philadelphia.

I sometimes wonder if it is sensible.

Ms. FRY. I agree very strongly and my committee does with your comments.

I thank you for them.

Mr. TRAXLER. We are grateful that you came up and brought this to our attention.

You ought to stay for the next witnesses. I am sure they will have some comments.

Ms. FRY. Thank you.

VETERANS' ADMINISTRATION

WITNESSES

PAUL L. THOMPSON, NATIONAL COMMANDER, DISABLED AMERICAN VETERANS

OLVER E. MEADOWS, PAST NATIONAL COMMANDER, DISABLED AMERICAN VETERANS

CHARLES E. JOECKEL, JR., ASSISTANT NATIONAL LEGISALTIVE DIRECTOR, DISABLED AMERICAN VETERANS

Ms. BOGGS. We would like to welcome Paul Thompson, National Commander, Disabled American Veterans. He is accompanied by Oliver E. Meadows, Past National Commander, Disabled American Veterans.

Mr. THOMPSON. The other guest I have with me today is Mr. Charles Joeckel, Assistant Director of the National Legislative Department of the Disabled American Veterans.

Ms. BOGGS. We will make your statement a part of the record, and you may proceed in any fashion you wish.

Mr. THOMPSON. Thank you, Madam Chairman.

With your permission, I would like to summarize my remarks and submit the full text of my testimony for the record.

You will note that in my written text, I enclose a letter outlining the sad experiences of a young lady who, believing the VA hospital to be the finest care available for her father, recounts the events which took place on the evening of her father's death.

Madam Chairman, this letter is a tragic example of the all too many letters I am receiving depicting the deplorable conditions in our VA hospitals today. Frankly, the time has come that we stop fooling ourselves over what is happening in VA's Hospital and Medical Care Program and of the shape of things to come from budget cutbacks aimed at our Health Care Programs.

In fact, I would suggest that this committee already knows the extent to which VA health care has been adversely affected over the past two years. You have already been provided with necessary statistical information from various sources, including testimony from several VA hospital directors as provided for the record of the House and Senate Veterans Affairs Committees' joint oversight hearing of October 25, 1979.

As I look back over the past few years at the DAV's testimony before this committee, it is readily apparent that in spite of the actions of this committee and the Congress as a whole, this Administration has already predetermined just how and how much VA appropriations will be spent.

As you know, the Office of Management and Budget continues year after year to misuse and circumvent VA appropriations made by this committee.

Last year, for example, we outlined the severe effect that OMB imposed personnel ceilings and a hiring freeze were having upon the Department of Medicine and Surgery's ability to provide quality health care to veterans. We outlined cutbacks in services, particularly in specialized medical programs.

We pointed out the increased demand on VA inpatient and outpatient care based upon an aging veteran population and VA's underestimation of the number of these visits. We also commented on the legislation proposed by the Administration outlining their desire to curtail beneficiary travel and to end the dispensing of over-the-counter drugs to certain veterans. Further, in a DAV survey provided to this committee we alluded to the incredible delays in VA outpatient services.

Today, notwithstanding the appropriation of necessary funds last year to deal with these problems, the VA is again under the constraints of a hiring freeze. Even though funds were provided for the restoration of some 3,800 health care personnel in 1980, it appears now that the Department of Medicine and Surgery stands to lose as many as 3,114 of these positions.

Beneficiary travel funds have been depleted in 20 VA facilities and unless funds are released by OMB by June 1980, no VA facility will have funds available for even service-connected veterans to travel to and from a VA health care facility.

The Administration continues to ignore the demands upon the system by the World War II veteran population which now approaches an average age of 60 years by making artificial estimations of inpatient and outpatient workloads. Delays in outpatient services continue unabated.

In this vein, Madam Chairman, for the past three years we have opposed the arbitrary closing down of VA hospital beds. Yet, again this year, the VA proposes to empty another 1,600 beds bringing the total number of beds lost to the system since 1975 to 12,000. Even more appalling is the misuse of VA medical and prosthetic research appropriations.

First, in 1979 to improve the habitats of experimental rats and mice and to provide for employee pay increases and, second, in 1980 to provide for 40 percent of the funds necessary, again, for salary adjustments. Further, Madam Chairman, I would suppose that if further cutbacks are necessary this year, veteran patients in VA facilities could again be served less beef at meal times.

Madam Chairman, I do not wish to appear sarcastic, however, over the past two years we have publicly stated that in our view, the VA, like any other Federal agency, should be required to bear its fair share of the burden to curtail Federal spending and to balance the Federal budget, the question now is: Have we already borne our fair share and how much more should we sacrifice?

We know the constraints under which this committee must operate in view of the spending levels provided in the Congressional Budget Resolution. However, in terms of the funds that you are permitted to expend for VA and its programs, we would urgently suggest that you engage in some meaningful oversight over the

Veterans Administration and the Office of Management and Budget.

We, and I am sure the Congress, would like to know why OMB continually finds it necessary to misuse VA appropriations and just what lies ahead in terms of the future and scope of the VA Hospital and Medical Care program.

If this is not possible, the Disabled American Veterans strongly urges the adoption of a "line item" appropriation for the Veterans Administration in fiscal year 1981.

In our view, it would be a disgrace to allow our largest nationwide system of health care to be dismantled with nothing comparable in its place. We are asking this committee to do all that you can to ensure that this does not occur.

Madam Chairman, we are not unsympathetic to the desires of the President and the Congress to get inflation under control and to balance the Federal budget; these plans work for the common good of all Americans.

Notwithstanding this view, we are asking for funding to restore the March 31 budget rescissions, adequate funds for a cost of living adjustment commensurate with the rise in the consumer price index and proper funding of the new VA Hospital System.

Finally, Madam Chairman, I would like to quote from an article which recently appeared in the Washington Post, written by Mr. Gar Alperovitz and Mr. Jeff Faux, Co-Directors of the National Center for Economic Alternatives, relative to the effects that the Carter Administration's budget cuts will have upon the curtailment of inflation.

In a two trillion dollar economy the effect will be roughly similar to using a .22 caliber rifle to deflect a charging elephant. The Congressional Budget Office calculated a year and a half ago that $25 billion in budget cuts would shave a mere one-tenth of one percent off the inflation rate over a year.

The optimists think we might get two-tenths to three-tenths of a point less inflation. Whatever the short-term political value of a budget-cutting binge, it clearly has little to do with our real and urgent inflation problem.

But the issues facing us go beyond controls and even beyond the appalling fact that the budget axe is likely to fall most heavily on the weakest members of society. They go to the larger question of whether we will simply continue to hope that "something will turn up" or whether we will, on purpose, attack the central causes of inflation.

Accordingly, Madam Chairman, we respectfully request that the VA's budget request for fiscal year 1981 as amended on March 31, 1980, be increased by $765.9 million raising outlays to a total of $22.1 billion and reflecting the proposals made in this presentation.

With these additions, the Disabled American Veterans supports full funding of the Veterans Administration's appropriation request for fiscal year 1981.

You will recall, Madam Chairman, that I opened my testimony with a letter I recently received from a deceased veteran's daughter. In her words and on behalf of the 665,000 members of the Disabled American Veterans, "We would appreciate any help you can give."

[The statement follows:]

STATEMENT OF
PAUL L. THOMPSON
NATIONAL COMMANDER
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES
OF THE
HOUSE APPROPRIATIONS COMMITTEE
MAY 6, 1980

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Dear Congressman ------:

At approximately 6:30 p.m., March 11, 1980, I took my father to the Veterans Administration Hospital. He was registered at the Admitting Office and we were told to have a seat.

Approximately ten minutes later he (my father) wanted to go to the men's room. I requested help from the receptionist and she told me they did not have anyone there to assist him to the men's room....

About 7:15, I asked for assistance because he had the shakes and his hands were turning blue. The receptionist told me that they didn't have an emergency room and he would have to wait his turn....

Approximately 7:45, a nurse walked by and asked if he had been vomiting. I said yes. She then said that I shouldn't give him water....

At 8:00 he started slumping over in the chair. He couldn't sit up. My uncle and I tried to help him sit up. I went over to the receptionist and asked for help. She said I would have to see a nurse. I looked into two rooms trying to find a nurse. I couldn't find anyone. I went back and sat down....

At 8:15, I noticed his chest wasn't moving, his hands looked blue and his fingernails were turning blue. He was slumped over with his head hanging as if he were sleeping....

I only remember saying "his eyes are open." A friend of another patient...told the receptionist that she couldn't find a pulse and that she thought my father was dead...Over the loudspeaker an announcement was made of cardiac arrest. About five doctors came. The nurse wheeled my father into a room. It was too late. He was dead.

At about 9:00, two doctors asked us to come into a room. They told us that my father died of cardiac arrest....

I would appreciate any help you can give.

Respectfully,

The Veteran's Daughter

[Full text of this letter is attached.]

Mr. Chairman, the above letter is a tragic example of the all too many letters I am receiving depicting the deplorable conditions in our VA hospitals today. Frankly, the time has come that we stop fooling ourselves over what is happening in VA's Hospital and Medical Care Program and of the shape of things to come from budget cutbacks aimed at our Health Care Programs.

In fact, I would suggest that this Committee already knows the extent to which VA health care has been adversely affected over the past two years. You have already been provided with necessary statistical information from the Veterans Affairs Committee, the DAV, other veterans' organizations, the VA, the Office of Management and Budget and, last year, from the investigative staff of the full Committee on Appropriations (a report which remains unreleased), relative to the needs of the VA Health Care System. I am also sure that you have received the written testimony on the VA's Medical Care Program from several VA hospital directors as provided for the record of the House and Senate Veterans Affairs Committees' joint oversight hearing of October 25, 1979.

As I look back over the past few years at the DAV's testimony before this Committee, it is readily apparent that in spite of the actions of this Committee and the Congress as a whole, this Administration has already predetermined just how and how much VA

appropriations will be spent. As you know, the Office of Management and Budget continues, year after year, to misuse and circumvent VA appropriations made by this Committee.

Last year, for example, we outlined the severe effect that OMB imposed personnel ceilings and a hiring freeze were having upon the Department of Medicine and Surgery's ability to provide quality health care to veterans. We outlined cutbacks in services, particularly, in specialized medical programs. We pointed out the increased demand on VA inpatient and outpatient care based upon an aging veteran population and VA's underestimation of the number of these visits. We also commented on the legislation proposed by the Administration outlining their desire to curtail beneficiary travel and to end the dispensing of over-the-counter drugs to certain veterans. Further, in a DAV survey provided to this Committee we alluded to the incredible delays in VA outpatient services.

Today, Mr. Chairman, notwithstanding the appropriation of necessary funds last year to deal with these problems, the VA is again under the constraints of a hiring freeze. Even though funds were provided for the restoration of some 3,800 health care personnel in 1980, it appears now that the Department of Medicine and Surgery stands to lose as many as 3,114 of these positions. Beneficiary travel funds have been depleted in 20 VA facilities and unless funds are released by OMB by June 1980, no VA facility will have funds available for even service-connected veterans to travel to and from a VA health care facility. The Administration continues to ignore the demands upon the system by the World War II veteran population which now approaches an average age of 60 years by making artificial estimations of inpatient and outpatient work loads. Delays in outpatient services continue unabated.

In this vein, Mr. Chairman, for the past three years we have opposed the arbitrary closing down of VA hospital beds. Yet, again this year, the VA proposes to empty another 1,600 beds bringing the total number of beds lost to the system since 1975 to 12,000. Even more appalling is the misuse of VA medical and prosthetic research appropriations: first, in 1979 to improve the habitats of experimental rats and mice and to provide for employee pay increases; and second, in 1980 to provide for 40% of the funds necessary, again, for salary adjustments. Further, Mr. Chairman, I would suppose that if further cutbacks are necessary this year, veteran patients in VA facilities could again be served less beef at mealtimes.

Mr. Chairman, I do not wish to appear sarcastic, however, over the past two years we have publicly stated that in our view, the VA, like any other federal agency, should be required to bear its fair share of the burden to curtail federal spending and to balance the federal budget--the question now is: Have we already borne our fair share and how much more should we sacrifice?

We know the constraints under which this Committee must operate in view of the spending levels provided in the Congressional Budget Resolution. However, in terms of the funds that you are permitted to expend for VA and its programs, we would urgently suggest that you engage in some meaningful oversight over the Veterans Administration and the Office of Management and Budget. We, and I am sure the Congress, would like to know why OMB continually finds it necessary to misuse VA appropriations and just what lies ahead in terms of the future and scope of the VA Hospital and Medical Care Program. If this is not possible, the Disabled American Veterans strongly urges the adoption of a "line item" appropriation for the Veterans Administration in Fiscal Year 1981.

In our view, it would be a disgrace to allow our largest nationwide system of health care to be dismantled with nothing comparable in its place. We are asking this Committee to do all that you can to insure that this does not occur.

* * *

VA Budget Request as Amended March 31, 1980

Mr. Chairman, I find it extremely difficult to comment on the VA Budget Request for Fiscal Year 1981--a request which in January was a bottom-line bare bones budget, yet was subsequently reduced in March by $321.7 million. From our perspective, the VA request prior to the March 31, 1980 recision contained several deficiencies. Together with the March 31 reductions, we believe the Fiscal Year 1981 proposed budget for the Veterans Administration contains a shortfall of approximately $766 million. Our estimation, Mr. Chairman, is based upon the following:

1. Full restoration of the $321.7 million rescinded from the January budget request.

2. The Administration's underestimation and support of a higher adjustment (14.3%) in VA compensation payments to become effective October 1, 1980.

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3. The fact that, as occurred last year, the Congress will reject the legislative proposal to eliminate the one year provision for service-connected dental care; and

4. The Congressional Budget Office estimation of $109 million instead of the $321.3 million savings on a measure recently reported by the House Veterans Affairs Committee relating to nonservice-connected veterans' abilities to defray expenses for VA hospital care (third party reimbursement).

Mr. Chairman, the VA request for Fiscal Year 1981 as amended provides for a 3.1% growth in VA expenditures over last year. With these extra dollars, approximately $663 million, the Administration expects to provide an adequate cost of living adjustment in VA compensation payments, a 10% increase in GI Bill benefits and to improve the VA's Hospital and Medical Care Program, as well as expand the Hospital Construction Program.

Given the fact that only a week ago the VA supported a cost of living adjustment in service-connected compensation payments of 14.3%, at a cost of $1.2 billion, one has to wonder about the sincerity of the Administration's effort to balance the federal budget in Fiscal Year 1981. Over the past two years, payments to veterans on the compensation rolls have not kept pace with inflation. Our organization strongly supports the 14.3% adjustment in these benefits.

However, Mr. Chairman, we believe the Administration is playing political football with the benefits provided to service-connected disabled veterans by supporting increases in VA compensation payments without adequate funds in either the Budget Request or permitted by the Congressional Budget Resolution--leaving the Congress to blame for the failure of such benefits to keep up with inflation. Knowing that you may only appropriate funds which reflect adjustments enacted into law, we believe that the Committee should be aware that the VA's estimate contained in the Fiscal Year 1981 request for a 13% increase in VA compensation payments falls short by approximately $91 million (Congressional Budget Office estimation).

Medical Care

Mr. Chairman, we are appalled that the VA's amended request for medical care in Fiscal Year 1981 is $21.2 million below 1980 levels. Based upon the VA's projections, outpatient visits will decline by 500,000 by turning away from the system approximately 84,000 military retirees.

We do not believe that the original estimate calling for an increase of only 20,000 outpatient visits in 1981 was accurate. Further, we believe that the selective reduction in VA outpatient services will result in unfair and inequitable treatment of veterans and will further result in turning away not only military retirees, but veterans who are otherwise eligible for VA outpatient care. In addition, Mr. Chairman, we simply cannot understand why the Administration insists on turning away sick and indigent veterans from the VA health care program. In our view, such action can only result in the transfer of these veterans onto the rolls of Medicare and Medicaid, thereby, increasing expenditures of the federal government by approximately 15% for health care in the private sector.

To the tune of $154.6 million, the VA plans not to expend funds for the replacement, upgrading and modernization of its medical equipment. Aside from the fact that delays in the procurement of more advanced equipment will have an adverse affect on the quality of care provided to VA's patients, it is quite likely that such equipment purchased in the future will cost substantially more. The same holds true for the VA's plan to curtail supply spending by $17.7 million next year.

Conservatively, the Congressional Budget Office has estimated that hospital costs will rise this year by 9%--a figure well below what we can expect if such costs continue to rise at 1.8% a month as they did from January to February. We must question whether or not delays in procurement of equipment and supplies provide savings or amount to budget gimmickry.

Accordingly, Mr. Chairman, we respectfully request that you restore the $201.5 million rescinded from the VA January request.

Department of Veterans Benefits

As you know, Mr. Chairman, according to the Administration's amended budget request, average employment throughout the Veterans Administration is expected to decline by 655 by the end of 1981. Most of this reduction will occur in the Department

of Veterans Benefits and is based upon the implementation of the Target System and a reduction (150 personnel) in the Vet Rep On-Campus Program.

The Department of Veterans Benefits estimates a work load of 2,710,621 cases during 1981, ranging from veterans' compensation claims, education applications, home loan guarantees, pensions, survivors' benefits, clothing allowances, and other requests for administrative action. This represents an increase of nearly 13,000 cases in one year.

A reduction in employees is planned to effect cost savings and improve efficiency with the advent of the on-line capability of the target data processing system. Target has yet to become fully operational or reliable, and, at this point, with the computer system far behind schedule, and with reductions in personnel already taking place, remaining employees are forced to work long overtime hours, at great cost, and with large scale disruption to the day to day operation of veterans' claims processing.

As we have stated before, Mr. Chairman, the DAV does believe that the Target System will indeed improve the efficiency and productivity in VA's Veterans Services Division. We also feel that the system will serve to "stave-off" future increases in personnel (other than adjudicative). However, we have serious reservations over Target's current efficiency and productivity that would warrant a reduction in employment of the magnitude proposed by the Administration for Fiscal Year 1981.

Accordingly, we respectfully request that the planned reduction of 346 employees within the Department of Veterans Benefits and other programs, outlined in the March 31 rescission, be restored and fully funded in Fiscal Year 1981.

* * *

Finally, Mr. Chairman, I would like to quote from an article which recently appeared in The Washington Post written by Mr. Gar Alperovitz and Mr. Jeff Faux--Co-Directors of the National Center for Economic Alternatives--relative to the effects that the Carter Administration's budget cuts will have upon the curtailment of inflation.

> In a two trillion dollar economy the effect will be roughly similar to using a .22 caliber rifle to deflect a charging elephant. The Congressional Budget Office calculated a year and a half ago that $25 billion in budget cuts would shave a mere one-tenth of one percent off the inflation rate over a year. The optimists think we might get two-tenths to three-tenths of a point less inflation. Whatever the short-term political value of a budget-cutting binge, it clearly has little to do with our real and urgent inflation problem.
>
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Accordingly, Mr. Chairman, we respectfully request that the VA's Budget Request for Fiscal Year 1981 as amended on March 31, 1980 be increased by $765.9 million raising outlays to a total of $22.1 billion and reflecting the proposals made in this presentation. With these additions, the Disabled American Veterans supports full funding of the Veterans Administration's appropriation request for Fiscal Year 1981.

You will recall, Mr. Chairman, that I opened by testimony with a letter I recently received from a deceased veteran's daughter. In her words and on behalf of the 665,000 members of the Disabled American Veterans, "We would appreciate any help you can give."

* * *

Congressman

Dear Congressman

At approximately 6:30 p.m., March 7, 1980, I Colleen and uncle, Earl took my father, to the Veterans Administration Hospital in He was registered at the admitting office and we were told to take a seat.

Approximately ten minutes later he wanted to go to the mens room. I requested help, to the receptionist and she told me they did not have anyone there to assist him to the mens room. Another outpatient assisted him to the mens room. My uncle was parking the car. The man came out of the mens room and asked for assistance because my father was difficult to handle being that his equilibrium was off. The receptionist told someone in another room that a wheel chair was needed. A young man found the chair and brought my father out of the mens room. This was the only help he received. The young man then went into a room and told someone that my father needed help. He returned to me and said that someone would be out soon. This was about 7:00 p.m..

About 7:15 I asked for assistance because he had the shakes and his hands was turning blue. The receptionist told me that they didn't have an emergency room and he would have to wait his turn. She also siad that a nurse had looked at him. I told her that I didn't consider peeping through a door "looking" at him.

Approximately 7:45 a nurse walked by and asked if he had been vomiting. I said yes. She then said that I shouldn't give him water. I was doing so because by this time he was unable to speak but he was motioning with his hand for water.

At 8:00 he started slumping over in his chair. He couldn't sit up. My uncle and I tried to help him sit up. I went over to the receptionist and asked for help. She said I would have to see a nurse. I looked into two rooms trying to find a nurse. I couldn't find anyone. I went back and sat down.

At 8:15 I noticed his chest wasn't moving, his hands looked blue and his fingernail was turning blue. He was slumped over with his head handing as if he was sleeping. I looked up under him and his eyes was opened. I couldn't find a pulse.

I only remember saying "His eyes are opened". A friend of a patient came over and tried to take his pulse. She went over to the desk and told the receptionist that she couldn't find a pulse and that she thought my father was dead. From that moment nurses came running. Over the loud speaker an announcement was made of a cardiac arrest. About five doctors came. The nurse wheeled my father in a room. It was too late. He was dead.

At about 9:00 p.m. two doctors asked us to come into a roon. They told us that my father died of a cardiac arrest.

I am asking that you assist me in finding out why my father was not treated any sooner.

I would appreciate any help you can give.

Respectfully,

Mrs. BOGGS. Thank you for your excellent testimony.

Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

I appreciate your testimony too. I would be interested in your comments on some of the statements of the previous witnesses in terms of care for veterans in private nursing facilities that would cost substantially less than the Veterans' Administration facilities?

Mr. THOMPSON. I don't believe that the cost would be less, but I would like for Mr. Joeckel or Mr. Meadows to answer this question.

Mr. MEADOWS. When Congress created the program for contracting out where we do contract some veterans out to private nursing homes, it was created as an escape valve because of the heavy overcrowded nursing beds in VA Hospitals.

Our experience with it has been this: First of all, you can call this afternoon and I wager that you will not find one single vacant nursing bed you can put a patient in in any VA this afternoon.

Secondly, when a doctor tells the patient he has to go and instruct the social worker to find one of these contract beds that we discussed here, there ensues a big rowel because the veteran find they do not want the veterans in those nursing homes.

I happen to be a consumer, in addition to having something to do with the VA program. I supported an elderly relation for four years in a nursing home. The care isn't very good. It is adequate.

I realize those people are operating for profit. There is nothing magic about being able to build a $22,000 bed. The VA can use the same contracts.

Mr. COUGHLIN. That $22,000 figure is a government-mandated figure?

Mr. MEADOWS. It is a lighter type construction. We are operating today, fortunately the government didn't take that approach. We are operating in a great many World War II hospitals and there is a different set of construction standards all together.

The buildings that we are building are not built on the same standards. Whether that is wise or not, whether we should build a like type construction at a cheaper cost to the government, that is, of course, a policy question, but it is not the same matter at all.

Neither are those beds being constructed. It is a far more difficult type of nursing case, and there is not much basis for comparison between the two.

Then, there are regional beds. Those things are being spotted around the country and every one of them is full, and it is my prediction that they will remain full.

Mr. COUGHLIN. Every one of what are full?

Mr. MEADOWS. The VA nursing beds. I don't know about the private sector. You can't get anybody in a private nursing home except on a waiting list. I don't know about Chester County, Pennsylvania, but you can't walk in there and get a bed, so I suppose it varies.

Mr. COUGHLIN. My impression is, for example, that in the Southeastern region of Pennsylvania there are beds of various sorts and the HSA testimony would bear that out.

I realize it is more difficult to provide the kind of care needed by a veteran having some disability beyond the type of disability that a private citizen non-veteran might have. Yet, you wonder how

much more difficult the care when you get to the nursing stage which is pretty much total care in any case.

Can you speculate on that for just a minute?

Mr. MEADOWS. I find that in the exceedingly difficult cases that are very difficult to manage and handle, very onerous on the part of the institutions to handle, generally the Veterans' Administration, while those are easier to manage, are on a mandatory basis or on a basis of not requiring too intensive care, can be moved, and we did create the program to move them and have no objection to putting a classic case in the private nursing home.

I do know one thing for certain. Give a veteran a choice of having his stay in the VA Hospital and having his care paid for in a private hospital, we don't get many takers.

There is one other point I would like to make that we hope that you will consider this budget. This goes back to the overall picture.

Two aspects of the Veterans' Administration budget that we feel that have been neglected by the Congress and by the public, probably because they have not been focused on, this is a large budget; it runs over $4 billion, but the fact is that 40 percent of this budget really offsets someone else's budget.

We have done a study and accumulated substantial figures that indicate that 40 percent of our budget goes to support Medicare and Medicaid. We don't object to that and we don't collect them. We are not a billing agency. When a Medicare patient that comes in that would otherwise be somewhere else burdening the Medicare system, we don't collect for that patient or the Medicaid patient.

So when we think in terms of where we are going with this system or where OMB seems to desire to go with this system which is down virtually with nothing, I think it should be recognized that it is not a free ride. It is not an easy, quick billion dollars or two billion, because about 40 percent of the people we take care of will have to be taken care of somewhere else.

You end up in VA for various reasons. Medicare eligibles, Medicaid eligibles, and a few others that would be the beneficiaries in other places.

Another point that I would like to make, we are having a very difficult time getting anyone to face up to is this: We have had a trend in this Nation since World War II, the military built 50 hospitals and took care of those people until they were completely ready to go home.

By the time we got to Korea, it was sort of a half system where a half of that load was cared for by the military and half was cared for in the VA Hospital.

By the time we go to Vietnam, the military medical system had deteriorated to the point that they couldn't even pretend to take care of the casualties of Vietnam, and the actual hospital care was given in VA medical facilities.

Now we are seeing currently the Defense Department doing various kinds of national emergency plans and premising this kind of national disaster routinely allotting 30,000 to 40,000 beds to the Veterans' Administration in the national defense. The medical military system has deteriorated to the point they can't even take care of their own.

They can't take care of their retirees and we take care of them. Even their station personnel, a lot of that is contracted out. I understand that there perhaps will be some hearings before the Armed Services Committee about this this year. It is really at an alarming rate, and the plain fact is that we couldn't even handle a little emergency with military medicine.

They have to go to the VA Hospital, so on the one hand we see the Administration virtually refusing to recognize that the system should be kept at some reasonable level of funding and some reasonable level of existence rather than this constant nibbling that has gone on.

We appreciate the Apropriations Committee, because it has almost become a way of life.

OMB sends an adequate budget, and the Legislative Committee goes to the Floor with an amendment to the budget resolution, and this committee has been generous in funding those increased levels, and seven out of the last ten years we have gone through that process.

We don't know what OMB's plans are, except it appears that they have some plan to virtually eliminate this system.

It has become very difficult for us and we do think that in the general consideration of this system, in the general levels of budgetary support you are willing to give us, that it should be recognized that the system is not a real big free loader. We are taking care of a lot of other people through business.

I could mention another class of patients. We bear a great burden of the mentally ill, that if they are out of the V.A. hospital they simply go to a state tax-supported institution. In addition, we find ourselves being cast in the role as the military backup with no consideration given for these national considerations, and we hope that those points could be considered and we think they are worthy of consideration.

Mr. COUGHLIN. Could you straighten up one point I wanted to make? The figures I have before me indicate that the average cost per patient day in a V.A. nursing home is around $76.14, and a community nursing home is around $41.79——

Mr. MEADOWS. I think that you will find——

Mr. COUGHLIN. ——a substantial difference.

Mr. MEADOWS. I think you will find the V.A. class is essentially an intermediate class as opposed to a nursing care class. That is the difference. If you will further take the next step, the cost of hospital care, you will see the V.A. takes care of patients at about 10 percent less than the average.

V.A., I think, can defend itself compared class by class, being certain that you compare the classes of patients with proper class. V.A., I think, is—well, there is a reason why V.A. certainly is in a competitive situation. The Veterans Administration is staffed at a ratio of 1.75 staff for each patient. The public hospitals, county, city and state——

Mr. COUGHLIN. I am talking about nursing homes for the moment.

Mr. MEADOWS. Could I finish this point, please, sir? The V.A. is 1.75, county and local 2.5, university hospital is 3.5. V.A. is staffed less, they cost less, and that advice applies to nursing homes too, if

you get comparable patients. I believe it is correct to say that for the most part our cases are more intermediate-type cases than they are straight-out maintenance nursing cases. We transfer all those out that we can, about 6,000 a year—I mean 6,000 at a time. We have a budget for about 6,000.

Mr. COUGHLIN. I might say in response to your comment, on this Committee I guess my experience has been no matter what the Administration is, the OMB seems to cut the things that it knows the Congress won't cut.

Mrs. BOGGS. Exactly.

Mr. MEADOWS. Then the final episode, after the Committee has provided the money they seem to manage to wait at least one quarter, usually two or three quarters before they apportion that money, so they end up having their way.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mrs. BOGGS. I want to thank you gentlemen for your appearance here today.

Mr. THOMPSON. Thank you for allowing us the time.

VETERANS' ADMINISTRATION

WITNESS

AL POTEET, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. TRAXLER. We want to welcome Mr. Al Poteet, Director of the National Legislative Service of the V.F.W.

We will submit your statement for the record, Mr. Poteet.

Mr. POTEET. Mr. Chairman and members of the subcommittee: Thank you for the privilege of appearing before this distinguished subcommittee to present the views of the Veterans of Foreign Wars of the United States with respect to the Veterans Administration budget for fiscal year 1981.

My name is Al Poteet and it is my privilege to serve the more than 1.85 million men and women of the Veterans of Foreign Wars as Assistant Director, National Legislative Service.

Unfortunately, our National Legislative Director, Mr. Donald H. Schwab, was called out of town on business and could not be here today. He has asked me to be here and present the V.F.W.'s testimony. Without objection, I will summarize my statement with the understanding that the entire text of my statement be included for the record.

The Veterans Administration budget contained in the HUD-Independent Agencies appropriation is the single most important measure before the Congress each year insofar as our nation's veterans, their dependents and survivors are concerned.

The President's proposed budget for the V.A. submitted in January of this year, was $21.7 billion in outlays. In our opinion, this figure was $750 million short to properly maintain the veterans' benefit programs, the V.A. hospital and medical care system.

As you know, the House Budget Committee in H. Con. Res. 307 recommended a V.A. budget of $2.7 billion in budget authority and $21.2 billion in outlays for fiscal year 1981. Inasmuch as the House

Veterans' Affairs Committee recommended in its March 15th report to the Budget Committee a V.A. budget of $23.5 billion in budget authority and $22.4 billion in outlays, we believe the recommendations of the House Budget Committee to be myopic and unreasonable, based upon the figures recommended by the House Veterans' Affairs Committee to adequately maintain the programs in the 700 Function.

The V.F.W. agrees wholeheartedly with the recommendations of the House Veterans' Affairs Committee to the House Budget Committee calling for an increase of $788.1 million and $764.2 million in budget authority and outlays respectively for the fiscal year 1981 V.A. budget above the President's original proposal.

The V.F.W. does not accept the theory of a $400 million cost-savings as contained in H. Con. Res. 307, recommended by the House Budget Committee. In addition, the President through the Office of Management and Budget issued a further reduction of the V.A. budget by $322 million through discretionary cuts in ongoing programs.

Due to a diminishing V.A. budget which has failed to keep abreast of inflation during the last two years, 7,000 hospital beds have been closed and 8,000 health-care personnel were slated to be eliminated. Of the 8,000, Congress mandated the restoration of 3,800 of these professionals. Veterans in need of hospital and medical care are being turned away daily, some to die shortly thereafter, others to seek care in community facilities which often means lining up with welfare recipients.

Increases in compensation and DIC programs have not kept pace with the cost-of-living. Vietnam veterans availing themselves of educational benefits under the GI Bill have not had a cost-of-living increase since 1977 and only in this election year did the President recommend a meager 10 pecent increase. According to the Congressional Budget Office, these veterans will need a 30 percent increase to catch up.

As you know, the V.A. is the number-one backup for the understaffed DOD hospital system in times of war and hostility and the V.A.'s ability to fulfull this commission is being repeatedly eroded.

Our sole concern, Mr. Chairman, is that the V.A. budget and appropriation fully fund benefits and medical care authorized our veterans by law.

In conclusion, it would be damagoguery for me to suggest that funds be taken from another function and put into the 700 Function. The V.F.W. is not in the business of recommending where cuts should come from in order to provide an adequte V.A. budget. However, we firmly believe that the veterans of this nation's wars do deserve at least equal treatment as compared to our non-veteran counterparts. We would hope that this subcommittee would not accept the cuts recommended by the House Budget Committee and decide that the budget targets as contained in the First Concurrent Resolution for veterans benefits are too low and by the Second Concurrent Resolution, the Congress would establish some system of national priorities.

Thank you.

[The statement follows:]

V F W VETERANS OF FOREIGN WARS OF THE UNITED STATES

NATIONAL LEGISLATIVE SERVICE

Office of Director

STATEMENT OF

DONALD H. SCHWAB, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
U. S. HOUSE OF REPRESENTATIVES

WITH RESPECT TO THE FISCAL YEAR 1981
VETERANS ADMINISTRATION BUDGET

WASHINGTON, D. C. MAY 6, 1980

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the privilege of appearing before this distinguished Subcommittee to present the views of the Veterans of Foreign Wars of the United States with respect to the Veterans Administration budget for the Fiscal Year 1981.

My name is Donald H. Schwab and it is my privilege to serve the more than 1.85 million men and women of the Veterans of Foreign Wars as their National Legislative Director.

Mr. Chairman, the Veterans Administration budget contained in the HUD-Independent Agencies Appropriation is the single most important measure before Congress each year insofar as our nation's veterans, their dependents and survivors are concerned.

Mr. Chairman, the President's proposed Federal Budget for the Fiscal Year 1981 as submitted to Congress in January was for $677.6 billion in budget authority and $612 billion in outlays, an increase of nine percent over 1980. Although the proposed Veterans Administration budget of $22.7 billion in budget authority and $21.7 billion in outlays represented an increase of some $985 million or seven percent over 1980, it was again a reduction in proportion to the Federal Budget, while the veteran population of 30 million represents the largest number of potential beneficiaries in the history of our nation. In 1975, the VA portion of the Federal

Budget was 5.1 percent in outlays; in 1976, 5 percent; in 1979, 4 percent; in 1980, 3.7 percent and projected for 1981 at that time, 3.5 percent. Upon evaluation, we of the V.F.W. believed the proposed VA budget to be understated by approximately $750 million to properly fund the benefit programs and the VA hospital and medical care system.

Subsequently, Mr. Chairman, in early March, and in an attempt to curb the spiraling inflation rate, the President and his Office of Management and Budget decided the Federal Budget could be balanced in FY 1981 if spending is cut. OMB then issued budget and personnel cuts to the various departments and agencies with revisions almost daily. Their latest cut for the VA being $322 million and an additional 354 personnel. A breakdown of these reductions in dollars and personnel follows:

$24.7 million	General operating expenses (flexible)
$26.9 million	Delayed construction
$155 million	Capital improvements
$7 million	Medical and prosthetic research
$10 million	New medical programs
$15 million	Beneficiary travel to VA facilities for treatment
$25 million	Denial of outpatient treatment by VA for Armed Forces retirees
$59 million	Elimination of the VA direct home loan program
150	Veterans Representatives on College Campuses
21	VA cemetery system
70	In automatic data processing due to transfer of function from VA Central Office in Washington to Austin, Texas
29	VA Central Office - not further specified
70	Moving the Insurance Center from St. Paul, Minnesota to Philadelphia, Pennsylvania
6	Automatic data processing in conjunction with moving insurance function from St. Paul to Philadelphia
8	Construction

Not to be outdone by the President's Office of Management and Budget, the House Budget Committee in H. Con. Res. 307 directs the Veterans' Affairs Committees to reduced spending by $400 million.

Mr. Chairman, you will recall we believed the President's original budget for the VA was $750 million short. Fully supporting our contention, the House Veterans' Affairs Committee, which has several decades of expertise in this area, in its report to the Budget Committee dated March 15, 1980, stated the President's original budget for the VA should be increased $788.1 million in budget authority and $764.2 million in outlays. The shortfalls reported by the House Veterans' Affairs Committee are:

$6.9 million	In medical care
$14.6 million	In medical and prosthetic research
$25 million	In assistance for health, manpower training institutions

$63 million	In compensation cost-of-living increase
$225 million	GI Bill cost-of-living increase
$106 million	New medical care program
$800,000	In general operating expenses
$1.5 million	In the VA housing program
$321.3 million	In propriety receipts from the public (This means third party reimbursement to the government by private and public health insurance carriers for veterans with non-service-connected disabilities cared for in VA facilities. The President has already deducted this from the budget and the House insists it will not pass this legislation.)

Now, couple this with the cuts proposed by OMB or the Budget Committee, and we have a VA budget that has been reduced to 3.4 percent of the Federal Budget and deficient by at least $1.1 billion.

Mr. Chairman, the budget cutters have stated that all departments and agencies are going to have to tighten their fiscal belts. Permit me to make it a matter of record that we know of no other department or agency subjected to such repeated, stringent budget cuts as the Veterans Administration. As a result, in the past two years alone nearly 7,000 beds have been cut from the VA hospital system and 8,000 health care personnel would have been eliminated but through Congressional action 3,800 are being restored. We now have a VA hospital system with 40 percent part-time physicians and 38 percent foreign medical granduates. That medical care in VA facilities has deteriorated because of funding and personnel cuts was attested to by physicians and nurses within the system who testified before a joint Senate and House Veterans' Affairs Committee hearing last October. Veterans in need of health care are routinely being denied it by the VA and referred to community hospitals to line up with welfare recipients. In addition, cost-of-living increases in compensation payable to veterans with service-connected disabilities and Dependency and Indemnity Compensation for their survivors have lagged behind inflation. Vietnam veterans availing themselves of educational benefits under the GI Bill have not had a cost-of-living increase since 1977 and only in this election year has a miserly 10 percent increase been recommended by this Administration. The Congressional Budget Office stated they would probably need a 30 percent increase to catch up by this October.

Mr. Chairman, under the provisions of 38, USC 5001(2) the Administrator of Veterans Affairs, subject to the approval of the President, is authorized to operate not less than 125,000 hospital beds over which he has direct control. The VA has been closing hospital beds over the years to the extent that they now operate only some 84,000. Furthermore, we have information we consider reliable that by 1987, hospital beds will be cut to 72,000. This in the face of an aging veteran population that will include more than five million over 65 years of age by 1987 and large numbers of Vietnam veterans who have suffered the most disabling disabilities of any war and survived. In addition, the VA hospital system is the number one backup to the regrettably understaffed Department of Defense hospital

system in times of war and hostility. The VA's ability to fulfill this crucial mission is being rapidly eroded and at a time when the world situation is unsettled, to say the least.

Given the foregoing, Mr. Chairman, it must be as obvious to you as it is to us that these cuts cannot continue to be made in the VA budget if any semblance of integrity is to be maintained in the benefit programs and in the VA hospital and medical system.

Mr. Chairman, we were pleased to note that last week the House of Representatives referred to the Appropriations Committee the Veterans Administration construction plan for the FY 1981 which was approved in toto by the Veterans' Affairs Committee pursuant to the provisions of section 5004, Public Law 96-22. Included therein is $15 million for design funds for the replacement hospital at Minneapolis, Minnesota and funding for nursing home care units at Bronx, New York; Coatesville, Pennsylvania; Dallas, Texas; Kerrville, Texas and Reno, Nevada, among other projects. The V.F.W. strongly supports approval of the necessary appropriation.

Mr. Chairman, we of the V.F.W. are not budget busters. Our sole concern is that the VA budget and appropriation fully fund benefits and medical care authorized our veterans by law. We believe that any honorably discharged veteran in need of medical care and who seeks such from the Veterans Administration should never be denied. As we have stated before, our veterans are very special, for because of them, and only because of them, we have a free nation where we, you and I, may live with dignity and honor in freedom and progress in accordance with our individual abilities and motivation.

Thank you.

Mr. TRAXLER. We want to thank you for that very fine statement on behalf of the V.F.W. We hope that the reconciliation portion of the budget will be stricken and the Udall Amendment passed. I hope that will give us the opportunity to work our will in this area, recognizing the important needs that you have described to us. I would like to ask you if you had any comment on some of the previous testimony that you heard here today, but I am afraid we would take up the rest of the afternoon. But in two minutes or less.

Mr. POTEET. Yes, sir.

The whole problem is with the philosphy of V.A. hospital medical care system. If we are going to have a medical care system that takes care of the needs of this nation's veterans, and also serves as backup for the Department of Defense, it is going to cost *x* number of dollars. We can't get by with hedging and playing one off against the other and saying don't pass this or don't give money for this hospital or that.

We either have to make the decision in this country to go ahead and give our veterans health care second to none for their service-connected disabilities, and also their non-service-connected disabilities. We believe that the Federal government drafted this nation's youth to fight its wars, not county councils or planning agencies back in the states. The Federal government drafted the youth to fight in wars, and it is up to the Federal Government to take care of the same youth who returned from the wars.

Mr. TRAXLER. Thank you very much.

Mrs. BOGGS. I don't think anybody, disagrees with that. Also I think the component that we are forgetting in all of these discussions is research, and the remarkable breakthroughs that have come from research in Veterans Administration hospitals and medical care facilities that would not have been possible without the kind of funding that they receive from the Federal government. When you put in the research monies, what you save in the long run from those findings, can decrease the amount of costs for care per patient. In the long run it saves a great deal of money, as well as lives and limbs.

Thank you for your testimony.

Mr. POTEET. Thank you very much.

VETERANS ADMINISTRATION

WITNESS

DR. PAUL W. SCHAFER, PRESIDENT, NATIONAL ASSOCIATION OF VETERANS ADMINISTRATION PHYSICIANS

Mr. TRAXLER. Our next witness is Dr. Paul Schafer, President of the National Association of Veterans Administration Physicians, to discuss the VA budget.

You may proceed, Dr. Schafer.

Dr. SCHAFER. Thank you, Mr. Chairman.

Mr. TRAXLER. We are very pleased with your quotes, your references to famous Americans. It is a very interesting statement.

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Dr. SCHAFER. Some parts of my statement, of course, address exactly the questions you have asked some of the other witnesses as a matter of fact.

Mr. Chairman, members of the committee, my wife Carol, a World War II Army flight nurse, and I have many times seen the changing of the guard at the Tomb of the Unknown Soldier in Arlington Cemetery, and we have been deeply moved by the way we honor our dead. But, with you, share a concern for those who served, suffered and survived—our veterans—they too have paid their dues.

And as has happened many times before, I come back to Walt Whitman's, "I swear nothing is good to me now that ignores individuals." Or as it was said better than any man has ever done, by our good friend, William Faulkner, in his Nobel Prize acceptance, "I believe that man will not merely endure: He will prevail. He is immortal. . . . He has a soul . . . a spirit capable of compassion and sacrifice and endurance. The writer's duty is to write about these things. It is his privilege to help man endure by lifting his heart, by reminding him of the courage and honor and hope and pride and compassion and pity and sacifice which have been the glory of his past."

I am a physician, a surgeon, and though I speak here today in a strictly unofficial capacity as President of the National Association of Veterans Administration Physicians (NAVAP), it is only fair for you to know that most of my professional career has been in the academic milieu. I am a product of the surgical residency program of the University of Chicago where after a brief stint on that faculty I left to become Professor and Chairman of the Department of Surgery at the University of Kansas School of Medicine in Kansas City. There I was actively involved in our affiliation with five hospitals of the V.A. system; namely, in Leavenworth, Wichita, Excelsior Springs, Topeka and Kansas City. I know firsthand what the prospect is from the academic side of affiliation.

I later served as Chief of Thoracic and Cardiovascular Surgery at the Walter Reed Army Medical Center and there trained a generation of the Army's surgeons who served with distinction in Korea and Vietnam. I now continue my service in the Federal public sector as Chief of Thoracic Surgery at the Veterans Administration Medical Center here in Washington, D.C. My current academic identification is as Professor of Surgery at Georgetown University.

Mr. Chairman, we appreciate the continuing high priority your subcommittee assigns to the Veterans Administration's medical program. I wish to thank you for this opportunity to alert you to our grave concerns. The V.A. health care delivery system is greatly endangered by forces which, if unchecked, will bring about its dissolution. And thus would our nation dishonor its contract with its deserving veterans—joining that long line of ailing civilizations that history has judged by the treatment they have afforded their veterans.

One of the reasons for the decline and fall of the Roman Empire at the hands of the barbarians was its cynical neglect of those brave legions who had made it a world power. Our nation would do well to remember the shameful treatment of our own veterans after World War I when they came to Washington to petition the

government for their rights. We have yet fully to face the unmet needs of our Vietnam veterans.

We cannot permit the moral contract this nation has with its veterans to be abrogated. The Veterans Administration is the agency of government with the direct responsibility to fight for that contract's honor. As part of the current political process, all department and agency heads have heard the same Administration call for retrenchment. But it is an expected part of the political game for agencies to scream, to moan or at the very least to protest their assigned cuts.

The Veterans Adminitration, in knuckling under to the Administration and its OMB, has rolled over and played dead. The members of NAVAP understand the need for fiscal belt-tightening. But the marvelous and generally fair political processes by which our nation has weathered all the challenges of its first two centuries are still intact and, if used properly, will insure our future dynamic strength.

There is no rational basis for the belief that our veteran patients will have anything but increasing health care needs; indeed, with each passing year more of our World War II veterans face the specter of catastrophic illness. Whether it be in a general's summation of a battle, an administrator's census or a cancer statistic, the lone human being, frightened and suffering, from whatever cause, is left out of the picture. There can be no understanding of war or of disease without knowledge of what the individuals involved endure.

One instrument for the hospital system's demise is funding and the agents performing that evil act at every opportunity are the faceless social engineers, some of whom are to be found in the upper echelons of the OMB bureaucracy. They and their ilk comprise a majority of those involved in the National Academy of Sciences V.A. Report and they quietly influence the shape of proposed national health insurance legislation.

Their intent is clear. They plan so to weaken the system that with implementation of the first successful NHI legislation, the V.A. health care delivery system can easily be assimilated by local medical community interests. Last year the New Republic published a lengthy authoritative article treating of the Long, Carter and Kennedy NHI proposals. I wrote to the author and asked how he could have failed at least to mention the nation's largest centrally administered hospital system—that dedicated to veterans needs. I would like to read for you the mini-lecture I received from Harvard University. Sociology Professor Paul Starr wrote: "So far as I know, neither the Kennedy nor Carter proposal includes major changes in the V.A. Hospital System. However, I personally believe that the V.A. ultimately must be integrated into the system of community hospitals under a single health insurance plan. As you may know, the National Academy of Sciences had a committee (of which I was a member) which laid out detailed recommendations as to how such an integration would take place. I hope that you and the members of your association read that report with an open mind and take seriously the long-run considerations of social welfare and cost that it addresses."

Were we to follow such advices, thus would the nation default on its contract with its deserving veterans—they would then have lost their dedicated, free-standing hospital system.

An abandoned trolley line runs along the Potomac River past my home as mute testimony to the wisdom of yesterday's planners who closed down our mass transit rail system in the face of that approaching energy crisis which we now have. It must take sheer genius to rob veterans of their due, as our nation, teetering on the brink of World War III, faces a call-up of those who would become tomorrow's veterans.

Mr. Chairman, as you know so well, the V.A. health care delivery system is a key element in our national security and in our state of military preparedness. And thus we come to the crux of the matter—the Veterans Administration's persistence and indeed its increasing inability to heal the indolent sore of failure of recruitment and retention of full-time, dedicated, career-oriented physicians to staff its health care delivery system.

In a colloquialism from my part of the country—the V.A.'s failure to insure that someone is minding the store. I do not have to tell you that the needs of deserving veteran patients cannot be completely met by "here today-gone tomorrow" medical students, residents, part-time and contract physicians. NAVAP's files are replete with heart-rending tales of such experiences.

The extent to which the V.A. hospital system is losing its dedicated full-time physicians is not generally known. Ten years ago only one in ten V.A. physicians was part time. Five years later, in 1973, that figure had more than doubled. By early last year it had reached 40 percent. It now approaches 50 percent. Indeed, in 32 of our hospitals the majority of physicians are already part time, many services have only a single token full-timer, and we shall soon see one hospital without a single full-time physician on its staff.

In the foreseeable future we can envisage a whole facility being contracted out. Today in Portland, Oregon, local interests have gone so far as to say that veterans don't need their hospital—that they can simply be mainlined through existing local facilities as beds are available. Part-time percentages identified by specialties and by administrative roles are particularly alarming.

One has to be concerned that half of the associate chiefs of staff or chiefs of surgery are part time, one in five chiefs of medicine, one in four chiefs of psychiatry, and nearly half of all chiefs of neurology are part time. And incredible as it may seem, seven chiefs of staff are part time.

We work side by side each day with our fellow physicians serving in various kinds of part-time and contract employment. Many are active members, in good standing of NAVAP. Yet, often unknowingly, these friends and colleagues are members of the other crew which is quietly at work on the V.A. hospital system. Its name is Affiliated Medical School and what sadness that such tragedy would flow from General Bradley's 1946 memorandum establishing the association of Veterans Hospitals and Medical Schools. When there was enough to go around for everybody, it worked. Now that the times are rapidly changing, it has failed in many places.

Once, as was intended, the schools concerned themselves with training and education and the V.A. hospital staff was in charge of all professional matters having to do with policy and medical care of veterans patients. Now, in many places, mutually advantageous affiliation has been replaced by medical school domination and one of the instruments for this takeover is the school's part-time and contract physician who in increasing numbers is replacing full-time dedicated V.A. physicians.

The agents performing these self-serving acts are the Affiliation Committees or Deans' Committees provided for in Paragraph #4112 of Title 38. In many V.A. hospitals they determine its policies, they hire and fire its professional staff, they exploit research funds and facilities, they dominate the hospital's lay director, own the chief of staff and the chiefs of service, and admit veteran patients not on the basis of need but according to their value as "teaching material."

In short, they use the V.A. hospital as if it were their own—in essence, their charity wards. Many of us perceive that some schools in resolving the demands of local circumstance remain unaware of the larger circumstances that has been influenced to their own disadvantage. The image of Birmingham with a completely part-time physician staff will not be widely applauded.

Contract anesthesiology at Wadsworth-L.A. with 90 percent of patient anesthesia time by nurse anesthetists will be found unacceptable by many. The veteran turned away at Shreveport's admitting office will not thank the system. A school policy at Mountain Home which prohibits a physician being employed full time must be considered nothing less than remarkable.

And what can one say of deans who get a full year of federal retirement credit on the basis of a minimal annualized consultantship, the same credit accrued by a full-time physician who has $3,500 of his salary taxed and then deducted from his take-home pay.

An experience I had as a member of a Systematic External Review, or SERP, team at a Southeastern University medical school will serve to illustrate the veteran patient's plight in a part-time physician setup. In this institution, the surgery service has one "full-time" physician, and I use that expression advisedly, namely, the chief of the surgery service. And I use the expression advisedly in that I believe he is also paid by the university and it is obvious that his loyalty is divided.

There, all surgery section chiefs and staff surgeons are part-time and though I was available to them for an entire week, including each evening of the week, half of the section chiefs could not find time from their busy academic commitments across the street or from their equally busy lucrative private practices downtown, even to meet with me. The nadir of this experience was reached when a chief surgery resident explained, "that being a small city, they did not have a D.C. General Hospital like Washington or a Cook County like Chicago," and several other similar examples. That in fact the V.A. hospital was their "charity hospital and that the veteran patients were lucky to be getting such good free medical care." This expressed attitude clearly had been allowed to permeate the atmosphere of the entire hospital—the residents were only

reflecting the attitudes of their part-time supervisors. When this was reported to the exit conference, it was evident that it came as no surprise to either the chief of staff nor to the hospital director.

However, it was equally obvious that they were so captive by the all-powerful university dean's committee that they felt helpless to do anything substantive about it. The formal report of that SERP appraisal contains my strong reaction to that outrageous condition. A clipping from the Durham, North Carolina Morning Herald of April 20, 1980, which arrived in my mail last week, would indicate that little change has occurred since my visit. The Vice-President for Health Affairs of the Affiliated Medical School says of the Durham VAMC, "We run it lock, stock and barrel."

Mr. Chairman, this is precisely what happens when you do not have a strong nucleus of full-time, dedicated physicians in charge of administering to the needs of patients in the V.A. system. And that goes to the strength of the whole system. If you don't have the doctors, you don't have a system.

But, Mr. Chairman, we have got a real problem now in keeping qualified physicians, nurses and other health care professionals in the system and that is what I am here to testify to. The V.A. pay scale is completely out of touch with the real world of 1980 America. Eighty percent of full-time V.A. physicians are in the higher steps of Grade 15. Save for the 5.5 percent increase in base pay last fall, their income has been frozen for the last 5 years. During this time, inflation in excess of 60 percent has more than halved their real income. The V.A. now recruits young physicians just out of residency at or above the middle steps of Grade 15.

Notwithstanding the Administration's and OMB's view, NAVAP agrees with the authorizing committees of the House and of the Senate which are now in the process of moving a bill that among other constructive characteristics would allow additional incentives to be paid to V.A. physicians. We realize that there are differences between the House and the Senate versions; however, we support the intent of the two bills and are confident that the conference result will embody the best features of each.

I wish to leave no doubt in your mind that the V.A. health care delivery system suffers from a lethal physician recruitment and retention problem. The Veterans Affairs Committees have labored valiantly to create legislation to permit resolution of this vital problem. NAVAP urges that what evolves should be properly funded by the Appropriations Committee.

Mr. Chairman, in conclusion I would like to echo the words of Cornelius Ryan, author of A Bridge Too Far, and The Longest Day, as he accepted the Legion of Honor: "Engraved on one of the crosses overlooking the Normandy beaches are he words: 'Into the great mosaic of victory, these priceless jewels are set.' "

On behalf of them all, I thank you.

Mr. TRAXLER. Dr. Shafer, I want to thank you for the excellent statement, very moving statement as President of NAVAP.

You have certainly given us a great deal of thought for concern here.

Mrs. Boggs?

Mrs. BOGGS. Thank you very much, Dr. Shafer.

I was wondering, Dr. Shafer, in the training and hiring of young physicians, are the young people being trained at the Armed Services Medical School in Bethesda, available to VA hospitals upon graduation?

Dr. SHAFER. Mrs. Boggs, I am not sure I can answer that question. I don't believe the first class has graduated, you see. We don't have that experience. I know that there are plans for them which do commit their time in many endeavors more directly related to their obligated military roles.

Yes, I would hope that——

Mrs. BOGGS. It has occurred to me, how can you take somebody who has completed an expensive medical education and put him into a Grade 15 or higher level and expect him to stay at that level?

Dr. SHAFER. A very interesting question.

I am sure that the Veterans Administration has not wanted to do this, but that is dictated by the marketplace.

The only way young physicians finish their residency training can be attracted into the system is to recruit them at that level which still is not quite competitive with their opportunities elsewhere.

Mrs. BOGGS. Oh, no, I am sure it isn't.

Dr. SHAFER. What is in the mill, as I am sure you all know, H.R. 70102, which incorporates Mr. Roberts' scholarship program, we do have a way of breaking this. I would recommend that you look at most favorably on full funding of that upcoming legislation because it does the two things.

It will hold the present full time physicians longer in the system by modestly increasing their incentives but, in addition, then it will bring in to six years of obligated service individuals who would start this fall and be supported for a scholarship program of four years and then a graduate training program of four years with an obligation one for one for medical, one-half for one in their postgraduate training which, if you round out those numbers, look at the average age of the present physicians in the system, one could see downstream in a decade that this matter could come into balance.

I am not sure there is any other way to do it.

Mrs. BOGGS. Well, it is a difficult problem, and I must say that you have totally dispelled the notion that physicians are not great humanists.

Thank you for your fine testimony and the beauty of it.

Dr. SHAFER. Thank you.

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

I appreciate the testimony, too. We need to increase the pay of doctors in the VA system.

Dr. SHAFER. Thank you.

Mr. TRAXLER. Thank you, Dr. Shafer.

VETERANS' ADMINISTRATION

WITNESSES

DR. JOHN B. HENRY, DEAN, GEORGETOWN SCHOOL OF MEDICINE, REPRESENTING THE ASSOCIATION OF AMERICAN MEDICAL COLLEGES

DR. THOMAS J. KENNEDY, JR., DIRECTOR, DEPARTMENT OF PLANNING AND POLICY DEVELOPMENT, ASSOCIATION OF AMERICAN MEDICAL COLLEGES, WASHINGTON, D.C.

Mr. TRAXLER. Our next witnesses are Dr. John Henry, Dean of Georgetown School of Medicine, and Dr. Thomas J. Kennedy, Director of Planning and Policy Development, American Association of Medical Colleges.

Thank you for your patience, Dean Henry.

Please proceed in any fashion you care to.

Dr. HENRY. I will give a truncated version of my statement.

Mr. Chairman and Members of the subcommittee, The Association of American Medical Colleges appreciates the opportunity to appear before this subcommittee during its deliberations on the fiscal year 1981 appropriations for the Veterans' Administration.

As you know, the Association represents all of this Nation's 126 medical schools, many of which have strong and vital affiliations with VA hospitals; more than 400 teaching hospitals, including 74 VA hospitals, and over 70 academic societies, whose members are engaged in undergraduate and graduate medical education, in patient care, and in biomedical and behavioral research.

Because of the historically close relationship between the Association's constituent medical schools and teaching hospitals with the VA, the AAMC is deeply interested in and worried about the level of appropriations for the VA, in fiscal year 1981 for medical care, medical and prosthetic research, and assistance to health manpower training institutions.

The AAMC's specific interest in the VA DM&S budget stems from the desire of the Association to improve the medical care offered to the veterans of this country and to upgrade the quality of the training offered by teaching programs in VA hospitals, major producers of many types of health manpower.

It is the Association's hope that the efforts to control inflation and reduce Federal expenditures will not compromise the programs of the Department of Medicine and Surgery. The President has expressed his desire to maintain and increase defense expenditures; surely, VA medical expenditures can be viewed as delayed defense costs.

Unfortunately, the recommendations embodied in the President's fiscal year 1981 appropriation requests in the areas of medical care, medical and prosthetic research and assistance to health manpower training institutions appear to be seriously inadequate and likely to impact adversely on the functioning of the VA hospital system.

Therefore, the Association is proposing alternative funding levels for these programs, as summarized in Tables I and II at the end of my statement.

Addressing the three of these, and the first is Medical Care, the President's revised budget for fiscal year 1981 proposes $5,999 million for medical care for the VA, $144 million more than the $5,855 million appropriated for fiscal year 1980, and $196 million less than the budget originally submitted to the Congress in January.

The average number of full-time equivalent employees proposed in the original and revised budget, 185,316, is just 50 more than for fiscal 1980.

The Administration's appropriation request for medical care reflects a 2.4 percent increase when the CPI is rising rapidly, approximately 18 percent in the last year. In real terms, the VA will actually be operating during the 1981 fiscal year at a significantly reduced level unless this subcommittee and the Congress add to the President's request.

The AAMC has long advocated and again urges improvement in the staffing of VA hospitals. According to the American Hospital Association's 1978 Annual Survey, the average number of full-time equipment employees per adjusted patient census is 3.23 in the private sector.

The current comparable figure in the VA system is 2.15. In order to narrow this very large disparity and to bring the VA into closer alignment with conditions in the private sector, the AAMC recommends that manpower for the VA be increased to achieve a staffing level of 2.25 employees per adjusted census.

This would require an increase in personnel of 7,000 FTE's at a cost of $10 million. This increment for fiscal year 1981 would increase the fiscal year 1980 budget of the Department of Medicine and Surgery only 5.5 percent, relatively modest growth in these inflationary times.

Another disturbing aspect of the medical care budget is its inadequacy to meet the instrumentation and equipment needs of the hospitals or to provide improvement in the poor physical condition of many of these installations.

The funds allocated to these two areas in the original fiscal year 1981 DM&S budget were approximately $50 million less than needed; reduction from the January estimate came from the capital investment budget, $131.4 million for equipment replacement and $18.6 million for necessary minor improvements.

Unless the Congress restores funds in this area, VA facilities will be forced to continue to rely on outdated technology and instrumentation for the laboratory, X-ray rooms, and throughout the hospitals.

This is particularly shortsighted, because next year there will only be more "potholes" which will need to be repaired. In essence this is penny-wise pound-foolish false economizing. It should also be noted, and this is extremely important, that the VA hospital system is the first line backup for DOD Hospitals; the need to sustain their capacity to serve this function in uncompromised fashion takes on added significance at this time.

At a minimum, therefore, the AAMC would hope that the subcommittee would restore the budget for these items to at least the fiscal year 1980 level of $210 million.

Lastly, the Association would urge this subcommittee to increase the number of new residency positions in the VA. The five new State medical schools created and initially funded by the VA under Public Law 94-541 are at the point in their development when their residency training programs should grow rapidly.

The 74 new slots requested by the Administration will not be adequate to meet the needs of these emerging affiliations. Without a large enough house staff in the VA hospitals associated with these medical schools, one of the basic reasons for the initial investment in the medical schools will be lost. AAMC urges that 126 new positions at a cost of $1.5 million be created to ensure a house staff of reasonable size for these programs.

Turning now to Medical and Prosthetic Research, the VA Medical and Prosthetic Research Program is a very significant program within the VA enterprise and one that currently stands in jeopardy because of a long period of restrained funding.

The research program is critically important to the VA because of the inherent value of research as a contributor to the improvement of medical care, and because a research environment indirectly improves the overall quality of health care delivered by enhancing the ability of an institution to attract and retain a high quality, competent, well trained and academically oriented medical staff.

Despite the outstanding performance of the VA Research Program in the past, its budget has failed to grow over the past four years.

While the AAMC is deeply interested in all components of the research program, three programs warrant special mention: The Investigator Initiated Research Program; the Career Development Program, and the Cooperative Studies effort.

The President proposes to fund the investigator initiated research program at the level of $72.5 million. This Federal intramural program is unique in its intense focus on the disease problems which are most characteristic of the populations of veterans' hospitals.

Without additional funds, the VA would have to either compromise ongoing projects by underfunding each or by eliminating any new starts on already approved programs.

The Career Development Program provides the VA with an opportunity to recruit young physicians who have recently completed formal training as well as physicians well launched on research careers. Experience has shown that physicians who enter the system through the Career Development Program are highly likely to remain at the VA for a very large fraction of their professional lives.

Cooperative Studies is a program under which two or more VA hospitals agree to jointly participate in a research study using a common protocol with a study design that permits the pooling of the data collected. Studies of this type were major elements in the VA's early research program.

They date back to 1946 when landmark work was done in the area of the treatment of tuberculosis. More recently, this program has supported major research related to hypertension and the ability to successfully manage that illness; results indicate that the death rate from hypertension can be reduced by close to 50 percent.

In summary, the AAMC would urge the Congress to increase the research budget by $11.4 million in order for the VA research program to be able to do more than just barely survive.

One of the most serious omissions from the fiscal year 1981 budget is the lack of funds to implement Public Law 96-151, signed into law on December 20, 1979. This law renews Subchapters II, III, and IV of Public Law 92-541, authorizing funds for the purpose of health manpower education and training.

The Congress authorized $15 million, $25 million and $30 million respectively, for these programs in fiscal year 1980, 1981, and 1982.

Just one month after signing this legislation into law, the President chose not to include funds in his budget for these programs. The consequences of such an action should be examined by the members of this subcommittee.

The Association agrees with the decision that the VA should not fund any additional new medical schools. By the same token, however, the AAMC feels that grants to strengthen education programs in medical schools with VA affiliations have been extraordinarily successful and that it would be exceedingly unfortunate and shortsighted if this program were not to continue for lack of funds.

While benefits from these programs redounds to the medical schools, the VA derives substantial benefits in the form of services performed by students, residents, and faculty, all of whom contribute to increasing both the quantity and quality of the patient care provided in VA hospitals.

In those hospitals where grants under Subchapter II have been instrumental in establishing teaching programs in affiliated hospitals, reports indicate that there has been dramatic change in the caliber of the medical care delivered and the morale of the full-time VA staff who willingly participate in the teaching function.

The AAMC views the decision by the President not to continue to fund programs of this type as particularly shortsighted, and rcommends that the Congress appropriate $15 million for grants under Subchapter II.

The Association appreciates the opportunity to appear before the subcommittee today.

I will be glad to answer any questions you might have.

[The statement follows:]

aamc association of american medical colleges

TESTIMONY OF THE ASSOCIATION OF AMERICAN
MEDICAL COLLEGES ON FISCAL YEAR 1981
APPROPRIATIONS FOR THE VETERAN'S ADMINISTRATION*

Mr. Chairman and Members of the Subcommittee:

The Association of American Medical Colleges appreciates the opportunity to appear before this Subcommittee during its deliberations on the FY 81 Appropriations for the Veteran's Administration. As you know the Association represents: all of this nation's 126 medical schools, many of which have strong and vital affiliations with VA hospitals; more than 400 teaching hospitals, including 74 VA hospitals; and over 70 academic societies, whose members are engaged in undergraduate and graduate medical education, in patient care, and in biomedical and behavioral research. Because of the historically close relationship between the Association's constituent medical schools and teaching hospitals with the VA, the AAMC is deeply interested in and worried about the level of appropriations for the VA in FY 81 for medical care, medical and prosthetic research, and assistance to health manpower training institutions.

The AAMC's specific interest in the VA DM&S budget stems from the desire of the Association to improve the medical care offered to the veterans of this country and to upgrade the quality of the training offered by teaching programs in VA hospitals---major producers of many types of health manpower. It is the Association's hope that the efforts to control inflation and reduce Federal expenditures will not compromise the programs of the Department of Medicine and Surgery. The President has expressed his desire to maintain and increase defense expenditures; surely, VA medical expenditures can be viewed as delayed defense costs.

Unfortunately, the recommendations embodied in the President's FY 81 appropriation requests in the areas of medical care, medical and prosthetic research and assistance to health manpower training institutions appear to be seriously inadequate and likely to impact adversely on the functioning of the VA hospital system. Therefore, the Association is proposing alternative funding levels for these programs, as summarized in Tables I and II.

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*Presented by John B. Henry, M.D., Dean, Georgetown University School of Medicine, Washington, D.C., before the Subcommittee on HUD-Independent Agencies of the House Appropriations Committee on May 6, 1980.

Medical Care

The President's revised budget for FY 81 proposes $5,999 million for medical care for the VA, $144 million more than the $5,855 million appropriated for FY 80, and $196 million less than the budget originally submitted to the Congress in January. The average number of full-time equivalent employees proposed in the original and revised budget---185,316---is just 50 more than for fiscal 1980. The Administration's appropriation request for medical care reflects a 2.4% increase when the CPI is rising rapidly---approximately 18% in the last year. In real terms, the VA will actually be operating during the 1981 fiscal year at a significantly reduced level unless this Subcommittee and the Congress add to the President's request.

The AAMC has long advocated and again urges improvement in the staffing of VA hospitals. According to the American Hospital Association's 1978 Annual Survey, the average number of FTE employees per adjusted patient census is 3.23 in the private sector. The current comparable figure in the VA system is 2.15. In order to narrow this very large disparity and to bring the VA into closer alignment with conditions in the private sector, the AAMC recommends that manpower for the VA be increased to achieve a staffing level of 2.25 employees per adjusted census. This would require an increase in personnel of 7,000 FTE's, at a cost of $180,000,000. This increment for FY 81 would increase the FY 80 budget of the Department of Medicine and Surgery only 5.5%---relatively modest growth in these inflationary times.

The Association would also call to the attention of the Subcommittee that the projected increase in the staffing ratio from 2.04 to 2.15 from 1979 to 1981 shown in the budget may be misleading in that it reflects an objective of reducing the average length of stay of patients. Assuming that objective can be attained and no other changes ensue, simple arithmetic would demonstrate a reduced census and an improved staffing ratio. The AAMC suspects that in reality, an already overworked and limited staff of essentially present strength will be asked to compress the medical care activities related to patient illness into a shorter period of time. One need not be a medical expert to recognize the impact of this arrangement on staff morale and ultimately patient care. The Association urges the Subcommittee to carefully consider the consequences of the staffing plan proposed in the President's Budget and to adopt the personnel increases recommended by the AAMC.

Another disturbing aspect of the medical care budget is its inadequacy to meet the instrumentation and equipment needs of the hospitals or to provide improvement in the poor physical condition of many of these installations. The funds allocated to these two areas in the original FY 81 DM&S budget were approximately $50 million less than needed; yet in the revised 1981 budget, $150 million of the $196 million reduction from the January estimate came from the capital investment budget---$131.4 million for equipment replacement and $18.6 million for necessary minor improvements. Unless the Congress restores funds in this area, VA facilities will be forced to continue to rely on outdated technology and instrumentation for the laboratory, x-ray rooms, and throughout the hospitals. This is particularly shortsighted, because next year there will only be more "potholes" which will need to be repaired. In essence this is penny-wise pound foolish false economizing. It should also be noted that the VA hospital system is the first line backup for DOD hospitals; the need to sustain their capacity to serve this function in uncompromised fashion takes on added significance at this time. At a minimum, therefore, the AAMC would hope that the Subcommittee would restore the budget for these items to at least the FY 1980 level of $210 million.

Lastly, the Association would urge this Subcommittee to increase the number of new residency positions in the VA. The five new state medical schools created and initially funded by the VA under PL 94-541 are at the point in their development when their residency training programs should grow rapidly. The 74 new slots requested by the Administration will not be adequate to meet the needs of these emerging affiliations. Without a large enough housestaff in the VA hospitals associated with these medical schools, one of the basic reasons for the initial investment in the medical schools will be lost. AAMC urges that 126 new positions at a cost of $1.5 million be created to insure a housestaff of reasonable size for these programs.

Medical and Prosthetic Research

The VA Medical and Prosthetic Research Program is a very significant program within the VA enterprise and one that currently stands in jeopardy because of a long period of restrained funding. The research program is critically important to the VA because of the inherent value of research as a contributor to the improvement of medical care, and because a research environment indirectly improves the overall quality of health care delivered by enhancing the ability of an institution to attract and retain a highly competent, well trained and academically oriented medical staff.

Despite the outstanding performance of the VA research program in the past, its budget has failed to grow over the past four years. Moreover, despite Congressional language to the contrary, in FY 80 the VA medical research budget was forced to absorb more than $2 million of the October pay raise which resulted in an effective decrease in the research budget from FY 1979.

While the AAMC is deeply interested in all components of the research program, three programs warrant special mention: the Investigator Initiated Research Program; the Career Development Program; and the Cooperative Studies effort. The President proposes to fund the investigator initiated research program at the level of $72.5. This Federal intramural program is unique in its intense focus on the disease problems which are most characteristic of the populations of veterans hospitals. Without additional funds, the VA would have to either compromise ongoing projects by underfunding each or by eliminating any new starts on already approved programs. To avoid this happening to any large extent, the Association encourages the Subcommittee to increase the President's recommendation of $72.5 million to $80 million. This additional $7.5 million would permit approved research programs to receive the level of funding recommended by the merit review boards.

The Career Development program provides the VA with an opportunity to recruit young physicians who have recently completed formal training as well as physicians well launched on research careers. Experience has shown that physicians who enter the system through the Career Development Program are highly likely to remain at the VA for a very large fraction of their professional lives. In order to expand the size of this program to accommodate the appointment of new applicants at a reasonable entry level salary, the Association would recommend an appropriation of $14,000,000 an increase of $2.2 million over the President's recommendation. Currently, there are about 200 recipients of these awards, almost all of whom are physicians. The President's Budget request would keep this program at its present size. By increasing the appropriation by the amount recommended by the AAMC, the employment level would be raised, as would also the size of the pool of physicians that could be expected to stay with the VA throughout their career.

Cooperative Studies is a program under which two or more VA hospitals agree to jointly participate in a research study using a common protocol with a study design that permits the pooling of the data collected. Studies of this type were major elements in the VA's early research program. They date back to 1946 when landmark work was done in the area of the treatment of tuberculosis. More recently, this program has supported major research related to hypertension and the ability to successfully manage that illness; results indicate that the death rate from

hypertension can be reduced by close to 50%. The President has requested $9.8 million for the Cooperative Studies Program. In order to support at least half of those studies approved for funding, the Association would recommend an appropriation of $11.5 million for FY 81.

In summary, the AAMC would urge the Congress to increase the research budget by $11.4 million in order for the VA research program to be able to do more than just barely survive.

Assistance to Health Manpower Training Institutions

One of the most serious omissions from the FY 81 Budget is the lack of funds to implement PL 96-151, signed into law on December 20, 1979. This law renews Subchapters II, III, and IV of PL 92-541, authorizing funds for the purpose of health manpower education and training. Specifically, authority was granted to the Administrator of the VA:

- To provide grants to medical schools presently affiliated with VA medical facilities to improve and expand physician training;
- To provide grants to public and private educational institutions affiliated with VA medical facilities to increase the number of professional and technical health care personnel; and
- To support the remodeling and improvement of VA facilities to enhance the training and education of health care personnel.

The Congress authorized $15 million, $25 million and $30 million, respectively, for these programs in FY's 80, 81, and 82.

Just one month after signing this legislation into law, the President chose not to include funds in his Budget for these programs. The consequences of such an action should be examined by the members of this Subcommittee.

Currently, there are 18 grants disbursed to academic institutions under Subchapter II, as well as grants to the five state medical schools established under Subchapter I. The President's revised budget proposes to carry over unobligated funds from the previous fiscal year to FY 1981. While the carryover will provide sufficient funds to meet current commitments, there is no money provided for new grants to these institutions or to others eligible for participation.

The Association agrees with the decision that the VA should not fund any additional new medical schools. By the same token, however, the AAMC feels that grants to strengthen education programs in medical schools with VA affiliations have been extraordinarily successful and that it would be exceedingly unfortunate and shortsighted if this program were not to continue for lack of funds. Examples of where this grant money has been put to exceptionally good use include:

- Louisiana State University Shreveport and the Shreveport VA: The $2.7 million grant which terminates this year after five years was designed to help LSU expand its class size and its staffing over the five year period. LSU has apparently met all of the original goals established in the grant application almost precisely.

- Medical College of Pennsylvania and the Philadelphia VA: The $6 million dollar grant here has been used to initiate a primary care education program, provide additional staffing to the medical school and the VA, and strengthen the continuing education program at the medical center.

- University of Florida and the Gainesville VA: This grant of $1.8 million supported the development of a four county rural health program, expansion of the VA ambulatory care units in Gainesville and Jacksonville, and provided funds for the construction of an educational facility at the Gainesville VA hospital.

- Wright State University and the Dayton VA: Wright State University initially supported as a Subchapter I school, is now a fully accredited medical school and thus would now be eligible for Subchapter II funds.

While benefit from these programs redounds to the medical schools, the VA derives substantial benefits in the form of services performed by students, residents, and faculty, all of whom contribute to increasing both the quantity and quality of the patient care provided in VA hospitals. In those hospitals where grants under Subchapter II have been instrumental in establishing teaching programs in affiliated hospitals, reports indicate that there has been dramatic change in the calibre of the medical care delivered and the morale of the full time VA staff who willingly participate in the teaching function.

The AAMC views the decision by the President not to continue to fund programs of this type as particularly shortsighted, and recommends that the Congress appropriate $15 million for grants under Subchapter II.

The Association appreciates the opportunity to appear before the Subcommittee today. I will be glad to answer any questions you might have.

63-277 O - 80 - 12

TABLE I

APPROPRIATIONS FOR THE VETERAN's ADMINISTRATION

	Actual FY 1979 (Dollars in Thousands)	Estimate FY 1980	FY 1981 Original	FY 1981 Revised	AAMC Recommendations
1. Medical Care	$5,374,374	$5,854,970	$6,154,802	$5,958,582	$6,227,082
2. Medical and Prosthetic Research	122,847	126,447	134,810	129,496	140,896
Medical Research	112,993	115,371	122,743	117,669	129,069
Rehabilitation Research	6,480	7,987	8,984	8,784	----
Health Services Research	3,374	3,089	3,083	3,043	----
3. Assistance for Health Manpower Training Institutions	104,905	----	----	----	15,000,000
Grants for New Medical Schools	62,564	----	----	----	----
Other Health Manpower Training Institutions	42,341	----	----	----	15,000,000

TABLE II

EMPLOYMENT LEVELS AT THE VETERAN'S ADMINISTRATION

Average Employment (Numbers)	181,088	184,622	184,672	184,672	191,672
Full-time Equivalent	181,742	185,266	185,316	185,316	192,316

Mrs. BOGGS. I am sorry everyone had to go to vote.

We are delighted to have you with us and we thank you for your splendid testimony.

I was especially interested in the affiliations with the medical schools and, as you know, in New Orleans we have a splendid cooperative effort among Veterans Hospital, LSU Medical School, Tulane Medical School and Charity Hospital, which are all together in one area. Would these programs that are not being funded which just last December were signed into law adversely impact upon a situation such as that?

Dr. HENRY. Yes; I believe they will. I think you can look in any one of those categories in terms of whether it is the medical care itself or in terms of whether it is the research or in the manpower, to the last extent in the manpower.

Mrs. BOGGS. It is pointed out in your testimony that Louisiana State University at Shreveport and the Shreveport VA Hospital seem to have a grant which is terminating this year.

Dr. HENRY. As you may know, the VA Hospital made it possible to really launch the medical school at LSU at Shreveport, and it was only until a year ago that they got their own independent hospital, so this is a very interdependent relationship.

Mrs. BOGGS. It is something that is really needed with the State because Shreveport is far away from New Orleans, where the main medical campus is located, and the University has a history of cooperating with the VA Hospital there.

I was distressed to hear that they were not going to get this grant.

Dr. HENRY. It is a good example of how the grant money has been expended, so why isn't it managed?

Mrs. BOGGS. I should ask, because Mr. Coughlin has not come back, I should ask you about the Medical College of Pennsylvania and the Philadelphia VA, on page 6 of your testimony.

Dr. HENRY. This has been used to initiate a primary care program, first contact medical care yield additional staff to the school and the VA in strengthening the continuing education program at the Medical Center.

The emphasis on ambulatory care mandates the medical schools and VA Hospitals to tool up and expand this important method of delivery of medical care services, and this grant appears to be a substantial thrust in that direction.

Mrs. BOGGS. Well, we do thank you and, of course, admire you at Georgetown—not only the facilities you offer but the good advice that you provide to the Congress from time to time.

We are very grateful for your testimony.

Dr. HENRY. I am delighted.

Thank you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

RONALD SPIGGLE, MAYOR OF THE CITY OF APPOMATTOX, VA., REPRESENTING THE NATIONAL LEAGUE OF CITIES

W. R. BRITTON, JR., TOWN MANAGER

DENNIS BASS, LEGISLATIVE COUNSEL, NATIONAL LEAGUE OF CITIES

Mrs. BOGGS. Our next witness is Mr. Spiggle, Mayor of the City of Appomattox, Virginia.

Mr. SPIGGLE. I have asked to accompany me to the table Mr. Dennis Bass, who is the Legislative Counsel for the National League of Cities, and Mr. William R. Britton, who is my City Manager.

I am Ronald Spiggle, the Mayor of Appomattox, Virginia.

I am here today on behalf of the National League of Cities to convey the views of the Nation's municipal officials on the Environmental Protection Agency's fiscal 1981 budget.

My comments will be concerned primarily with appropriations for Section 201 of the Clean Water Act. But I would ask that our full statement on funding for other EPA programs and for the Department of Housing and Urban Development be included in the hearing record.

Mrs. BOGGS. It will certainly be done.

Mr. SPIGGLE. The National League of Cities has been a strong supporter of Federal legislation to protect public health and the environment. Over the last decade, EPA has been given mandates by Congress in a number of complex and difficult pollution abatement areas.

We have consistently supported the Administration's and this subcommittee's efforts in the last few years to increase funding for Federal environmental programs so that adequate resources are committed to achieving the legislative mandates for a cleaner, safer environment.

This year, faced with extraordinary pressures to balance the fiscal 1981 budget, the President did not recommend any permanent reduction in funding for environmental programs in his March budget revisions, aside from across-the-board reductions in operations and administrative expenditures.

The lack of significant reductions is a recognition that meeting environmental mandates already in place will require an increasing level of Federal resources.

Consequently, NLC in general supports the President's request on EPA's fiscal 1981 budget.

Wastewater Treatment Facilities Grant Program, Section 201, NLC is especially concerned that this subcommittee approve the $3.7 billion level of funding for the wastewater treatment construction grant program requested by the President in both his January budget and in his revised March budget.

The impact of a reduction below the Administration's request will have a magnified effect through succeeding years. Indications from Congress that funding for the 201 program will fall or become unstable will make local governments hesitant to begin planning and design activities.

The situation is complicated this year by the Administration's proposal to defer further obligations of fiscal year 1980 funds in order to reduce outlays in fiscal year 1981 by $95 million. The Administration proposes only a temporary deferral; EPA will resume obligations of $400 million fiscal year 1980 funds in September, with a balance to be "unfrozen" in fiscal 1981.

Even if a deferral is only temporary, it will have a severe impact on at least 19 States that are expected to spend all their fiscal year 1980 funds before September.

These States cannot begin to obligate their allotments of fiscal year 1980 funds; their construction program activities must therefore be suspended. This will interrupt the momentum necessary for efficient projects; bonds issued to pay the local share will be unused; contracts signed in anticipation of awards may be breached, and inflation will add significantly to the cost of deferred projects.

For many local governments, an untenable political and financial situation has been created by the deferral.

But an equal danger, it seems to us, is that Congress may convert this temporary deferral into a permanent reduction by cutting the fiscal year 1981 appropriation.

In summary, it is evident to us that the deferral of fiscal year 1980 funds will cause serious dislocations in construction programs in half the States. A reduction in the fiscal year 1981 appropriation below the $3.7 billion request will spread the disruption to the other half of the States in upcoming years.

In the meantime, however, we believe it is imperative that Congress provide an adequate appropriation to enable State and local governments to achieve the mandated goals and timetables of the Federal Clean Water Act.

While NLC understands and sympathizes with the need for a balanced Federal budget, our Board of Directors has stated that as long as Federal mandates remain in place the Federal Government must continue its assistance to help State and local governments meet those mandates.

The President has proposed a fiscal year 1981 funding level for the 201 program that meets this requirement within the framework of a balanced budget. We hope this subcommittee will adopt his recommendation.

In general, NLC endorses the levels of funding requested for other environmental programs. Even though there is no real growth in the EPA budget, we believe the requested levels are appropriate, given the budgetary restraints in effect.

EPA has made clear its intent to negotiate "State/EPA agreement" with every State in order to integrate categorical environmental programs. We understand the advantages of integrated environmental programs.

But we believe there is a clear danger that carefully-constructed statutory and regulatory requirements for local government involvement and consultation will be undermined or circumvented in these agreements.

While this might provide some marginal benefits in program efficiency, we believe the political costs to environmental programs would be substantial.

NLC has repeatedly cautioned EPA against undermining the local role in environmental programs; we would alert this subcommittee to this developing problem.

Finally, our comments to this subcommittee often speak of Federal program mandates which must be accompanied by Federal funding to assist local and State governments with compliance.

But there is increasing disagreement over the appropriate level of Federal, State and local contributions for environmental programs. There are increasing instances of Federal mandates for which there is little or no Federal aid, such as requirements to upgrade or close open dumps under RCRA or to meet regulations for removal of organic contaminants under the Safe Drinking Water Act.

The increasing concern of city officials about the mandated cost issue has prompted NLC's Policy Committee on Energy and Environmental Quality, consisting of 200 municipal officials, to initiate an extensive examination of this issue.

It is our hope to provide some new ideas and direction in this era of budgetary restraint at all levels of government.

Mr. Chairman, I appreciate the opportunity you have given me to express our views on this issue, and I might add, sir, that I have used abbreviated remarks due to the time element.

[The statement follows:]

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MAY 6, 1980

STATEMENT BY

THE HONORABLE RONALD SPIGGLE

MAYOR OF THE CITY OF APPOMATTOX, VIRGINIA

ON BEHALF OF

THE NATIONAL LEAGUE OF CITIES

ON

FY 1981 APPROPRIATIONS FOR THE

ENVIRONMENTAL PROTECTION AGENCY

AND

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE

SUPCOMMITTEE ON HUD-INDEPENDENT AGENCIES

COMMITTEE ON APPROPRIATIONS

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Good afternoon. I am Ronald Spiggle, the Mayor of Appomattox, Virginia. I'm here today on behalf of the National League of Cities to convey the views of the nation's municipal officials on the Environmental Protection Agency's fiscal 1981 budget. My comments will be concerned primarily with appropriations for Section 201 of the Clean Water Act. But I would ask that our full statement on funding for other EPA programs and for the Department of Housing and Urban Development be included in the hearing record.

The National League of Cities has been a strong supporter of federal legislation to protect public health and the environment. Over the last decade, EPA has been given mandates by Congress in a number of complex and difficult pollution abatement areas. We have consistently supported the Administration's and this Subcommittee's efforts in the last few years to increase funding for federal environmental programs so that adequate resources are committed to achieving the legislative mandates for a cleaner, safer environment.

This year, faced with extraordinary pressures to balance the fiscal 1981 budget, the President did not recommend any permanent reduction in funding for environmental programs in his March budget revisions, aside from across-the-board reductions in operations and administrative expenditures. The lack of significant reductions is a recognition that meeting environmental mandates already in place will require an increasing level of federal resources.

Consequently, NLC in general supports the President's request for EPA's fiscal 1981 budget.

- Wastewater Treatment Facilities Grant Program (Section 201)

NLC is especially concerned that this Subcommittee approve the $3.7 billion level of funding for the wastewater treatment construction grant program requested by the President in both his January budget and in his revised March budget. The $3.7 billion for fiscal 1981 is the beginning of the Administration's long-range plan to roll out appropriations over the next few years to reach the full authorized $5 billion level in fiscal 1985.

We support this graduated increase in 201 funding because we believe that the funds are needed and will be used. EPA estimates that there will be an increasing number of major projects in the next few years that will complete a long planning and approval process and will be ready for obligation. Moreover, 201 programs in a number of states will gain significant momentum in the next few years with a corresponding increase in obligations and outlays. We consequently agree with EPA's assessment that $3.7 billion is needed in FY 1981 to insure that the maximum number of states receive sufficient funds to continue program activities.

In the past, the argument has been made that large unobligated balances make the 201 program ripe for reductions. This year a new argument has been made for cuts, based on the deferral in 201 program outlays proposed by the administration as part of its effort

to balance the FY 81 budget. I would like to briefly address each of these concerns:

- It is true that unobligated balances in the 201 program currently exceed $6 billion. Nevertheless, obligations in fiscal 1979 exceeded EPA's estimate by $800 million, and in fiscal 1980 obligations had been expected, prior to the freeze on obligations, to exceed $4.8 billion. EPA estimated that carryover unobligated balances would be reduced by $2 billion in fiscal 1980 and 1981. Clearly, the momentum of the program is on the upswing.

  At any rate, a large unobligated balance does not indicate overfunding of the program or lack of need. In a program of this size (over $25 billion has been obligated since 1972) and complexity (planning, design and construction can take up to ten years to complete), it is not excessive for a large portion of the funds to be unused for a time. Moreover, as this Subcommittee knows, one of the reasons for a large unobligated balance is the state allocation system which underfunds states with fast-moving programs and overfunds states with slower-moving programs.

  The impact of a reduction below the Administration's request will have a magnified effect through succeeding years. Indications from Congress that funding for the 201 program will fall or become unstable will make local governments hesitant to begin planning and design activities. The rate of obligation in future years will thereby be significantly slowed and the program will then enter another slump. Congress can ensure a self-fulfilling prophecy by not demonstrating its commitment to adequate funding for the program.

- The situation is complicated this year by the Administration's proposal to defer further obligations of FY 1980 funds in order to reduce outlays in FY 1981 by $95 million. The Administration proposes only a temporary deferral; EPA will resume obligations of $400 million in FY 1980 funds in September, with the balance to be "unfrozen" in fiscal 1981.

  Even if the deferral is only temporary, it will have a severe impact on at least 19 states that are expected to spend all their FY 1979 funds before September. These states cannot begin to obligate their allotments of FY 1980 funds; their construction program activities must therefore be suspended. This will interrupt the momentum necessary for efficient projects; bonds issued to pay the local share will be unused; contracts signed in anticipation of awards may be breached; and inflation will add significantly to the cost of deferred projects. For many local governments, an untenable political and financial situation has been created by the deferral.

  But an equal danger, it seems to us, is that Congress may convert this temporary deferral into a permanent reduction by cutting the FY 1981 appropriation. The House's first budget resolution has already reduced the target for the 201 program to $3.3 billion. Yet simply because there has been a deferral

of funds does not mean that, in the short run, there is a corresponding slow down in the number of projects moving to the obligation phase. By September, when FY 1980 funds are again available, there will be a backlog of projects ready for obligation that will consume the deferred funds.

In summary, it is evident to us that the deferral of FY 1980 funds will cause serious dislocations in construction programs in half the states. A reduction in the FY 1981 appropriation below the $3.7 billion request will spread the disruption to the other half of the states in upcoming years.

As I noted above, it has become evident that one of the major reasons for uneven obligation of 201 construction funds is the current method of allocating these funds to states. NLC has encouraged the authorizing committees in both Houses to improve the flow and obligation of funds through such mechanisms as extending the obligation period to three years (which the Administration has endorsed) or by establishing a "borrowing pool" whereby states that can use extra funds in one year can temporarily borrow from states who cannot use their 201 funds in that year. The House has already passed H.R. 4113 which authorizes a "second tier" 201 appropriation each year for those states that demonstrate they can use the funds. As yet the Senate authorizing committee has not acted on similar proposals. We hope that Congress will take final action in 1980 on this legislation which will alleviate a major obstacle to expedited obligation of construction funds.

In the meantime, however, we believe it is imperative that Congress provide an adequate appropriation to enable state and local governments to achieve the mandated goals and timetables of the federal Clean Water Act. While NLC understands and sympathizes with the need for a balanced federal budget, our Board of Directors has stated that, as long as federal mandates remain in place, the federal government must continue its assistance to help state and local governments meet those mandates. The President has proposed an FY 1981 funding level for the 201 program that meets this requirement within the framework of a balanced budget. We hope this Subcommittee will adopt his recommendation.

Other Environmental Programs

In general, NLC endorses the levels of funding requested for other environmental programs. Even though there is no real growth in the EPA budget, we believe the requested levels are appropriate, given the budgetary restraints in effect. In particular, we draw attention to the following requests:

- Of major importance to NLC's members is the success of the program to control hazardous wastes under Subtitle C of RCRA. For this reason, we support the request for $147.5 million for the solid waste program. This is an increase of $47 million, most of which

will go towards implementing the new regulatory program under Subtitle C. Essential to the federal program is a 61 percent increase (to $30 million) in state hazardous waste management grants. States and local governments have already demonstrated a commitment to hazardous waste control through substantial expenditures of their revenues. We believe that federal funding increases are also essential if the generation, transportation and disposal of millions of tons of hazardous waste produced each year are to be adequately controlled.

Equally important is the capability to deal with uncontrolled releases from abandoned and closed sites, a problem that states and local governments are currently coping with alone. NLC has supported expanding the authority and financial ability of the federal government to deal with these sites, which are posing an increasing danger to public health across the country. Although we have endorsed an industry-based fee system to provide funding, we hope this Subcommittee will provide any federal appropriation which may be required in the final authorizing legislation.

- We support the increase to $87.7 million for state air quality programs under Section 105 of the Clean Air Act. Given the increasing responsibilities that are being assumed by state and local governments, such as administration of the prevention of significant deterioration program, we believe the $5 million increase over fiscal 1980 is modest. Most state implementation plan revisions for non-attainment areas are now approved and in the implementation phase. We believe that the part local governments played in the plan revisions under Section 174 of the Clean Air Act has demonstrated the importance of a continuing role for local officials in air quality programs. Although the authorization that insured this role under Section 175 expires in fiscal 1980, NLC believes it is important to provide for some level of continuing local involvement for both non-attainment and PSD programs, perhaps through a small increase and earmarking of Section 105 grants. NLC appreciates the initiative this Subcommittee demonstrated in 1978 when you provided funds under Section 175, and we hope your interest in local involvement in the air program will continue.

- NLC supports the request of $34 million for Section 208 of the Clean Water Act. This program is evidently being administratively reoriented by EPA from an areawide planning program to a demonstration program for non-point source control. Non-point sources certainly merit increased attention from EPA and Congress. Nevertheless, we expect the authorizing committees to determine if the 208 program is the vehicle by which to focus on the non-point source problem.

- NLC has always been a strong supporter of the Noise Control Act. It has been evident to us that this is one program area that has always been significantly underfunded. The request for $12.9 million again this year does not accommodate the activities called for in the Act. Of more concern, however, is the uses to which appropriated funds are being allocated by the agency. Even

though the Quiet Communities Act of 1978 directed EPA to reduce its regulatory activities and boost its state and local assistance activities, the thrust of EPA's activities remains heavily regulatory. We would ask the Subcommittee to give renewed direction to EPA in line with the statutory intent of the Noise Control Act as amended.

- EPA has made clear its intent to negotiate "State/EPA agreements" with every state in order to integrate categorical environmental programs. We understand the advantages of integrated environmental programs. But we believe there is a clear danger that carefully-constructed statutory and regulatory requirements for local government involvement and consultation will be undermined or circumvented in these agreements. While this might provide some marginal benefits in program efficiency, we believe the political costs to environmental programs would be substantial. NLC has repeatedly cautioned EPA against undermining the local role in environmental programs; we would alert this Subcommittee to this developing problem.

- Finally, our comments to this Subcommittee often speak of federal program mandates which must be accompanied by federal funding to assist local and state governments with compliance. But there is increasing disagreement over the appropriate level of federal, state and local contributions for environmental programs. There are increasing instances of federal mandates for which there is little or no federal aid, such as requirements to upgrade or close open dumps under RCRA or to meet regulations for removal of organic contaminants under the Safe Drinking Water Act.

The increasing concern of city officials about the mandated cost issue has prompted NLC's policy committee on energy and environmental quality, consisting of 200 municipal officials, to initiate an extensive examination of the issue. It is our hope to provide some new ideas and direction in this era of budgetary restraint at all levels of government.

Department of Housing & Urban Development FY 1981 Budget

- Community Development Block Grant

The League strongly urges the Committee to fund the Community Development Block Grant program at its proposed authorization level of $3.95 billion. This level of funding will provide assistance to nearly 2,200 small cities and direct entitlement funding to 662 metropolitan cities and urban counties in all regions of the nation. The CDBG program has significantly improved the ability of cities to mobilize resources to deal with the problems of housing, neighborhood conservation, and revitalization.

We also support the administration's proposed appropriation of $40 million for Section 701 planning. This program increases the capacity of States, local government and areawide planning bodies to develop and adapt plans which address multi-jurisdictional urban problems.

- Urban Development Action Grant

NLC strongly supports the $675 million requested for the Urban Development Action Grant Program (UDAG). In just two years, UDAG has demonstrated that distressed cities can make significant progress in leveraging the private economic investment necessary to create jobs and spur revitalization efforts.

- Section 312 Rehabilitation Loan

We support the appropriation of $124 million requested for the Section 312 Rehabilitation Loan program. This program is particularly valuable during periods of tight money, when conventional home improvement loans are beyond the reach of virtually all low-and moderate income families.

- Housing Assistance

We strongly endorse adequate funding to support the Administration's budget request of 300,000 Section 8 and public housing units. As housing costs continue to rise dramatically, fueled by high interest rates and spiraling inflation, the availability of affordable housing continues to decrease for all income groups. The greatest impact, however, is on those who can least afford housing, low-and moderate income citizens.

NLC also supports HUD's comprehensive modernization initiative. The $50 million in contract authority and $1 billion in budget authority requested for this program will help to save many units from further deterioration immediately and thus contribute to the preservation of our existing public housing stock.

We would further urge that the mix of new, rehabilitated, and existing units must continue to reflect locally identified housing needs contained in the Housing Assistance Plan (HAP). These plans provide the necessary connection between local community development strategies and housing.

Mr. TRAXLER. Well, you have been very patient and we would be willing to give you the rest of the evening.

Mr. SPIGGLE. I thank you, but I need to go home.

Mrs. BOGGS. Mr. Chairman, he asked and was given permission to submit the entire statement for the record.

Mr. SPIGGLE. I might like to add that, if I can, to bring this more closely to tell you what this does in a local community from which I come.

At the present time our EPA project for a wastewater facility has been deferred until September of 1980, and as I have stated, I think that the wait until this time will greatly add to its cost. I realize that this committee does not have a lot to do with the mandates, but I think the strong point that I need to make is that if Congress mandates the rules, then I would hope that they would assist local governments by funding the requirements that we have to meet.

Mr. TRAXLER. Do you yourself or the National League of Cities have concerns over the Safe Drinking Water Act? I would imagine there is an exposure there of a tremendous liability to the cities of this country to comply with that Act.

Mr. SPIGGLE. Yes, sir. Mr. Bass, who is the Legislative Counsel who I asked to accompany me for the NRC, may want to address that.

Mr. BASS. We have expressed several times to the authorizing committees our concern about the cost of compliance with the organic regulations. As the Mayor says, we are engaged now in a study to try to come up with a better definition of what mandated costs are for cities that are mandated by the Federal Government, and to suggest perhaps some new ways in which we can cope with these costs in this era of budgetary restraints. But our committees have been very concerned with the costs of the Safe Drinking Water Act.

Mr. SPIGGLE. I might also add, Mr. Chairman, that it is a heavy burden on a small community, as I have stated, from which I am from, to try to meet all of these regulations, and to be perfectly frank with you, without funding a small community such as mine appears headed out of existence. We are unable, because of inadequate staffing, to really meet the great many regulations imposed upon us without adequate funding from Congress.

Mr. TRAXLER. What is the population of Appomattox?

Mr. SPIGGLE. Our population——

Mrs. BOGGS. It was reduced significantly in the 1860's?

Mr. SPIGGLE. Yes, it was. I would say that the 1980 census would probably show us somewhere in the vicinity of sixteen to seventeen hundred people. I think the smaller the community, the more burden is placed upon us.

Another thing that I might add in my community is that approximately three years ago we did a study there that showed that 670 percent of the heads of households were aged 62 and over, so you can imagine what this would do to try to fund.

Mr. TRAXLER. They would be very concerned about property taxes.

Mr. SPIGGLE. Very much so.

Mr. TRAXLER. They are living on reduced incomes.

Mr. SPIGGLE. And I would like to add also that in my community we are debt-free. We would like to stay that way. I don't know how long we will be able to continue, and the last two years we have reduced our budgets without corresponding reduction in service.

Mr. TRAXLER. How big an item is your snow-removal budget?

Mr. SPIGGLE. Mr. Britton.

Mr. BRITTON. I am Bill Britton. I am the Town Manager.

We are real lucky. We work with the state, and the state has taken over most of the maintenance, and so forth, of our roads. We have got less than $20,000 in our snow-removal budget.

Mr. TRAXLER. We thank you, Mayor, for coming and speaking to us.

Mrs. BOGGS. There is something I would like to ask the Mayor, with your indulgence, please, Mr. Chairman. In the 201 program that you addressed most of your remarks to, we had this problem last year, and of course it continues to occur when you have some unobligated funds left over. It is very difficult where you are trying to cut a budget down to see them sitting there, and then be asked to fund extra monies. But isn't it a fact that often the delays in being able to spend those outlays is because the towns and the cities cannot actually come up with the amount of monies that they need to expend themselves, in order to cooperate with the program?

Mr. SPIGGLE. I can answer for Appomattox.

Mrs. BOGGS. Right.

Mr. SPIGGLE. It is difficult. Our share—I believe Mr. Britton will correct me if I am wrong—approaches $800,000 to $1 million. I realize that to a lot of people that is not a lot of money, but to a small community such as ours, it is extremely hard to come up with that amount of money. I guess the hardest part is I think we are able to borrow the money maybe from FHA, for instance, but the hard part comes in repaying it.

Mrs. BOGGS. Right.

Mr. SPIGGLE. And that greatly increases the cost of service that people are already paying for.

Mrs. BOGGS. Also the state has to make a priority list, and you have to get on that list. But then the state really has more listings than they have money to go around and you cannot get a grant from the Federal government until the state says you must fund a specific treatment plant, with a specific proposal.

So the local community must wait to have all of these items and requirements fall into line, and then frequently they must scramble to get the local funds to be able to comply with all of the other regulations, and this takes time.

Mr. SPIGGLE. It certainly does.

Mrs. BOGGS. But once having gone through the bonding process and having gone through all of the other processes by which you convince the local citizens that this is something that is needed and something that you have to pay for, then you have a very difficult time going through the process quickly enough so that by the end of that fiscal year you have been able to spend the funds, and that is what backs up these funds, as I understand it from several local organizations.

Mr. SPIGGLE. That is correct.

Mr. BRITTON. If I may, Mr. Mayor and Mr. Traxler, one problem that we have, and you mentioned it there. You have to convince the local people. Well, if we go with our existing system the way it has been described now according to EPA, we will increase the cost to our customers 1100 percent per month, and that is a tremendous amount for people that are over 62 years of age. I could sit down for an hour and a half and explain to you exactly what you talked about, the time it has taken us, because of the change in just regulations, not in the act itself but in regulations. We have been put back three and a half years.

Mrs. BOGGS. How would a regulation that was complied with by the Congress impact upon you if EPA funds certain large national priority items ahead of others?

Mr. BRITTON. We would not be able to fund it, and the problem is the mandate is still there, and the regulatory agencies are still forcing us to do it. That is our problem.

Mrs. BOGGS. I trust, Mr. Counsel, you have made those views known to EPA?

Mr. BASS. Yes, we have.

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. TRAXLER. Thank you, gentlemen.

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

Mr. TRAXLER. The Committee stands adjourned.

WEDNESDAY, MAY 7, 1980.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESS

HON. JIM LLOYD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TRAXLER. The Committee will come to order.

We want to welcome our distinguished colleague, the Honorable Jim Lloyd of California, who is here to present some testimony on the FEMA appropriations.

Mr. LLOYD. Thank you very much.

I would like to take this opportunity to thank you and the committee for the opportunity to make a presentation today on a very important situation which involves not only my area in Southern California, the 35th Congressional District, but Southern California as well, because all of Southern California is materially affected by the recent floods which occurred.

As a matter of fact, San Bernardino suffered over $20 million in damages to private and public facilities.

Three people died and 21 were injured in the recent floods of January. I would like to take this opportunity and ask unanimous consent, Mr. Chairman, to submit the testimony for Supervisor Bob Hammock, who is unable to attend all the way from California, and the reasons I think are apparent.

This also includes charts listing flood damage in both Los Angeles and San Bernardino Counties. We support OMB's request of February 28 for $314 million for FEMA and, as you probably will note, Clair Burgener and my colleagues sent 43 letters from the California delegation asking to speed the funding.

The Flood Control Districts are very much dependent not only on their local taxes but they are heavily impacted by some of the local things that have occurred there, including Proposition 13, so we can get the help as quickly as possible so that we can repair the damage before we have another heavy flooding situation.

Los Angeles County suffered $56 million in damages and San Bernardino County suffered about $8.1 million in damages to the flood control area.

With all of that, Mr. Chairman, I think clearly that states our position.

The testimony is clear, and I thank you for the opportunity to appear in front of this important committee today.

[The statement follows:]

63-277 O - 80 - 13

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May 7, 1980

STATEMENT OF ROBERT HAMMOCK, SUPERVISOR
SAN BERNARDINO COUNTY, CALIFORNIA
BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
SUPPLEMENTAL FY 1980 FUNDING--DISASTER RELIEF PROGRAM

Mr. Chairman, my name is Robert Hammock, representing the County of San Bernardino, California, which suffered extensive flood damage during the January and February, 1980, storms. I am testifying in support of the Administration's request for supplemental funds in FY 1980 for the disaster relief program.

The rainfall earlier this year was 200 percent of normal in affected areas of our County. The County of San Bernardino was declared a disaster area by the President of the Unites States in January, 1980. Later, other counties in Southern California were included in this declaration. During the disaster period mentioned, the County suffered in excess of $20,000,000 in flood damage to private and public properties, including three deaths and eleven injuries in flood related incidents. The flood damage was aggravated by the watershed burns that occurred in September, 1979, which allowed tons and tons of debris to be discharged

onto improved private properties.

With respect to public damage, the County is still attempting to recover from the heavy curtailments of property tax revenues due to the Jarvis amendment, Proposition 13, of 1978. The San Bernardino County Flood Control District, which is the main agency responsible for flood control in the County, was one of the most impacted agencies due to Proposition 13, because most revenues for the District were generated directly from property taxes.

The Flood Control District has suffered an estimated $8.1 million worth of damage to its facilities that need to be restored prior to the next upcoming rainy season this October. The facilities, which are interim in nature, require restoration of channels together with removal of accumulated debris in their channels and their accompanying debris basins. The District has exceeded its financial capabilities. The County of San Bernardino does not have the resources because of statutory fiscal restraints. We have no choice but to look to the Federal Government for assistance.

The County of San Bernardino, Board of Supervisors, would like to urge the Committee to appropriate the necessary supplemental funds needed to restore facilities and remove debris from public and private properties through the

financial assistance program that is provided by the Federal Emergency Management Agency. We also respectfully urge the Congress to provide funding as quickly as possible so we can complete the necessary reconstruction work prior to the 1980 rainy season.

We appreciate the opportunity to be able to present our views on this critical issue.

STORM DAMAGE BREAKDOWN
By
CONGRESSIONAL DISTRICT

COUNTY FLOOD CONTROL, ROAD, AND BEACH FACILITIES

DIST. NO.	CONGRESSMAN	ESTIMATED STORM DAMAGE
18	William Thomas	$ 1,888,000
20	Barry Goldwater, Jr.	8,955,000
21	James Corman	417,000
22	Carlos J. Moorehead	20,272,000
23	Anthony Beilenson	42,000
24	Henry A. Waxman	239,000
25	Edward R. Roybal	387,000
26	John H. Rousselot	3,887,000
27	Robert Dornan	2,882,000
28	Julian Dixon	30,000
29	Augustus Hawkins	5,000
30	George E. Danielson	83,000
31	Charles H. Wilson	10,000
32	Glenn M. Anderson	657,000
33	Wayne Grisham	438,000
34	Dan Lungren	9,000
35	Jim Lloyd	16,778,000
		$56,979,000

NOTE: In addition to the above total, over $9 million in storm damages were inflicted upon other County facilities such as parks, libraries, water systems and sewer systems.

COMMISSION FOR FLOOD -- FLOOD DAMAGE TO LOS ANGELES COUNTY PUBLIC FACILITIES

Facility/Description	Damage	Estimated Cost
Big Dalton Dam and Reservoir	Remove debris, 98,400 cu. yds.	$ 590,000
Big Dalton Dam and Reservoir	Clear culvert and repair access road	3,000
Big Dalton Debris Basin	Remove debris, 101,700 cu. yds.	915,000
Big Dalton DDA Inlet	Repair	15,000
Big Dalton DDA Outlet	Clean outlet pipe	10,000
Big Dalton Spreading Grounds at Glendora Mountain Road at Sierra Madre Avenue	 Erosion repair Erosion Repair	 1,000 1,000
Big Dalton Wash	Channel wall fence	4,000
Burro DDA	Clear bench drains	25,000
Cogswell Dam and Reservoir	Remove debris, 300,000 cu. yds.	1,800,000
Cogswell Dam - West Fork Road	Repair	25,000
Forbes Spreading Grounds	Clear channel diversion tub, repair trash bars	3,000
Live Oak Dam and Reservoir	Remove debris, 38,700 cu. yds.	271,000
Puddingstone Diversion Dam and Reservoir	Remove debris, 48,400 cu. yds.	338,000
Private Drain No. 472	Clear debris from inlet upstream of Camelback	5,000
Private Drain No. 472	Clear drain at Collegewood Avenue	15,000
Private Drain No. 612	Clear inlet	3,000
San Gabriel Dam and Reservoir	Remove debris, 2,600,000 cu. yds.	10,400,000
San Gabriel Dam and Reservoir	Clear slide and clean inlets	1,000
Thompson Creek	Slide on access road near Base Line Road and upstream of Mountain Avenue	10,000

Facility/Description	Damage	Estimated Cost
Thompson Creek Dam and Reservoir	Remove debris, 200,000 cu. yds.	$ 1,200,000
Thompson Creek Spreading Grounds	Repair diversion struction at head of reservoir	6,000
Walnut Creek	Erosion at Var Loc and plugged 30" CMP inlet between 605 Freeway and Barranca	10,000
Walnut Wash Spreading Basin	Repair channel diversion gates	1,500
Various Dams and Reservoirs	Clear floating trash	180,000
Inlet and C.B. Clearing (var. loc.)	Remove debris	75,000
Inspection and Damage Reports	Various locations	3,000
Other Miscellaneous Facilities	Debris removal and miscellaneous repairs at various locations	495,300
	TOTAL	$ 16,404,800

SAN BERNARDINO COUNTY CALIFORNIA
ESTIMATE OF DAMAGES
JANUARY/FEBRUARY STORMS, 1980

	Number of Homes Damaged	Private Sector Estimate	Public Sector Estimate	Total Cost Estimate
Flood Control Dist			$ 8,100,000	$ 8,100,000
Facilities			1,800,000	1,800,000
Trans. Dept. Fac	--		------	2,619,500
Unincorporated Areas	348	$ 2,619,500	1,743,000	2,943,000
San Bernardino City	79	1,200,000	25,000	26,000
Adelanto	1	1,000	10,000	11,000
Barstow	3	1,000	25,000	25,000
Chino	-	-	83,203	105,703
Colton	6	2,500		
(Motel)	1	20,000	10,000	20,000
Fontana	30	10,000	50,000	120,000
Grand Terrace	30	70,000	450,000	451,000
Loma Linda	1	1,000		
Montclair		NOT AVAILABLE		
Needles		NO DAMAGE		
Ontario		NONE REPORTED	463,900	463,000
Rancho Cucamonga	14	55,000	601,000	656,000
Redlands	5	8,000	500,000	508,000
Rialto	40	200,000	200,000	400,000
Upland	15	10,000	10,000	20,000
Victorville	2	2,500	NO DAMAGE	2,500
TOTALS:	574	$ 4,200,500	$ 14,071,103	$ 18,270,703

Mr. TRAXLER. Thank you very much, Jim.

Looking at the request that we received from the Federal Emergency Management Agency, or the justification for their supplemental, and we note they also have an awareness of the problem which you have described to us.

They estimate that the necessary funding for Southern California as a result of the flooding and the mud to be in the area of $139 million at least?

Mr. LLOYD. Yes.

Mr. TRAXLER. It could run somewhat higher, so we appreciate your bringing this to our attention. We have marked up the supplemental and included $314 million of which we anticipate at least $139 million will be allocated for your region.

Mr. LLOYD. Thank you very much. I appreciate that. It will help the people.

Mr. TRAXLER. Your appearance is timely.

Mr. LLOYD. Thank you very much.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESS

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

Mr. TRAXLER. We are pleased to welcome our distinguished colleague, the Honorable Donald Mitchell from the State of New York, who is here to talk to us about FEMA and Civil Defense. He is my authority on civil defense.

Mr. MITCHELL. I would like to submit this entire statement for the record.

Mr. TRAXLER. We will be pleased to do so.

You may proceed.

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

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

To respond to this need, I proposed a comprehensive, seven-year civil defense program. Its cost of approximately $1.9 million represents but a fraction of our estimated total defense expenditures for the period covered.

I would like to add our present program averages approximately $100 million a year. The increase to have a good system amounts to approximately $1.2 billion more or about one-tenth of one percent of our Department of Defense annual budget.

The program I am advancing is one that will give us, for the first time in this nuclear era, the protection we must be assured of as we face our ideological adversaries who lack our commitment for the pursuit of peace.

This program was not developed by me; rather it emerged over an extended period of time after protracted study by civil defense experts who have earned respect and a national reputation for their work in this area.

It is a product of serious, well-intentioned people who share a concern about our present, have learned from lessons of the past and are determined to prepare us to live in peace.

It is the Program D recommendation of the Civil Defense Workshops which were held in Rosslyn, Virginia in the fall of 1977 by the Systems Planning Corporation for the Defense Civil Preparedness Agency.

We are in trouble. The Soviets have an excellent civil defense system. We do not. Neither nation had an adequate program in the mid-sixties. But for more than a decade the Soviets have been spending over $1 billion a year on civil defense. We have averaged less than $100 million.

Why is this a problem? Because it destroys the strategic balance. The best hope for peace, we are told, is the maintenance of the strategic balance. There are varying estimates on the effect of an all out nuclear war.

If the Soviets have time to put their civil defense program into operation, three or four days prior to the holocaust, the results would be far more destructive to the United States, which doesn't have a plan. We would lose over 100 million. The Soviet Union is programmed to lose 5 to 20 million.

Should we adopt the D-Prime Plan of the Interagency Study on Civil Defense, developed under the aegis of the National Security Council, they estimate we can save up to 85 percent of our population. Should the Soviets target population, they estimate up to two-thirds of our population will be preserved.

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

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

It has been said that "eternal vigilance is the price of liberty." Events in Iran and the invasion of Afghanistan have shown that to be true. If Russia is able to grab up one or two more countries, we may be forced into war with a strong possibility that the conflict could develop into a nuclear confrontation.

Why not provide at least minimal protection for our civilians. Why not teach them to survive?

Another widely held misconception is that much of the world's population would be destroyed by fallout from a large scale nuclear war. "On the Beach" reflects how this thinking originated.

The National Academy of Sciences estimates that the long-term effect of this fallout would only amount to a two percent increase in the cancer rate over a 15-year period.

This is not two percent of the population coming down with cancer. This increase could be countered by not rebuilding many of the cigarette plants that would be destroyed in such a holocaust.

Finally, victims of the doomsday scenario also feel, mistakenly, that survivors of a large-scale nuclear war would have to live underground for weeks at a time. Not so, our scientists tell us. An individual can protect himself from the most dangerous type of radiation because it travels like light, in a straight line. A handkerchief, folded over six or eight times, can serve as an effective gas mask to provide protection from the less dangerous type of radiation.

That's the bad news. The good news is it's not too late to do something about it. A relatively inexpensive remedy is to develop a civil defense system of our own. Some of our defense leaders suggest the way to compensate for Soviet superiority, they no longer claim it doesn't exist, is to "retarget" our weapons. Retargeting would supposedly rebalance the equation. It makes more sense to me to achieve the balance through civil defense, the potential saving of American lives, rather than the potential destruction of Soviet citizens.

We must begin today to rebalance the strategic equation. How do you deter an attack unless you can convince an enemy that you will win the war that he is starting?

I find it doubtful that anyone aware of the strategic imbalance believes we would fire any nuclear weapon if it meant the destruction of our society. Without a civil defense system that's precisely what it means.

Basically, this $1.9 billion program requires the authorization of the Federal Emergency Management Agency to increase from $167 million in 1981 to $175 million in 1987.

It is my understanding Mr. John Macy, FEMA's Director, will testify that the President's proposal for civil defense of $120 million will allow a reasonable start on the D-Program but only in limited areas. Since the difference between a full-fledged beginning and a half-hearted start is relatively slight, it seems a shame we can't make an all out commitment.

The Congress of the United States will spend approximately $161 million for our offensive capability. Without the $167 million, which is only one-tenth of one percent of this total, for civil defense we are doing almost nothing to protect American citizens.

We learned in our hearing that the Administration program would protect only 5 percent of the American people. At this rate it would take 20 years to complete a civil defense program for all Americans. But, in 20 years, the year 2000, we would have to begin all over again because of the huge demographical changes in the interim period. In other words, at the rate the Administration recommends, we will never have a civil defense program.

Doesn't it make good sense to spend a little more to provide a plan that would help prevent war but, in the event of war, would help protect all Americans?

I hope the subcommittee Members will join me in implementing the D-Program by approving an appropriation of $167 million in 1981 for nationwide civil defense.

The House Armed Services Subcommittee on Military Installations and Facilities and the Full Committee has already agreed on this amount. It is incorporated in H.R. 6974.

I would like to point out to the Chairman that our Armed Services Committee has included the first year authorization for D-Prime three years in succession. The objection of this committee last year was that there was no plan in place and the organization was in a status of transition.

They are now fully organized and the plan has been in place for three years and everyone acknowledges it, so I urge your committee to provide funds not to prevent the war but, in the event of war, to protect the American people.

Let me go over this chart which represents the best thinking of our civil defense experts in America.

The President asked for an estimate of what the options were as far as costs on survivability in the event of an all out nuclear war. We have estimated the Soviets would lose 5 to 20 million people. If there were an all out nuclear war, we are in the D-status.

Only 35 percent of Americans, 35 percent. In other words, 65 percent of the American population would go down the tube. If we implement D-Prime, which is about $1 billion more than we spent, 85 percent of the American population can survive.

It's the cost/benefit ratio you have ever seen on this committee.

Mr. TRAXLER. Is that a billion a year?

Mr. MITCHELL. The whole program is $1 billion more than we spend now. Over a 7-year period we spend about $100 billion now and this would cost $1.9 billion, probably $1.2 billion and you would have to factor in inflation.

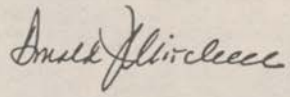
Just briefly to summarize, moneys spent on civil defense, they argue that the Soviet system may not be as good as a lot of people think it is. They are trying ten times harder than we are. They cough up ten times the amount of money, and we spend about $100 million.

They spent about one billion. They have 100,000 people involved in a full time safety defense effort. We have 10,000. We lose most of our population and they don't lose much of theirs at all. It gives them a huge advantage, and it seems like a miniscule expenditure over seven years, when you think our effort to destroy people is $161 billion and to save some American lives is like one-seventh of a billion.

I hope you can do a little better on this committee than you did last year.

[The statement follows:]

Statement of
REPRESENTATIVE DONALD J. MITCHELL
House Committee on Appropriations
Subcommittee on HUD-Independent Agencies
May 7, 1980



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

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

To respond to this need, I proposed a comprehensive, seven-year civil defense program. Its cost of approximately $1.9 billion, represents but a fraction of our estimated total defense expenditures for the period covered -- the increase in funding over our present program amounts to approximately 1/10 of 1 percent of our Department of Defense annual budget.

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

The seven-year plan would concentrate the use of the funds requested for:

*Crisis Evacuation
*Research and Development
*Emergency Operating Centers
*Training and Education
*Management and Coordination

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

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

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

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

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

It has been said that "eternal vigilance is the price of liberty." Events in Iran and the invasion of Afghanistan have shown that to be true. If Russia is able to grab up one or two more countries, we may be forced into war -- with a strong possibility that the conflict could develop into a nuclear confrontation. Why not provide at least minimal protection for our civilians. Why not teach them to survive?

Why haven't we done something about civil defense? Chiefly because far too many Americans are the victims of three misconceptions -- the first being the "overkill" fallacy, wherein the casualties per kiloton in Hiroshima and Nagasaki are multiplied by the number of kilotons in the world's arsenal. This implies that by some means we can collect the entire target populations in the same density as existed in Hiroshima and Nagasaki, and keep them unwarned and vulnerable. A statement of identical validity is that the world's inventory of small arms ammunition, or for that matter, kitchen knives, can also kill the human population several times over.

Another widely held misconception is that much of the world's population would be destroyed by fallout from a large scale nuclear war. <u>On the Beach</u> reflects how

this thinking originated. The National Academy of Sciences estimates that the long term effect of this fallout would only amount to a two percent increase in the cancer rate over a 15 year period. This increase could be countered by not rebuilding many of the cigarette plants that would be destroyed in such a holocaust.

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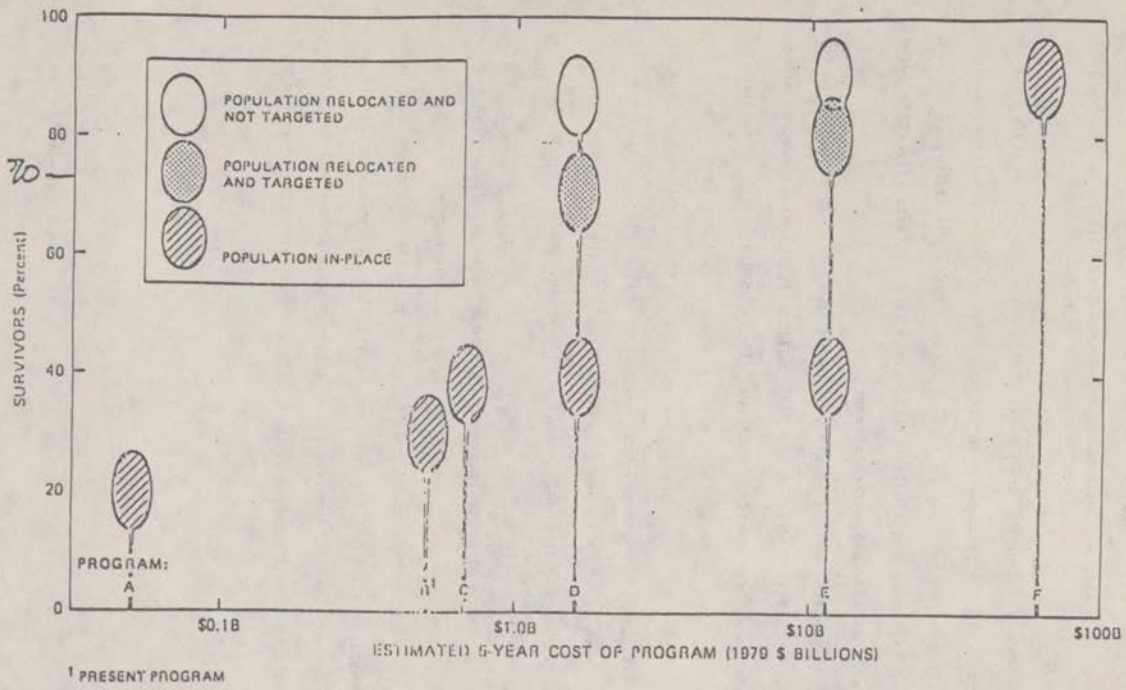

FIGURE 1. COMPARISON OF EFFECTIVENESS AND COST OF CD PROGRAMS
(Large-Scale Mid-1980s Soviet Attack Versus U.S. Military and Industrial Facilities, and Population)

REP. MITCHELL
Civil Defense
March 7, 1979

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

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

Mr. TRAXLER. I want to commend you. Normally the Members who appear do so because of a special problem within their district or their State.

You have a cause which touches every American and for your efforts everyone ought to be grateful, and we appreciate very much the information that you bring to us.

We will do our best.

Mr. MITCHELL. Thank you, Mr. Chairman.

My motives are not purely selfless. I have an SAC Air Force base in my district which will be the first base to receive the Cruise Missile and which will make it one of the very early targets.

The fallout pattern is right through the population center of my district, so I am selfish also.

Thank you.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

HON. BALTASAR CORRADA, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PUERTO RICO

LUIS MELENDEZ CANO, MAYOR, VEGA BAJA, PUERTO RICO

WILLIAM CORREA, ASSEMBLYMAN, VEGA BAJA, PUERTO RICO

Mr. TRAXLER. Our next witness is a distinguished colleague from the Commonwealth of Puerto Rico, Mr. Baltasar Corrada.

Mr. CORRADA. Thank you, Mr. Chairman.

Mr. TRAXLER. We will make your statement a part of the record. You may proceed.

Mr. CORRADA. Mr. Chairman and Members of the subcommittee, I am pleased to appear before you this morning to urge your prompt approval of the legislation to appropriate funds for the Federal Emergency Management Agency.

Pending before this subcommittee is the fiscal year 1981 budget as well as a supplemental appropriations request for fiscal year 1980. These funds are urgently needed if FEMA is to continue to provide assistance to the victims of natural disasters throughout the Nation.

Puerto Rico was one of several States that suffered severe losses due to two natural disasters. The combination of Hurricanes David and Frederick resulted in enormous losses of property, both public and private, and Puerto Rico was declared a disaster area, thus making it eligible to receive disaster assistance.

Mr. Chairman, FEMA and its representatives in Puerto Rico and the Mainland have been extremely helpful in processing the claims; however, they are now faced with a situation which precludes them from meeting their commitments and from processing new ones.

Puerto Rico is not unique in its plight; indeed, because of the many calamities that occurred last year, many other areas in the Nation are faced with similar circumstances. It is the added total obligations that these disasters have placed on FEMA's budget that impart a sense of urgency to the actions of this subcommittee.

In my testimony, I then go on and explain the precise situation of the 78 "municipios". That is the word in Spanish for municipality. Municipios are the local units of government in Puerto Rico, and we have 78 of these municipalities and, of course, many of them are severely affected because of this lack of funds by FEMA, and many of them have already made a commitment and because of the lack of funding these programs have not been initiated or projects that are very urgent.

We also have, of course, problems related to individual family grants as well and claims that have been processed, properly identified, but they cannot be paid as a result of the lack of funds in FEMA.

In conclusion, Mr. Chairman, the need is great and it is urgent. Every day I receive phone calls from the Mayors of the Island. As a matter of fact, we have one of them here who came all the way from Puerto Rico.

[The statement follows:]

BALTASAR CORRADA
RESIDENT COMMISSIONER, PUERTO RICO

JOSÉ E. DEL VALLE
ADMINISTRATIVE ASSISTANT

COMMITTEES:
EDUCATION AND LABOR
INTERIOR AND INSULAR AFFAIRS

Congress of the United States
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STATEMENT OF THE HONORABLE BALTASAR CORRADA

BEFORE
THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS

IN SUPPORT
OF APPROPRIATIONS FOR THE
FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

May 7, 1980

Mr. Chairman, Members of the Subcommittee:

I am pleased to appear before you this morning to urge your prompt approval of the legislation to appropriate funds for the Federal Emergency Management Agency (FEMA). Pending before this Subcommittee is the Fiscal Year 1981 budget as well as a Supplemental Appropriations request for Fiscal Year 1980. These funds are urgently needed if FEMA is to continue to provide assistance to the victims of natural disasters throughout the Nation.

Puerto Rico was one of several states that suffered severe losses due to a natural disaster. The combination of Hurricanes David and Frederic resulted in enormous losses of property, both public and private, and Puerto Rico was declared a disaster area thus making it eligible to receive disaster assistance.

Mr. Chairman, FEMA and its representatives in Puerto Rico and the mainland, have been extremely helpful in processing the claims; however, they are now faced with a situation which precludes them from meeting their commitments and from processing new ones.

Puerto Rico is not unique in its plight; indeed, because of the many calamities that occurred last year, many other areas in the Nation are faced with similar circumstances. It is the added total obligations that these disasters have placed on FEMA's budget that impart a sense of urgency to the actions of this Subcommittee.

Turning now specifically to Puerto Rico's plight, I will outline the current and projected need for funds for disaster relief for the Island:

A. PUBLIC ASSISTANCE:

1. Out of 78 "municipios" in Puerto Rico, 15 of them have not yet had their project applications approved for a total of $9.02 million. I am advised that FEMA has not approved these applications solely because of lack of funds. The immediate need is for $3.9 million which is the advance requested by the "municipios."

2. There are six "municipios" for which the project applications have been approved for a total of $1.05 million but the advance request of $514,252 has not been received.

3. A total of six "municipios" are awaiting final vouchers or being reviewed for a total of $1.98 million.

4. The status of the request for the state government agencies is as follows:

(a) project applications have not been approved (due to lack of funds) for 16 agencies for a total of $7.91 million of which $1.90 million would be for advance requests.

(b) two agencies are awaiting final vouchers for an estimated total of $81,359.

(c) two agencies have had their project applications approved for a total of $140,551 with an approved advance of $76,225, but they have yet to receive any funds.

(d) a major future obligation is expected from six of the most affected agencies, such as the Puerto Rico Telephone Company, the Puerto Rico Electric Power Authority and the Department of Public Works, among others. The FEMA has not yet forwarded to its officers in Puerto Rico the total cost of the repairs for these agencies, but it is estimated at around $13 million.

5. A total of $4.87 million has been received by "municipios," government agencies and non-profit organizations as advance request; however, an estimated $4 million will be needed for completion under the approved applications.

The total under Public Assistance which is still outstanding in Puerto Rico is approximately $38.08 million, of which $6.50 million is classified as advance request.

B. INDIVIDUAL FAMILY GRANTS:

Last week, state officials estimated that approximately $4 million additional monies, (independent of administrative costs) will be needed to complete the program of individual assistance. Already a total of $80.7 million has been allocated under this program with the federal government providing $60.52 million in direct grants and the balance of $20.17 million contributed by the Government of Puerto Rico on loan from the federal government.

The Government of Puerto Rico has, in addition, spent $1 million directly.

State officials will soon submit their request for the additional four million, of which 25 percent will consist of a loan to the Government of Puerto Rico. In addition, the total administrative cost is $2.56 million of which only $688,917 has been received.

In conclusion, Mr. Chairman, the need is great and it is urgent. Everyday I receive phone calls from the mayors on the Island who are very distraught because they have not received the funds already approved. In many instances, contracts have been assigned and the obligations must be met, and already some of the contractors are threatening to go to court. This is a situation unique here on the Hill as there is no debate over the merits of the program. The federal govenment, through FEMA, is committed to aid communities and families that are the victims of natural disasters. I agree with the testimony of John Macy, Director of FEMA, that it is almost impossible to predict acts of nature. Unfortunately for the country, last year there were an abnormal number of disasters. It is to be hoped that this year will not be as tragic; nevertheless, we must insure that sufficient monies are available to meet the future needs of our citizens as well as to help them recover from past tragedies. We must not fail them.

I would be happy to answer any questions and I pledge my full support as well as offer my assistance to the Subcommittee in any information you may need regarding Puerto Rico's predicament.

Mr. TRAXLER. We want to welcome you.

Mr. CORRADA. His constituents are on his back asking that he provide the services, both of the public and the private nature, and I can tell you that in my office every day I receive calls here in Washington from different mayors from the Island expressing their deep concern about the lack of funds in FEMA and the need to process this application.

Mr. TRAXLER. I am sure you will be pleased to know that FEMA in their justifications to us for their supplemental indicated that as a result of the hurricanes of September of 1979 in Puerto Rico they felt that there should be at least $47 million from the Emergency Appropriation allocated to Puerto Rico for that disaster.

Perhaps you heard my conversation with Mr. Lloyd. We need to get the budget resolution in place and passed. The Full Committee marks up the emergency supplemental tomorrow. We anticipate that later next week it will be on the Floor; so if all goes well it would have cleared the House by the end of next week.

Mr. CORRADA. Hopefully, we expect to pass the budget resolution later today, and I am very much encouraged by your statement and the fact that the committee fully understands the great urgency and the need to act very promptly on this matter.

I appreciate the opportunity to testify before you today.

Mr. TRAXLER. I am reminded that prior to the adoption of the Budget Control and Impoundement Act, from the time we receive a request from an emergency supplemental on FEMA, a few years ago until it was enacted was two weeks.

One of the difficulties with the Budget Control and Impoundment Act when you reach the ceilings when you have an emergency situation, it takes the Congress forever to be able to work its way through the procedures of getting the job done.

That is one of the disadvantages.

Mr. CORRADA. This is particularly a problem in cases where we are dealing with natural disasters when nobody can plan ahead of time in terms of knowing how many calamities will be in the Nation, how many funds will need to be expended, and really I believe particularly in cases like this where planning ahead no matter how well you do it might not be adequate because of the unpredictability of the weather and natural disasters, that we ought to find a way Congress could handle those requests for additional appropriations on the basis of natural disasters in a more expeditious manner.

Mr. TRAXLER. Because nature does not respect our Budget Control and Impoundment Act.

I am sure it has not been easy for you these past several months trying to explain to your constituency; and I know the Mayor, while they may be aware of our procedural problems, to a citizen out there who is entitled to a benefit to be told that the wheels are turning somewhere a couple thousands miles away, but they turn awfully slow. I am sure that is most frustrating and we recognize the difficulties that you must have faced over the last several months We want to assure you that we are moving with whatever speed the process allows us.

Mrs. Boggs?

Mrs. BOGGS. I am so happy to see you here, and though fortunately for our area, we were not as badly hit by David and Frederick as we were by some other storms, we did indeed have some difficulties with those two storms and the Gulf Coast in general had a very difficult time.

It may interest you to know that I have been absorbed with this idea of pulling together all available resources under FEMA. While there have been many helps available to us in times of a natural emergency, and they have been more or less coordinated, the current opportunity for more total coordination is a step in the right direction.

Perhaps we will find that all of the systems are in place, and this better coordination will show us what areas are not covered under management organization.

Hale, my husband, was the author of the Disaster Loan legislation and also the Flood Insurance legislation, so I have had a very deep interest in those two areas for a long time.

I know the problems that are involved. What many of us fail to realize is that it was just a few years ago that those aids were not available that have now been brought together and coordinated in such a massive for maximum assistance to people. We simply must keep working our way along as we gain more experience. Hopefully, we will be able to do that.

Mr. CORRADA. Definitely; the coordination of these programs and through an agency that is able to process applications and apply different programs through different agencies has been a great help.

We have been able to afford prompt relief and of course we in Puerto Rico are very appreciative of the efforts of Hale Boggs in his time and, of course, your efforts here, Lindy.

Puerto Rico has many problems identical to Louisiana, since we are in the hurricane belt, and are subject to those natural disasters, so I appreciate the sensitivity of the committee and yours and Mr. Coughlin, in moving ahead with these funds.

Mr. TRAXLER. Mr. Coughlin, did you have a question?

Mr. COUGHLIN. I just want to join in welcoming our colleague here, and somehow we have to get a better procedure for handling emergency kinds of situations. The one that we are going through now, I don't have any beautiful solution to the problem.

Mr. TRAXLER. Well, one of our difficulties, and Members of the Committee will agree with this, is that every Administration in its efforts to look good in terms of their budget submission picks little categories in which they constantly intentionally underestimate budget requirements and the need in the coming fiscal year.

In this category, FEMA is a classic one. I have not been on the Committee that long, but I can tell you that since I have been here each budget intentionally underestimates the disaster needs. Even though they know full well that that helps them in their overall public relations post when the budget is submitted in January. If things go away the supplemental is always a possibility and since it constitutes an effort to resolve some human misery, that the Congress will look with favor upon it, and that is the case.

It's a classic situation that we find ourselves in.

Mr. CORRADA. Thank you very much.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESS

HON. BENJAMIN COLE, MAYOR OF THE CITY OF MAYAGUEZ, PUERTO RICO

Mr. TRAXLER. Our next witness is Mr. Benjamin Cole, Mayor of the City of Mayaguez, P.R. We make your statement a part of the record. You may talk with us informally if you wish.

As a result of the conversation we had with Congressman Baltasar Corrada, we are familiar with your Island's problems. We have done some things that will be of help to you, but please tell us what you wish.

Mr. COLE. Mr. Chairman and Members of the committee, we wish to support this application that is being discussed to provide funds for FEMA.

In fact, most of the municipalities have been doing the work by constructing every kind of construction and repairing damage caused by Hurricane David, but with our own funds that had been lent from other applications, therefore, at this point we are scarcely having enough funds to continue to go ahead.

We need very urgently to reimburse to the City the part that we have already invested in doing this and also to continue to finish the complete program, repairing the damage.

I am sure that Puerto Rico is not the only case. I know there are many other cases, but our situation is that by no way we can get any other funds to continue and finish our program of rehabilitation after David and Frederick.

Therefore, the Puerto Rico Mayors Association is backing this legislation and would hope that it would be approved as soon as possible.

[The statement follows:]

STATEMENT BY THE HON. BENJAMIN COLE, PRESIDENT OF THE PUERTO RICO MAYORS ASSOCIATION. BEFORE THE SUBCOMMITTEE ON HUD_ INDEPENDENT AGENCIES, COMMITTEE ON APPROPRIATIONS

May 7, 1980

Mr. Chairman and Members of the Committee. We thank you for affording us the opportunity to come before you in support of the request for a supplemental appropriation for the Federal Emergency Management Agency (FEMA) for FY 1980 and its appropiation for FY 1981.

Today I am accompanied by the Hon. Luis Melendez Cano, Secretary of the P.R. Mayor's Association and by our counsel in Washington, D.C., Mr. Jose A. Ortiz-Daliot.

The Puerto Rico Mayors Association, which I am honored to preside, is composed of 38 local chief executives from the Commonwealth of Puerto Rico. Our organization is non-political and our goals are to strive for the general welfare of our "municipios" (municipalities). We are certain that those chief executives who do not belong to the Association share our concerns regarding the supplemental appropriation request of $314 million for FY 1980 which will be mostly used to defray the cost of the damages that were suffered as a result of Hurricanes David and Frederick in August 1979.

In September 1979, President Jimmy Carter declared the Commonwealth of Puerto Rico a major disaster area. His decision was prompted by the devastating effect that being hit by two consecutives hurricanes had on the Island. As a consequence, all of our municipalities were designated eligible to receive disaster assistance.

The total monetary value of damages caused by David and Frederick to our local governments were in excess of $28 million.

Appendix A provides you with the monetary value of damages suffered by our membership and the other local governments of P.R. not member of our Association. They too share our petition to expedite the approval of the supplemental appropriation for FY 1980.

The depletion of the FY 1980 appropiation has greatly affected our municipalities. It has disrupted the normal completion procedure of the disaster projects. Unfortunately too little can be achieved at the local level to fill the gap left by the absence of these much-needed funds. Our revenue soruces [1/] as well as our loan capabilities are limited. the proceds from both sources are drained by our regular budgetary needs which, in most cases, have to be supplemented by federal monies proceeding from programs such as the Community Block Grants and C.E.T.A.[2/]

Nonethelesss in some cases we have been able to pursued local construction firms to start work on the most pressing projects. Financial committments were made on the sole basis that funds for these projects have been approved by the federal government. Not only are they aware that even said approval is not a guarantee of payment but these firms also know that their decision is a financial risk that could very well mean bankruptcy for some of them. They responded to our plea, thanks to the faith deposited in us as responsable Chief Executives; but most significant, to the trust and confidence they have in the U.S. Congress. The builders are certain that Congress is a sensitive body which understands that the public interest takes precedence in an emergency situation and therefore we all feel confident that you will move to approve the appropriations expeditiously.

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1. Property tax and payment of local permits are the sole source of icnome or revenues that our municipalities receive.

2. Local governments in Puerto Rico do not benefit from the Revenue Sharing or the Anti-Recession Assistance programs. We are presently requesting the inclusion of the Commonwealth in the Revenue Sharing Program. We hope you will also support said inlcusion.

The inconveniences suffered by our constituency has caused, in some instances, public attacks by our political opponents who take advantage of the prevailing situation to build political support for their candidacies. We resent such political opportunism since we have done our utmost, by complying with all the administrative requirements, to obtain the necessary funds which have been approved by F.E.M.A. We take great pride and effort in serving our communities. It is this pride and effort that have brought us here to urge you to move rapidly on the approval of the FY 1980 Supplemental Appropriation which shall enable us to complete the task we share.

Before finishing we would like to take this opportunity to thank Mr. Thomas Casey and his staff in F.E.M.A. for all their patience and cooperation in solving our many disaster related problems.

Once again, we urge the Honorable Members of this committee for prompt legislative action in this urgent matter. Thank you very much.

Appendix A

Municipality	Amount
Vieques	$ 66,419.00
Salinas	158,879.99
Adjuntas	265,557.60
Santa Isabel	34,580.80
Aguas Buenas	65,092.00
Catano	67,727.30
Naranjito	145,854.55
Guaynabo	385,032.50
Supplemant 1-Guaynabo	800.00
Aibonito	81,503.90
Vega Alta	115,160.00
Loiza	48,714.20
Florida	35,126.80
Anasco	149,787.60
Bayamon	568,523.90
Penuelas	539,127.52
Morovis	143,367.50
Corozal	226,799.50
Yauco	458,199.25
Maricao	147,965.26
Arroyo	610,306.50
Luquillo	111,470.55
Vega Baja	607,044.30
Ponce	1,029,720.11
Guayanilla	384,002.24
Manati	264,686.00

Municipality	Amount
Lajas	$287,780.44
Barceloneta	244,427.95
Naguabo	310,628.27
Supplement 1-Naguabo	22,966.00
Arecibo	123,795.96
Toa Alta	65,372.00
Caguas	396,259.26
Orocovis	329,064.68
Rio Grande	172,026.70
Carolina	1,654,474.05
Trujillo Alto	220,308.17
Supplement I-Trujillo Alto	504.00
Hormigueros	107,173.24
Las Piedras	347,704.69
Jayuya	517,936.90
Hamacao	747,184.65
Villalba	84,037.50
Gurabo	94,399.00
Supplement I-Gurabo	2,368.00
Yabucoa	576,552.60
Lares	120,517.44
Dorado	120,091.00
Culebra	47,092.40
Coamo	74,069.28
Supplement 1-Coamo	8,520.00
Guanica	448,512.16
Canovanas	187,615.26
Fajardo	226,013.30
Ciales	494,759.95

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Municipality	Amount
Las Marias	$ 55,612.80
Caiba	133,728.60
Toa Baja	413,888.30
Utuado	1,233,567.95
Juncos	300,488.15
Cidra	51,918.37
San Juan	1,214,551.06
San German	988,182.40
Sabana Grande	85,627.00
Patillas	95,464.00
Juana Diaz	107,338.90
Maunabo	275,589.90
Cayey	233,969.58
Barranquitas	73,383.10
Guayama	205,897.50
Comerio	158,213.88
Mayaguez	412,827.13
San Lorenzo	614,893.93
Cabo Rojo	88,824.34

Mr. TRAXLER. We appreciate your coming this distance to testify before the Committee. We note that the total estimated requirement for Puerto Rico as a result of the storm and hurricane are estimated at $142 million, of which $95 million has already been expended and some $47 million is to be appropriated.

You will be pleased to know that, as I told the gentlemen here, the wheels are turning in the supplemental appropriation bill which is before the Full Committee tomorrow and hopefully will be acted upon by the House next week. Your remaining $47 million is present.

We were hopeful that within a matter of a couple of weeks it will have cleared the Congress and been signed by the President. We are sorry it took so long.

Mr. COLE. Mr. Chairman, I am accompanied by the Honorable Luis Melendez, who is the Mayor of Vega Baja and the Secretary of the Association of the Association in Washington, Mr. Jose Ortiz.

Thank you for this opportunity.

Mr. TRAXLER. Thank you for your presence and your testimony.

May I ask the Mayor of Mayaguez what is your city's annual budget?

Mr. COLE. I am the Mayor of Mayaguez; it is $12 million.

Mr. TRAXLER. Does municipality take in a larger area than just the population center of Mayaguez?

Mr. COLE. It comprises the center area plus the rural areas.

Mr. TRAXLER. Your definition of a municipality is broader than what we are accustomed to here.

Mr. COLE. Yes; it is. We have been trying for years to get that up.

Mr. TRAXLER. We can appreciate the problems it would cause. What would your municipality's budget be?

Mr. MELENDEZ. It would be $245 million.

Mr. TRAXLER. Your population?

Mr. COLE. Population, 120.

Mr. COUGHLIN. Thank you for coming a long way to be here before this subcommittee.

We hope we will be able to move your request.

Mr. TRAXLER. You have a very beautiful Island. The people are quite gracious. It has been my pleasure to have visited there.

Mr. COLE. Thank you.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

HON. MELVIN H. EVANS, REPRESENTATIVE IN CONGRESS FROM THE TERRITORY OF THE U.S. VIRGIN ISLANDS

GEORGE SWAREZ, DIRECTOR, PROJECT DESIGN AND ENGINEERING, VIRGIN ISLANDS

Mr. TRAXLER. We want to welcome our colleague, Mr. Evans.

We have just finished with Congressman Baltasar Corrada who has delivered a message to us.

You may proceed in any fashion that you care to.

Mr. EVANS. Mr. Chairman and Members of this distinguished subcommittee, I am pleased to appear here today in regard to the

Virgin Islands' Hazard Mitigation Plan, which is in urgent need of funding during this calendar year, the emphasis on this calendar year.

The twofold purpose of my presentation is to bring to your attention the precarious situation we currently face in the Virgin Islands and to request the appropriation and earmarking of approximately $4 million specifically for implementation of this plan.

As you may recall, Mr. Chairman, St. Croix, St. Thomas and St. John were hit extremely hard by the effects of Hurricane David and Tropical Storm Frederick, which caused extensive water and wind damage last August. That there were no casualties was mainly attributable to adequate warning and a healthy respect in the Islands for hurricanes, which prompted the necessary precautions.

An assessment of the severity and magnitude of damage showed almost 3,000 homes which suffered some degree of damage, with a small number completely destroyed.

School buildings suffered almost $3.5 million damage, and while the road damage on St. Thomas and St. John was not very extensive, there was over $1 million damage to the roads on St. Croix.

Additionally, about $300,000 damage was done to the small dams on St. Croix, which are very essential in raising the water table and providing some water for livestock and limited irrigation. The total estimate of the cost of clearance and restoration of road systems, public buildings and public utilities is $3.5 million.

At this point, Mr. Chairman, it is important to make the point that simply restoring things as they were before is to set the stage for a repetition every time there are storms.

It seems very clear that the Federal Flood Insurance Program analysis of what they term "hundred year storms" is in urgent need of revision since the Islands within the past 20 years have had four such storms which were supposed to occur only once per hundred years and actually have had three within the past ten years.

Under these conditions, it is necessary to restore in such a way that the likelihood of a repeat occurrence is minimized. This comes under the provision of hazard mitigation. Any other approach is merely a waste of money.

Of much concern to me and to all Virgin Islanders is the fact that the Virgin Islands experience a hurricane season annually between the months of July and December. Even in the absence of severe storms, this period is the period of heaviest rainfall.

Because this is unpredictable, an acute need exists for the expeditious approval of this subcommittee of funding for this plan in order that sufficient steps can be taken immediately to lessen the probable impact of severe flooding which may occur this year.

As you will note from the Hazard Mitigation Plan, which I have attached to my statement, only the 10 most critically damaged areas of St. Croix were selected for mitigation and priority. Seven of these areas are residential communities which are exposed to significant hazards to life and property.

Mr. Chairman, this matter is extremely serious and in urgent need of attention. In light of the present situation, I hope that you will agree that my request is both reasonable and necessary.

As I am certain you will agree, it would be much wiser to implement flood control measures than to rebuild these homes repeatedly should they become uninhabitable from the effects of flooding.

Thank you so much for listening to me, and I am prepared to answer any questions which you may wish to ask at this time.

I would like to emphasize the point, Mr. Chairman, that the problem here is one of making sure that steps are taken to prevent this happening again. To restore the thing to the way it was, that really means the next time we have a rainfall it goes again, and you have sort of a revolving musical chair type of thing.

Time is of the essence. We see we are in a cycle where we have heavy rainfall every year or two and with the build-up which occurred in the Islands and the increased rapidity of the runoff, there is serious danger.

Mr. TRAXLER. Mr. Evans, what would the Hazard Mitigation Plan do? In the event you had the $4 million, what would it be used for?

Mr. EVANS. There are already ten specific areas, ten major areas for which the cause of those flooding and damage has been identified, and the money will be used immediately to remove those causes.

There is a major area in St. Croix near the airport involving an industrial area where the whole bed, the whole course of the stream has to be changed in order to avoid this thing which happens every few years, so this is what would be done, is to remove the cause of this flooding.

To answer your question specifically, it involves earthwork and several other things, bridges and dams, and so forth.

Mr. TRAXLER. Yes; all right.

Does the authorizing legislation for FEMA permit it to engage in that kind of construction?

Mr. EVANS. There seems to be some question. At one level they insist it is strictly restorative work exactly as it was.

At another level of FEMA they seem to interpret it exactly as we do, if that is going to make it wash away with the very next storm then take steps to prevent that. There is no intention of improving in the sense that you are improving the value of something.

The intent is to remove the cause. What exactly happens, Mr. Chairman, is that there has been a lot of bad planning and lack of knowledge perhaps, so that certain things were done which have proven to be unsatisfactory.

Mr. TRAXLER. I guess my problem is we don't want to reinvent the Corps of Engineers. They do a very nice job, and one of them is enough.

We will obviously do some inquiring in view of your request. We want to make sure that programs that are being advocated here are not duplicative of the Corps of Engineers flood control program.

Mr. EVANS. They may be duplicated but, additional in the sense that many of these problems did not become clear until we actually had a flood and, therefore, they may not have anticipated that.

Mrs. BOGGS. Mr. Chairman?

Mr. TRAXLER. Mrs. Boggs?

Mr. EVANS. This is Mr. Swarez.

Mrs. BOGGS. Unfortunately I have received a call. We have a markup of the bill in my other committee which also has a relationship to flood control, so I will be helping you by ensuring coordination.

I would like to say, Mr. Chairman, in response to your question about whether FEMA has any funds for these purposes, that one of the new efforts under the Flood Insurance Program is to assist areas where there has been repeated damage by helping to move public buildings, and so on, out of the area, by encouraging better means of construction and construction in other areas.

Also, when private homeowners have been assured that they have repeated damage, there is an effort to provide some type of forgiveness in conjunction with HUD on the mortgages there and to have the local communities turn the lots into public service lots, open spaces, or whatever recreational space is feasible.

In addition to that, one of the reasons I was so interested in the disaster aspect of the Secretary of HUD's discretionary fund remaining in the budget is because that fund helps in just those regards where there are no other moneys to be able to do this.

It helps in the public areas where there has to be removal, substantial redoing of the whole terrain as well as the buildings.

Mr. TRAXLER. They have a Flood Damage Mitigation Plan. It may be that some of what they propose to do can be done through FEMA and the Flood Insurance Program, acquisition and removal of some of the structures.

I am not sure that when we talk, perhaps drainage structures—

Mrs. BOGGS. All of that will have to come under the Corps of Engineers.

Mr. TRAXLER. We think that you have come to this subcommittee for some of your effort, but I think you will find that most of your requests would fall within the jurisdiction of the Corps of Engineers. When you talk about flood control structures, enlarging drainage ditches and tubes, other kinds of things that Mrs. Boggs is more familiar with than I am, I would agree that it would come under the Corps of Engineers.

Mrs. BOGGS. Of course, the Corps of Engineers, Mr. Chairman, is involved in the disaster relief work as well.

Mr. TRAXLER. Yes.

Mrs. BOGGS. And there is coordination with FEMA in this regard. I hate to leave, Mr. Evans, because I was very pleased to see that you have done a mitigation study which should be helpful to everyone in trying to arrive at some conclusions in this regard.

Thank you so much.

Thank you for letting me interrupt, Mr. Chairman.

Mr. TRAXLER. I think you should be commended for developing a mitigation plan which is designed to forestall future and recurring damage and, therefore, claims.

We want to be of assistance in this matter. I note that there is a provision for some $3 million as a result of Hurricane David and Tropical Storm Frederick.

They call it disaster response recovery.

Mr. EVANS. Let me introduce my colleague here. This is Mr. George Swarez, the Director of Engineers, Department of Public Works, Virgin Islands.

Mr. SWAREZ. Basically, like you mentioned, we don't want a duplication of the efforts that have been done under the Corps of Engineers. For that same reason, so that we do not get involved in a duplication of efforts from the Corps of Engineers, we have as part of this mitigation plan looked at the possible funding sources, and one of those was the Corps of Engineers. We spoke with Mr. Adams from the Corps of Engineers and he identified where he could help us and in which programs.

As a result of this discussion with his agency, most of the programs that we had, the maintenance Dr. Evans mentioned, was totally too small to be considered as a Corps of Engineers project.

Their projects start at $2 million minimum, and it takes about five years to get it off the ground, so we took that and said, then let's deal with FEMA; so this is not a duplication. That is why we came up with these ten projects.

Mr. TRAXLER. Mr. Coughlin?

Mr. COUGHLIN. Thank you.

I want to join in welcoming our distinguished colleague from the Virgin Islands, and he has performed a very great service to the Virgin Islands.

As I understand it, you have then coordinated this with the Corps of Engineers and they have indicated that this is not appropriate to their field. Is that why you are coming to FEMA at this point in the game?

Mr. SWAREZ. Yes.

Mr. COUGHLIN. Have you made any kind of submission to FEMA at this point?

Mr. SWAREZ. The plan was submitted through FEMA. It went to the Governor and from the Governor to FEMA as a plan.

Basically, this portion of the mitigation comes under Public Law that allows FEMA to give funds if restoration work is going to restore a substandard structure and if we have local law stating that a minimum design standard has to be met for any restoration and new work.

As a result as part of the Federal Flood Insurance Program also sponsored by FEMA in 1978, the Virgin Islands enacted a law that said that we have to meet the 100 year frequency storm so the result is we have proposed to bring it up to that standard which is a standard by law.

Mr. COUGHLIN. I am totally sympathetic. I have one little community in my district that is right along a river which floods out every spring. We have now flood insurance to keep paying to restore it the way it was instead of fixing it so it won't happen again. This is pretty stupid.

As far as you know, is this $4 million included in the current FEMA request?

Mr. SWAREZ. It is apart from the $4 million. That $4 million is for restoration work, and if we can work this mitigation plan in then a lot of those projects, they are all tied to what is known under FEMA as——

Mr. COUGHLIN. You submitted it to FEMA and FEMA submitted an appropriation request?

Mr. SWAREZ. No; this basically is a solution.

Mr. TRAXLER. FEMA received their report without comment. I think you mentioned that in your presentation.

Mr. SWAREZ. No; the Lieutenant Governor submitted his report, but it went to FEMA.

Mr. TRAXLER. We have already marked-up on the emergency appropriation in this Subcommittee. It is before the Full Committee now.

Mr. COUGHLIN. Back on the record.

Is the $4 million the total cost of the plan or is that just the first installment?

Mr. SWAREZ. The $4 million, we are talking about two $4 million here. The one for the mitigation is the one we are asking about.

The one for restoration work is a partial amount that is already allotted.

Mr. COUGHLIN. Is this $4 million to finish implementing the Hazards Mitigation Plan?

Mr. SWAREZ. Not the one that FEMA has, the one that we are proposing now.

Mr. TRAXLER. Yes, total cost. Your Mitigation Plan is $4 millon?

Mr. SWAREZ. Yes; and it deals also with trying to implement and work out additional plans to meet the Federal Flood Insurance Program so in the long run the Federal Flood Insurance Program would not have to be settled every other year with the claims.

Mr. TRAXLER. Anything else?

Mr. COUGHLIN. No; thank you very much.

Mr. TRAXLER. We will do everything possible.

Mr. EVANS. Thank you very much.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESSES

HON. DAWSON MATHIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

HON. TOM FAIRCLOTH, MAYOR OF THE CITY OF THOMASVILLE, GEORGIA

Mr. TRAXLER. We have a distinguished Member from the State of Georgia, Mr. Dawson Mathis with us today.

Mr. MATHIS. Let me take the opportunity to introduce to you Mayor Faircloth.

For the record, I am Dawson Mathis, Member of Congress, who represents the District where Thomasville is located.

During the ten years I have been privileged to serve in the House, I have never had a more frustrating experience than that I have incurred in dealing with Mr. Macy and the people in FEMA, who are bound and determined under the guise of reorganization to make certain moves of personnel and personnel funds from Thomasville, Georgia and Atlanta.

I have reviewed and read the Mayor's testimony and concur with everything that he says in that testimony.

It seems to me that this is the highest case of bureaucratic arrogance that I have ever encountered during the time that I have been here.

The Mayor, of course, in the ten minutes that he has to appear before the committee, cannot cover all aspects of it, but I want to emphasize and underline everything that he says and ask the subcommittee, Mr. Chairman, to take a hard look at what the Mayor is telling you this morning because it is all true.

I think we need a complete review of every dime that has been spent by this agency to accomplish those reorganization moves that they are in the process of doing, despite the fact that they continue to tell us that they aren't.

If that is confusing, I hope the Mayor's statement will clarify it for you, and I want to urge the Members of the subcommittee and the full committee, and I hope ultimately Members of the House, to take a hard look at this situation because it is wasteful, counterproductive and arrogance at its highest.

With that, let me introduce to you the Mayor of Thomasville, the Honorable Tom Faircloth.

Mr. TRAXLER. We want to thank you for that fine introduction and we look forward to the Mayor's testimony.

Mr. Faircloth, you may proceed in any fashion you wish.

Mr. FAIRCLOTH. Thank you.

It is a pleasure to be before this Committee this morning.

I would like to call your attention to one typographical error. It is on page 9 in the next to the last paragraph.

The request is $1,252,000, not $2.25 billion.

I appreciate the opportunity to appear before this distinguished Committee today. I am Tom Faircloth, Mayor of the City of Thomasville, Georgia, the home of the Federal Regional Center for FEMA, Region IV.

My presence before you today is to pose questions for your consideration in deliberating the requested appropriation for the FEMA fiscal year 1981.

Most of the information which I will present to you today has been provided to me by elected officials, employees of FEMA and the media in an attempt to determine the exact position of FEMA in its organizational plan through the reorganization of its 10 regions.

Questions which I raise center around reorganizational activities of Region III, Olney, Maryland or Philadelphia, Pennsylvania, and of the same activities, real or imagine, of Region IV, Thomasville or Atlanta, but could be applicable to other regions also.

It is important to note at this time that the Federal Regional Centers about which I speak are underground facilities consisting of two floors with approximately 50,000 gross square footage of which about 22,000 square feet in office space.

The facility in Olney can accommodate a work force of 200 people functioning in day-to-day activities.

Thomasville can accommodate a staff of some 109 people. There are similar centers located in Denton, Texas; Denver, Colorado; and Bothell, Washington, which house the entire FEMA staffs in each of those regions. The buildings are self-supportive and are already owned by the Federal Government.

I would like to begin today by briefly reviewing the activities of the reoganization plans as applied to the Olney, Maryland-Philadelphia area known as Region III.

On December 7, 1978, a Defense Preparedness Agency Region II Position Paper was issued on the proposed location for the FEMA Region III staff.

That paper addressed "day-to-day and emergency operations, intra and interagency coordination at local, State and Federal levels, monitoring of policy implementation in the field, and the impact on such issues of concern as communications, facilities, personnel, and transporation" . . . and further "those considerations which" were felt to "have an impact on FEMA regional operations."

Recognizing that only half of the Federal agencies having regional offices, and that only 31 percent of Federal agencies with which the FEMA Regional Office must deal are located in Philadelphia, the paper concluded that "Federal agency coordination will not be necessarily enhanced by locating in Philadelphia."

No evidence was found that would clearly dictate the location of the FEMA Regional staff in Philadelphia or any other Federal Regional City.

The December 7, 1978, position paper addresses cost reduction by pointing to:

The Senate Calendar No. 1060 (Rept. No. 95-1141) which admonishes . . . "that special care be taken that the reorganization itself not result in any increases in Federal spending." The emphasis appears to be on cost reduction, particularly reduction of duplication of organizations and systems.

GAO Report LCD-67-409 dated April 27, 1978, states in part, "to reduce the vulnerability of the government and ensure its continuity during a national emergency, team members must operate from protected, well-equipped facilities." The existing government-owned FRCs do provide protected, well-equipped facilities which should be utilized to avoid duplication of costs in facilities, staffing and support systems.

The paper concluded that some $250,000 per year would be needed to house staff offices in Philadelphia with no appreciable reduction in maintenance costs of the Federal Regional Center in Olney because of the need for it to remain operational for a national emergency. It also addressed many other significant cost increases accompanying a contemplated move from Olney to Philadelphia.

In a March 28, 1980 response to a request by Congressman Michael D. Barnes on the question of relocation of Region III, the General Accounting Office reported that FEMA officials found that it would be more costly to transfer positions to Philadelphia rather than keep them in Olney, but that a cost savings was not a major factor in deciding to relocate. They further pointed out disadvantages of the relocation as being:

One, disruption of personal lives of the transferred staff;

Two, loss of experienced personnel who decide not to relocate;

Three, a "split staff" situation with Olney remaining open;

Four, existing Federal space which would accommodate the region would not be used;

Five, lack of protective features in a Philadelphia Office needed to conduct regional emergency activities during a nuclear attack.

Despite all of these findings, and despite all of the proposed additional costs, FEMA scheduled and is accomplishing a move of a significant number of employees from Olney to Philadelphia in the name of "intrinsic managerial advantages", advantages which, I submit to you, could have been as easily accomplished in Olney.

Olney may be a case of too little too late. My main mission before you today is to request that, before Thomasville becomes an Olney, some practical, unbiased, definitive study be accomplished which addressed the fundamentals of the FEMA responsibility.

My experience with this matter dates back to the fall of 1979, when a proposed move of some 40 employees from Thomasville to Atlanta surfaced. This move was also in the name of "intrinsic managerial advantage" and seemed to be justified and logical considering the fact that there were four FEMA-comprised agencies located in Atlanta and only one located in Thomasville.

One bureau of the Atlanta agencies had no staff at all and the staffs of the other three comprised only one-third of the total number of FEMA Region IV employees. Additional office space at great cost must be secured in downtown Atlanta to accommodate any additional employee transfers, while the FRC in Thomasville could accommodate all of the Atlanta-based staff without any additional costs. Evidently, it seemed, logic had been cast to the wind, and so I contacted our congressional delegation with this information.

In a telegram to Mr. John Macy, Senator Sam Nunn pointed out that an analysis of the Governmental Affairs Committee report on the reorganizational resolution, such a move was not contemplated and could be penny wise and pound foolish, especially since adequate space was not readily available in Atlanta and excellent facilities would be vacated in Thomasville. He further indicated that the Department of Defense supported a sound case being made for having "civil defense coordinating functions located outside a major metroplitan area."

And in a November 30, 1979, letter to Congressman Dawson Mathis, Congressman Jack Brooks quotes John Macy as having made a decision ". . . not to relocate staff from the Thomasville, Georgia, facility . . ."

In recognizing these facts, on September 27, 1980, Mr. Macy issued a memorandum which cancelled "the tranfer of positions and personnel from Thomasville to Atlanta." A copy of the memorandum is attached.

However, proposed transfers, in fact, were not cancelled. Nor, does it seem, the intent to do so. On December 27, 1979, Mr. Robert H. Volland, Director, Finance and Administration, highlighted Mr. Macy's "intention to locate all FEMA regional offices in the federal regional cities as soon as sufficient space can be identified and acquired." (Copy attached.)

On February 15, 1980, Mr. Frank Newton announced the "requirement" for Region IV . . . "to function in a split configuration" and established certain positions in Atlanta which would be performing "duties similar to the duties . . . currently" performed "at the Thomasville, Georgia, facility." Included with this announcement was a personnel survey which asked the Thomasville employ-

ees whether they would voluntarily request reassignment to Atlanta.

The facts now speak for themselves. Despite Mr. Macy's September memorandum and despite the fact that no study has been done which addresses cost impact, defense posture, or future plans for FEMA Region IV, some 28,000 square feet of office space is being sought in Atlanta. Three or four Thomasville employees have already been transferred—albeit voluntary—lock, stock, and filing cabinet to Atlanta, and persons have been hired in Atlanta to assume duties "similar to" and replacing those performed by Thomasville employees. Those Thomasville employees whose responsiblities have been displaced, are now performing different duties for the most part on extended temporary duty at a cost of some $47 per diem plus travel.

If my information is correct, many of the replacement staff and the new "temporary-permanent employees," as well as administrative travel and administrative duties performed by Thomasville employees in the Regional Director's office are being charged to Federal disaster funds, funds which in his statement before you on April 16, 1980, Mr. Macy characterized as "rapidly dwindling," nevertheless "going where it is most needed."

The specific duties and travel to which I refer are those which do not appear to be specifically related to the support of a disaster response. Some six or seven employees at this time are working as assistants and secretaries in Mr. Newton's office in Atlanta on from a 90-day to a full-time basis and are receiving disaster fund pay. An employee has recently been hired in Thomsville under a 90-day appointment as a Communication Supervisor with no daily or specific disaster duty, and is being paid from a disaster fund.

I have been told by Mr. Frank Newton, who is the Director of FEMA Region IV, that the primary reason for the Atlanta location of his staff and the some 40 employees comprising the split configuration of FEMA Region IV is necessitated by the required personal eye-to-eye contact with other Federal agencies. As with Olney, while there is a high concentration of Federal agencies in Atlanta, those with which FEMA works (with emergency functions) are located in many areas of the region and the country, some 68 outside the Atlanta area.

I have also been told that Thomasville's location is not conducive to convenient travel throughout the region. I submit to you that with multiple-scheduled daily flights from three commercial airports located 40, 45 and 56 miles away and its being the crossroads of three major U.S. routes and 40 miles from I-785 and 25 from I-10, Thomasville is not inconvenient to travel throughout the region.

In summary, with all of my limited knowledge and findings on the proposed reorganization of FEMA, it appears that there needs to be further independent study given to the plans in many regions, including IV, before additional funding is approved. I do not believe that the proposed reorganization can be justified in terms of a safer, more logical implementation of the function and mission of FEMA, not to mention the tremendous inherent costs associated with such a configuration.

At an April 22, 1980, meeting with Mr. Newton, four members of Mr. Macy's staff, Senator Sam Nunn, Senator Herman Talmadge and me, Mr. Newton stated that he would not require any personnel to be tranferred from Thomasville to Atlanta, but that he would actively encourage employees to take voluntary transfers. Further, that he would need to have his "supporting staff" in Atlanta whether or not voluntary transfers from Thomasville were accomplished.

I refer you again to the September 27, 1979, memo from John Macy. It is interesting to note that following that April meeting Mr. Macy wrote in response to a conversation with Senator Talmadge, and I quote in part: "I want to confirm once again my commitment to you that we will not proceed with consolidation of offices in Region IV by the relocation of personnel from Thomasville, Georgia . . . the proposed consolidation was cancelled . . ."

Since it is obvious that Mr. Macy does not intend to consolidate the facilities, and since Mr. Newton is obviously finding some way to hire additional employees and rent additional office space, I respectfully suggest that a close look be taken at the fiscal year 1981 FEMA appropriations request to ensure that duplication of staff, office, and other costs, particularly in Region IV, are addressed.

I may be talking of only $500,000 to $1,000,000 out of an appropriation request of $1,252,000, but to paraphrase a great truth, "a million dollars here, and a million dollars there, and pretty soon you're talking about big money!"

Thank you, gentlemen, for your attention. This ends my presentation. I will be happy to address any questions which you may have.

[The information follows:]

Memorandum for: Mr. Harris Pope, Acting Regional Director, Region IV.
From: John W. Macy, Jr.
Subject: Regional Office Location.

This memorandum will confirm my telephone advice to you a few moments ago that a management decision has been made to cancel the transfer of positions and personnel from Thomasville to Atlanta as originally planned in the regional organizational design and the staffing schedule for Region IV. You already have informed the Thomasville staff of this decision. I would appreciate it if you would advise the Atlanta staff as well as quickly as possible.

In view of this decision it will be necessary to re-evaluate the regional organization, the assignment of programs and the staffing schedule as quickly as possible. Your ideas on these matters would be helpful in conducting this re-evaluation in Washington. In the meantime, it is requested that no further personnel actions be instituted.

FEDERAL EMERGENCY MANAGEMENT AGENCY,
Washington, D.C., December 27, 1979.

Memorandum for: Administrator, Associate Directors, Office Directors, Regional Directors/Acting Regional Directors.
From: Robert H. Volland, Director, Finance and Administration.
Subject: Regional References.

Relocation of the offices in Regions VI and X has created some confusion about the proper reference to these offices.

The fact that these offices are presently located in Denton and Bothell in no way affects Mr. Macy's intention to locate all FEMA Regional Offices in the Federal Regional cities, as soon as sufficient space can be identified and acquired.

Accordingly, and since both Regions VI and X retain office space in their Regional cities, they should continue to be referred to as "Region VI (Dallas)" and "Region X (Seattle), respectively.

U.S. SENATE.

Mr. JOHN MACY,
Director, Federal Emergency Management Agency.

Based on an initial analysis, I am opposed to the transfer of the Defense Civil Preparedness functions from the center in Thomasville, Georgia to the proposed regional headquarters of the Federal Emergency Management Agency in Atlanta.

I am not aware of any detailed justification of this proposal and would like a full report and explanation at the earliest opportunity.

According to an analysis of the Governmental Affairs Committee report on the reorganization resolution, this move was not contemplated in the original reorganization proposal.

I hope that you will not proceed with this proposal until a thorough analysis and review has been completed. I believe such a step at this time could be "penny-wise" and "pound-foolish." Adequate space is not readily available in Atlanta, and excellent facilities in Thomasville would be vacant.

I have asked the Department of Defense for their views on the national security aspects as it appears that a sound case can be made for having the civil defense coordinating functions located outside a major metropolitan area. DOD has indicated they will support this view.

SAM NUNN,
Member Senate Governmental Affairs Committee and Armed Services Committee.

HOUSE OF REPRESENTATIVES,
LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C., November 30, 1979.

Hon. DAWSON MATHIS,
Rayburn House Office Building,
Washington, D.C.

DEAR DAWSON: Following up your recent correspondence to me concerning the proposed reorganization of the Federal Emergency Management Association offices in Georgia, I am informed that the matter has been closed favorably along the lines you requested.

Mr. John W. Macy, Jr., director of the Federal Emergency Management Association, wrote that he has made a decision "* * * not to relocate staff from the Thomasville, Georgia facility * * *."

If I may be of further assistance, please do not hesitate to call upon me. Meanwhile, with every good wish to you, I am

Sincerely yours,

JACK BROOKS, *Chairman.*

FEDERAL EMERGENCY MANAGEMENT AGENCY,
Washington, D.C., April 29, 1980.

Hon. HERMAN E. TALMADGE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR TALMADGE: I appreciate the recent conversation we had on the question of relocation of FEMA personnel from Thomasville to Atlanta. I regret I was unable to meet with you on Tuesday, April 22.

I want to confirm once again my commitment to you that we will not proceed with consolidation of offices in Region IV by the relocation of personnel from Thomasville, Georgia. I have reinforced this policy with Frank Newton, our Regional Director in Atlanta, to assure that further misunderstanding on this issue is eliminated.

Since the proposed consolidation was cancelled, I have directed that further efforts to study relocation into Atlanta be ceased. However, you may be assured that if at any time in the future I decide to proceed with consolidation or if consolidation

is being reconsidered, you will be provided with a full explanation, cost analysis, and long-range plan for the Thomasville facility.

If I may be of further assistance, please let me know.

Sincerely yours,

JOHN W. MACY, Jr., *Director.*

Mr. TRAXLER. Mayor Faircloth, that is probably one of the best statements that this subcommittee has received this year. You are to be congratulated. It is an excellent one. We, in the course of the hearings, asked the question of FEMA as to what their proposal was in connection with their relocations, and Mr. Macy described the three locations that were under consideration. In connection with your community, he said:

A third proposal has been deferred until a later date. The transfer of some 26 personnel from Thomasville, Georgia, which was the location of the Civil Defense Agency previous to the regional headquarters in Atlanta. In that particular instance we have indicated that we will not transfer any personnel, not wishing to make the move, while we further study the consolidation in Atlanta. Our objective in all the relocations was to bring together the various agencies of the federal regional city in order to have the benefit of combined uses.

Mr. FAIRCLOTH. Et cetera.

Mr. TRAXLER. I think your objections are very well taken. I am at a loss somewhat to understand why a civil defense agency would want to be in a prime nuclear target area. They should be among the first survivors or the last.

Mr. FAIRCLOTH. This is an odd quotation also. I guess one reason that this report is so thorough is because we have been involved in it to some degree since last fall, and both the members of the Congress, particularly Congressman Mathis, has been very instrumental in trying to reconstruct what is happening.

Many of the employees don't understand, and some of the career employees now, because they did not want to transfer to Atlanta and because they have refused to, while they are still stationed in Thomasville, are on extended TDY duty, like 25 to 30 days doing things that they were not trained to do. They had been retained.

We don't understand the problem, and we have been asking questions. And let me assure you that I salute the Congress in trying to attempt to balance the budget. It is a monumental task, and if any way that Mr. Macy or Mr. Newton can make a determination that it is in the best interests of FEMA, that it will save money to move from Thomasville to Atlanta, I will be the first to get on the bandwagon, because I want to see tax dollars saved at all costs. I am an elected official, and my budget is not what your budget is, but I know exactly what you are up against.

Mr. TRAXLER. We are up against the same pressures as you are. Incidentally, what is the population of your city?

Mr. FAIRCLOTH. Around 20,000, depending on whether you are talking to a realist or the chamber of commerce.

Mr. MATHIS. May I add to what has been said? My concern about the budget, as anyone knows, I am committed as you are. I, too, would support it if I thought this consolidation was going to be a cost-effective measure. Let me also go back to a statement Mr. Macy made in my office at a meeting at which Mayor Faircloth was present. In the event that we had a nuclear attack, these personnel from Atlanta would be transferred back to that hardened facility at Thomasville.

Now, how he proposes to get them there he could not answer, and I want to point out again that he is abandoning the office space that is available, and going into Atlanta where office space is not available, and proposing to lease from private sources up to 28,000 feet of office space that is not available but is readily available in Thomasville, and presumably that the government not only has available but owns outright. It seems to me that the proposed move itself makes no sense from any standpoint except what he refers to as——

Mr. FAIRCLOTH. Intrinsic managerial—I am sorry, I am not familiar with it.

Mr. MATHIS. I asked him to provide that, and he said eye-to-eye contact with bureaucrats and other agencies. This is the thrust of what he said, but the one thing that the Mayor has pointed out this morning that I particularly wanted to call to the attention of the members of the subcommittee is the fact that these funds are being used for nondisaster purposes, mainly hiring duplicative personnel in that Atlanta office today. It is being used for travel, as I understand it, and for people from the Thomasville facility to go into Atlanta on temporary duty assignments, where they are being paid obviously per diem at the rate of some——

Mr. FAIRCLOTH. Forty-seven dollars a day.

Mr. MATHIS [continuing]. $47 a day. Mr. Chairman, I might also say that this information and documentation of this information is available to members of the Subcommittee, and the Mayor asked me if we should make it available, and I said, well, I want to tell them that it is available, but we are running the risk of having a "whistle-blower kind of situation" get into trouble, and there are obviously whistle-blowers within the agency or else we would never have the information that we have made available to us about what I consider to be a financial wrongdoing that is going on within that agency. And if the committee would like to have that information on any kind of a confidential basis, certainly to Members of the Subcommittee, we would be glad to furnish it.

Mr. TRAXLER. We are confident that the information you have given us verbally is correct.

Mr. COUGHLIN. I have no questions. It does sound like an extraordinarily fouled-up situation.

Mr. FAIRCLOTH. It really is, and the thing that amazes me, I wish that we had some of the news media from our area here to tell you what we have had told. We had just one day a newspaperman call and ask Mr. Newton about this, and Mr. Newton gave him one story, and 30 minutes later he was talking with a totally different reporter, and a TV reporter called Washington and spoke with someone in Mr. Macy's office and got something entirely different, and so I don't know that there is a real good communication between Mr. Macy and Mr. Newton.

Mr. Newton said at the last meeting that I attended that no one would be forced to move, that they would be able to be reassigned voluntarily, and that they would be encouraged to be reassigned, and that nobody would be hired and the position would be transferred, and yet Mr. Macy, who was not at that meeting, followed up that meeting with a letter saying that there is no transfer of

personnel or positions from Thomasville to Atlanta, and a truck backed up to the facility out there.

Incidentally, this truck, the transportation was paid from disaster funds. It was sent down by Mr. Newton and filing cabinets and chairs and tables and all of this were loaded on the truck and sent to Atlanta, and people who were responsible for that office equipment and those files have either been replaced in Atlanta or are going to Atlanta on TDY duty to perform the job that they were performing in Thomasville. I don't know what is happening.

Mr. TRAXLER. We want to thank you for bringing this matter to our attention. It poses some problems for the Subcommittee. We are not sure how far we can go in restricting the executive's authority to manage, and we have never had this issue before us before. We will mediate on that and consult with Dawson.

Mr. MATHIS. Excuse me, Mr. Chairman. We come to you as somewhat of a last resort, realizing that on certain occasions the only way that you bring about a stop of these kinds of things is that hopefully there will be some limitation on the funding that might prohibit this kind of arrogant conduct on the part of this agency in the future. Of course, we are concerned primarily with the Thomasville facility, but also what is happening at Olney, where clearly it is absolutely cost-ineffective to be accomplishing this move.

Mr. FAIRCLOTH. And while Battle Creek, Michigan, does not have an underground facility, there were office spaces available in Battle Creek, and the whole thing was transferred to downtown Chicago. Let me point out now that Denton, Texas—and I will reiterate what I say—Denton, Texas, and Bothel, Washington, and Denver have duplicate facilities to Olney and Thomasville, and the entire FEMA staff is working and operating out of those facilities, same size, everything.

Mr. TRAXLER. We want to thank you.

Mr. FAIRCLOTH. Thank you, Mr. Chairman.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESS

HAROLD A. SCHAITBERGER, LEGISLATIVE DIRECTOR, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

Mr. TRAXLER. We want to return to Mr. Shaitberger—thank you for your patience—Legislative Director of the International Association of Fire Fighters. It is a pleasure to welcome you here. Many of your members are very dear and personal friends of mine.

Mr. SCHAITBERGER. We have a lot of members in your district and they speak very highly of you.

Mr. TRAXLER. You may proceed in any manner you wish.

Mr. SCHAITBERGER. Thank you.

I would like to thank you, Mr. Chairman, and the subcommittee, for giving us an opportunity to present our views today concerning the appropriations for the U.S. Fire Administration. Our organization represents 175,000 professional fire fighters throughout the country. Today the U.S. Fire Administration is requesting a total

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appropriation of nearly $21 million for fiscal year 1981. While we are in general support of this request, we must stress that it is the absolute minimum essential if the federal fire program is to significantly reduce the losses in life and property to fire experienced in the United States.

To deal with the seriousness of the national fire problem, the Congress, through the National Fire Prevention and Control Act of 1974, envisioned a comprehensive Federal; program, working in cooperation with and in support of state and local efforts. In response to this legislative mandate, the U.S. Fire Administration has had three main program directions: education and training, a national fire data center, and research and development in fire sciences and engineering.

Last year significant strides were made in the area of education and training with the purchase and opening of the National Fire Academy in Emmitsburg, Maryland. The establishment of a National Fire Academy has long been one of the major goals of the IAFF. The Academy, with resident capacity of 300–500 students and space to accommodate conferences of up to 1,000 people, will serve as focal point for upgrading fire fighting capacities throughout the country.

Selected individuals representing fire fighters, fire chiefs and marshalls, code enforcement organizations, architects, arson detection units, and other fire-related professionals will be trained in the most advanced techniques of fire prevention and control. These experts will then share this information, passing their knowledge on to colleagues throughout the country. The IAFF is gratified to see the National Fire Academy finally established and opened for operations.

With its establishment, the U.S. Fire Administration can now hope to make the major strides in the education and training of fire-related personnel needed to significantly reduce fire deaths, injuries and property losses in the United States. We hope that the subcommittee will support the administration's appropriation request for this program.

One program within the area of education and training which is geared toward the working fire fighter and in which the IAFF takes a particular interest is the Open Learning Fire Science Program. This program is a higher education project which provides access to a college education to all fire service personnel in this country, that is, both volunteer and professional. The project is run in conjunction with selected colleges and universities offering a quality education to students and awarding credits and college degrees in fire administration and fire prevention technology.

Since its inception in 1977, the program has been highly successful in attaining its stated goals, and has done so in a most cost-efficient manner. This year saw a flowering of the Open Learning Fire Science Program, with four courses being offered to over 600 registrants across the country. These courses have been junior and senior level college credit courses offered by accredited colleges and universities as part of a course of study leading to a baccalaureate degree.

The courses were designed in such a way as to allow paid and volunteer fire fighters with full-time workloads to pursue a degree

program. The program currently has agreements with eight colleges and universities that provide the option for higher education to fire service personnel in 45 states.

Continued support for this USFA/National Fire Academy program is absolutely essential so that the minimum number of courses, twelve, which have been promised to the universities, can be made available. Without the minimum twelve, all students who have started the program will be left out in the lurch; and institutions that have begun introducing the new curriculum will be forced to reverse and stop their efforts. Furthermore, additional institutions must be found to instruct students in at least five more states. Currently we have more students available than colleges able to instruct them.

At the end of Phase III of this program in September of 1980, six three-semester hour junior and senior level courses will have been developed forming a network of schools that currently instruct over 600 students. The next phase of the project hopes to add three more courses, recruit one or two more schools to complete the network, and continue the evaluation and revision of course materials which has already begun.

In addition, the project calls for the continuous monitoring and coordination of activities of the participating colleges and universities so as to guarantee that students receive the highest quality education.

In order to attain these goals an estimated $540,000 will be needed. While the Open Learning Project is mentioned rather generally in today's USFA appropriation request, and while the USFA continues to assure us that this program will be funded in fiscal year 1981, no specific funding recommendations have been made for the program. We respectfully request that the subcommitte specifically provide the requiried $540,000 for the Open Learning Program in its recommendations, so that the continuation and success of this effective and vital program can be assured.

While the U.S. Fire Administration has been working to make advances in the area of public education, an appalling lack of knowledge and awareness of the seriousness of the national fire problem continues to exist. Appropriations for the continuation of these efforts should be made, so that the public can take an active part in the alleviation of this nation's fire problem.

In our view, research and development is one of the most important programmatic areas within the U.S. Fire Administration. As you are aware, fire fighting is the country's most hazardous occupation, with the highest line-of-duty death and injury rates. The Fire Fighters' Integrated Response Equipment System Project, conducted in cooperation with NASA, is an example of the progress that has been made in this area of research.

Nonetheless, we must stress the absolute necessity of funding not only for the continuation, but also for the expansion, of fire fighter occupational safety and health programs and the development and evaluation of safety equipment, if the unacceptable death and injury rates among fire fighters are to be reduced.

Another area of research which we believe to be paramount to the improvement of fire protection delivery systems in this country is the study of the numbers of personnel assigned to engine and

truck companies, in order to determine safe and appropriate manning levels. We would hope that the subcommittee would provide funds for such study.

Last year's appropriations included significant funds for assisting state and local governments in the fight against arson. In light of the continuing epidemic proportions of the crime of arson in this country, funding for these programs must be continued if the war against arson is to be won.

While we have emphasized only some of the programs within the U.S. Fire Administration in our testimony today, we are not suggesting a lack of support for the continuation of its various other programs, among them the National Fire Data Center, the Center for Fire Research within the National Bureau of Standards, and smoke detector and sprinkler systems studies.

As we have stated, we are in overall support of the U.S. Fire Administration request presented today, but we do hope that the subcommittee will take note and act on our own recommendations in the area of education and fire fighter safety and health. I would like to thank the subcommittee for this opportunity to express my views on behalf of the International Association of Fire Fighters and its members.

Mr. TRAXLER. We are very pleased that you took the time to appear before us to present this testimony. We note that the increase for fire prevention and control is about $700,000 this year over last year, which is a minimal amount.

Mr. SCHAITBERGER. If I may, Mr. Chairman, for just a second, expand on something that I read in the testmony, this Open Learning Project, which we have been working on for a number of years, is really a program that finally gives working fire fighters an opportunity to receive college degrees while still working full time. We have been assured, and we are a little dismayed by the Administration, that this program would be budgeted in its budget request. That, unfortunately, wasn't the case.

They have continued to assure us that in fact they will make those funds available, and that I guess they are in the overall Fire Academy budget. We are a little miffed and concerned, though, that no specific language appears for that project, and would hope that if the subcommittee could not specifically appropriate that money, that possibly at least language within the committee's report or some direction from the Congress could be provided to the Administration to insure that that project is filled.

Mr. TRAXLER. We will make a note on that. If we have any further questions, we know where to reach you. We appreciate your testimony.

Mr. SCHAITBERGER. Thank you very much.

FEDERAL EMERGENCY MANAGEMENT AGENCY

WITNESS

LAURA COHEN, WASHINGTON COORDINATOR, CITIZENS FOR LaROUCHE

Mr. TRAXLER. May we welcome Ms. Laura Cohen, who will present testimony in behalf of the Citizens for LaRouche in relationship to FEMA.

We will make your testimony part of the record. You may proceed in such fashion as you wish.

Ms. COHEN. What I would like to do is read portions of the testimony. What we are doing is actually pointing out the intent and the substance of FEMA as an institution.

What I say in my testimony, as I believe you have probably had a chance to at least personally look at, is very strong, is very different from what certainly the FEMA representatives and most other people who are publicly speaking on FEMA are saying at this time. So what I would like to invite you to do is certainly at any point as I read the testimony, to ask what questions might arise in your mind.

Mr. TRAXLER. Sure.

Ms. COHEN. In the interest of preserving our constitutional republic, the Federal Emergency Management Agency must be disbanded. FEMA has dictatorial power over every operating level of government, industry and banking, in the interest of national disaster, energy crisis or war—without interference from Congress, the courts or even the Joint Chiefs of Staff. "Reichstag fire" is the term that embodies FEMA's modus operandi; that is, creates a crisis that brings you dictatorial powers, and the Persian Gulf crisis and/or full-fledged banking collapse are precisely the kind of dictatorship triggering crises towards which FEMA has been building for over a year.

FEMA was created in March 1979 as a result of Presidential Review Memorandum 32. PRM 32 was the Carter executive branch's redrafting of a proposal earlier co-authored by the Trilateral Commission's Samuel P. Huntington, who of course was the Administration person at that point who wrote the proposal for the Administration. He argued that under conditions of global fiscal austerity, modeled on that of Nazi Finance Minister Hjalmar Schacht's program, the time of parliamentary democracy has come to an end in the West.

A version of "fascism with a democratic face" should be developed by "holding out" effective agencies of government, reducing them to mere facade. Within the "hollowed out" regions of government, special, appointive "emergency" agencies should rule nations and the world by methods of "crisis management." Thus, each department of the U.S. Government now has an Emergency Coordinator, accountable only to FEMA in time of crisis.

I want to reiterate that this is not something we are charging about FEMA. It was something. It was something that was explicit in what Mr. Huntington wrote as his proposal for the Trilateral Commission, and then it is embodied specifically in PRM 32 which led to the actual establishment of FEMA.

FEMA is precisely analogous to those emergency provisions inserted in Weimar Germany's law which were employed to effect the process of "legal coup d'etat" on behalf of the Hitler regime's consolidation of power. In fact, as one source close to FEMA's activity stated, "I'm talking about accepting elimination of civil rights, of eliminating parts of the Constitution."

I have submitted to the record material from the Executive Intelligence Review Journal that includes interviews with people in FEMA and close to FEMA who are quite willing to lay this out explicitly.

Sometime during the past month, a nuclear war was simulated in which a majority of Americans perished. The simulation was conducted by a secretive but highly active body that is already a "government within the government"—FEMA. The simulation was only part of an ongoing series of simulated disasters. Officials at the agency said, FEMA has "full emergency legislation on the shelf and ready to go," and that FEMA and Zbigniew Brzezinski, National Security Adviser, are jointly preparing a "Federal Master Mobilization Plan"—an entire military government—that would take over the United States the moment a new Middle East war were declared. In fact, had Carter's Iran escape of nearly two weeks ago played itself out into inevitable military confrontation with Iran, and most likely with the Soviet Union, FEMA would be running the government right now—or what was left of it.

As a FEMA official conceded, "We were testing our mandates." The executive order which established FEMA was handed down one day prior to the accident at Harrisburg's Three Mile Island nuclear plant. Evidence is overwhelming that sabotage in the plant followed by managed lies in the news media followed by a week or more of "crisis management" was nothing but a test of FEMA's mandate. Three Mile Island was FEMA's first "simulated disaster."

FEMA's second "created disaster" has been the Iran crisis. During the summer of 1979, the U.S. Department of State issued a memorandum over the signature of Cyrus Vance, stating that it was probable that the entry of the exiled Shah into the United States would provoke the taking of U.S. citizens hostage by the by the Khomeini dictatorship. In October the Shah was admitted to the United States. No precautions were taken to secure the embassy or consulates in Iran.

Worse, the U.S. Government itself is responsible for the fall of the Shah and the destabilization of Shapour Bakhtiar's government. Although the Iran situation is out of efficient control by the Carter Administration, it is the case that the Administration's willful solicitation of the hostage situation and subsequent exploitation of that affair is a precise parallel to the Hitler regime's use of the Reichstag fire—FEMA proves the comparison is warranted.

FEMA's third provoked crisis was the New York City transit strike, which FEMA was intimately involved in running. I can give you further details on that. They are included in the material I have submitted.

FEMA's fourth crisis may well be a banking collapse for which the Agency is prepared with the institution of top-down control over the banking industry. Trial runs of this have already been run, for instance, in Pennsylvania, where FEMA actually took over the running of the local Federal Reserve. Materials are appended which detail FEMA's role in the transit strike and its plans for a banking collapse.

Now we should get to the case of Mr. Macy. Who is he and what is the ideology, so to speak, that underlies the creation of FEMA and what it is really all about.

That FEMA is to be the implementor of a zero-growth-dominated "Brave New World" is left in no doubt when one examines the activities of John Macy, Administrator of FEMA. Macy is a kook. His visions of a fascist future for the U.S. are informed by his long-time association with the Orwellian "futures" movement. Macy will be playing a leading role in the upcoming "First Global Conference on the Future," being sponsored by the World Futures Society in Toronto, Canada, this July 20–24, an institution which he was instrumental in setting up.

The World Futures Society is the center of the "Aquarian Conspiracy," the umbrella concept for the international financial faction which promotes what are more popularly known as "lifeboat economics" but also called "scarcity economics" and literally genocide under the name "limits to growth."

The purpose of a Futures Conference is to sell draconian reductions in living standards using "futures ideology," the kook notion that "qualify of life" and "global soul" must replace industrial progress. The first phase of this policy is being referred to by the individuals involved in planning this conference as "friendly facism."

FEMA head Macy has "dedicated his entire life to this process" of implementing Futures ideology, said Roy Amara, President of the Institute for the Future, the World Future Society's sister organization. "John Macy and I are traveling to Toronto to see what our work on the future over the last ten years has finally produced." I want to point out this is the conference that will be discussing "friendly fascism." Macy was a founding trustee of the Institute for the Future.

Macy has organized FEMA's current take over of the U.S. Government "according to these life-long future planning principles," Amara said.

In a recent interview, Professor Bertram Gross of Hunter College, who will speak in Toronto on "friendly fascism," described the Aquarians Policy. "Friendly fascism amounts to subversion of the Constitution, but with indirect manipulation, as opposed to classical fascism. FEMA's manipulation of the economy under the rubric of emergencies" is "heading us toward friendly fascism," Gross said.

I want to point out also that congressmen who are members of the so-called Congressional Clearing House on the Future are involved in the same kind of kookish subversion of the U.S. Constitution, and we have adequately documented that as well.

It is an abomination that Congress allowed FEMA to be established in the first place. Only the immediate abolition of the agency can rectify that.

[The statement follows:]

STATEMENT OF LAURA COHEN, WASHINGTON COORDINATOR, CITIZENS FOR LAROUCHE

In the interest of preserving our constitutional republic, the Federal Emergency Management Agency must be disbanded. Far from being a "disaster relief" agency in place to handle floods and hurricanes, FEMA has dictatorial power over every operating level of government, industry and banking in the event of natural disaster, energy crisis, or war—without interference from Congress, the courts or even the Joint Chiefs of Staff. "Reichstag Fire" is the term that embodies FEMA's modus

operandi: create a crisis that brings you dictatorial powers. And the Persian Gulf crisis and/or full-fledged banking collapse are precisely the kinds of dictatorship-triggering crises toward which FEMA has been building for over a year.

What Is FEMA?

FEMA was created in March 1979 by Presidential Review Memorandum 32. PRM 32 was the Carter executive branch's writing into statutory form of a proposal earlier co-authored by the Trilateral Commission's Samuel P. Huntington, who argued that under conditions of global "fiscal austerity," modeled on Nazi finance minister Hjalmar Schacht's program, the time of parlimentary democracy has come to an end in the West. A version of "fascism with a democratic face" should be developed by "hollowing out" effective agencies of government, reducing them to mere facade. Within the "hollowed out" regions of government, special, appointive "emergency" agencies should rule nations and the world by methods of "crisis management." Thus, each department of the U.S. government now has an Emergency Coordinator, accountable only to FEMA in time of crisis.

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FEMA's Test Runs

Sometime during the past month, a nuclear war was simulated in which a majority of Americans perished. The simulation was conducted by a secretive but highly active body that is already a "government within the government"—FEMA. The simulation was only part of an ongoing series of simulated disasters. Officials at the agency said, FEMA has "full emergency legislation on the shelf and ready to go," and that FEMA and Zbigniew Brzezinski, National Security Advisor, are jointly preparing a "Federal Master Mobilization Plan"—an entire military government—that would take over the United States the moment a new Middle East war were declared. In fact, had Carter's Iran escapade of nearly two weeks ago played itself out into inevitable military confrontation with Iran, and most likely with the Soviet Union, FEMA would be running the government right now—or what was left of it.

In fact, the recent nuclear war simulation began as a regional "limited nuclear war" in the Middle East. A U.S.-Soviet nuclear exchange left "Washington destroyed" said a high FEMA official. "Thirty-four agencies and every department of government was moved. We at FEMA coordinated the entire relocation."

The purpose was not the handling of actual thermonuclear war, however. Not enough population or resources would be left to relocate or restructure. As a FEMA official conceded, "We were testing the mandate our agency was given when it was established."

The executive order which established FEMA has handed down one day prior to the "accident" at Harrisburg's Three Mile Island nuclear plant. The evidence is overwhelming that sabotage in the plant, followed by managed lies in the news media, followed by a week or more of "crisis management" was all nothing but a "test" of FEMA's mandate. Three Mile Island was FEMA's first "simulated disaster."

FEMA's second "created disaster" has been the Iran crisis. During the summer of 1979, the U.S. Department of State issued a memorandum over the signature of Cyrus Vance, stating that it was probable that the entry of the exiled Shah into the United States would provoke the taking of U.S. citizens hostage by the Khomaini dictatorship. In October, the Shah was admitted to the United States. No precautions were taken to secure the embassy or consulate in Iran. Worse, the U.S. government itself is responsible for the fall of the Shah and the destabilization of Shapour Bakhtiar's government. Although the Iran situation is out of efficient control by the Carter Administration, it is the case that the administration's willfull solicitation of the hostage situation and subsequent exploitation of that affair is a precise parallel to the Hitler regime's use of the Reichstag fire—FEMA proves the comparison is warranted.

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Who Is John Macy?

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(Congressional members of the Congressional Clearinghouse on the Future are involved in the same kind of kookish subversion of the U.S. Constitution.)

It is an abomination that Congress allowed FEMA to be established in the first place. Only the immediate abolition of the agency can rectify that.

Mr. TRAXLER. We want to thank you for your presence this morning and your testimony.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

F. PETER FAIRCHILD, EXECUTIVE DIRECTOR, NORTHEAST STATES FOR COORDINATED AIR USE MANAGEMENT (NESCAUM), AND STATE AND TERRITORIAL AIR POLLUTION PROGRAM ADMINISTRATION (STAPPA)

Mr. TRAXLER. We want to welcome F. Peter Fairchild, Executive Director, Northeast States for Coordinated Air Use Management. And you will also be speaking on behalf of Mr. Rector, the State and Territorial Air Pollution Program Administration (STAPPA)?

Mr. FAIRCHILD. That is correct. The STAPPA organization represents the air pollution agencies. It is a national organization. The NESCAUM group represents the Northeast States but it is a similar type organization. Its director, who is director of the Michigan air pollution program, was not able to come today, and asked me to pass on his comments. Our concerns are similar.

Mr. TRAXLER. Would you want to make his statement, then, a part of the record?

Mr. FAIRCHILD. I would want to make both of them.

Mr. TRAXLER. Of course you may proceed in any fashion you wish.

Mr. FAIRCHILD. In behalf of State and Territorial Air Pollution Program Administrators, STAPPA has laid out basic concerns that we have with the fiscal 1981 EPA budget, and specifically the parts of the budget that go to support air pollution and control programs, under the pollution abatement and enforcement item in the budget. I will review the STAPPA position, because it gives our basic position, and then the NESCAUM statement provides some more details.

STAPPA is a national organization of program directors from state air pollution agencies. Under the Federal Clean Air Act, the agencies that STAPPA represents have the major responsibility for implementation and enforcement of air pollution abatement regulations. These responsibilities are taking on new importance as air quality becomes a major consideration in energy and economic planning. For this reason, we expect the next few years to be extremely challenging to us.

Anybody who is familiar with what is happening in the country, in the environmental field, I think begins to realize the implications of the Clean Air Act. We see essentially all new industrial growth, and in my home state of Massachusetts, in Michigan, in Illinois, Pennsylvania, have basically come to a stop because the states have not been able to prepare adequate plans that meet EPA's approval.

The approval process is ongoing, but there are some very serious economic and development consequences of the states' inability to handle all of the responsibilities that have come their way under the Clean Air Act, so we feel the state air pollution programs are becoming very important to the future of the country, and one way to prepare for these challenges that are facing us is to increase the resources available to us.

I am not coming today to ask for more resources. That may be somewhat of a switch, but we could certainly prove to you that we need more resources. We could show you that in the last three years the workload has doubled basically because of the Clear Air Act. We have had to offset inflation. Yet the funding for our agencies has increased about 24 percent in the past three years.

We have to admit, we have to recognize that there are constraints facing this Congress and our state legislatures, and we know that there won't be additional funds, or significant additional funds, for our programs this year.

The only alternative to obtaining more funds to operate our programs is to use the funds we have more effectively, and that is what I have come today to discuss with you. As program administrators, we are trying to develop creative approaches to solving air pollution problems. We are trying to weed out outdated programs that no longer effective, and we are trying to avoid needless duplication of our efforts by the EPA. Above all, we are setting reasonable goals in trying to establish priorities, and then allocate the limited funds available to us in the most efficient manner.

As we do this, we find that our authority is being undermined, our management options are being co-opted, and our fiscal decisions are being preempted by the U.S. Environmental Protection Agency. It is their administration of the funds that have been appropriated by Congress for support of state air pollution abate-

ment programs that is seriously impairing our ability to achieve the Clean Air Act objectives.

STAPPA notes that NESCAUM will be preparing some additional comments, and that is what I am going to go on in just a minute, but I want to finish the STAPPA statement. We believe the actions are detrimental to protecting the health of our citizens, and we believe that the procedures that EPA is following in allocating the funds are contrary to the intentions of Congress in funding these program grants. We request that this committee take whatever action you may feel is proper and effective to ensure a more responsive and acceptable allocation of the funds that Congress appropriates.

The other statement from NESCAUM I won't repeat the basic positions that are the same, but in here there are some points I want to make on the funding level, and you noted those tables. We have looked at the possibility of getting increased funds from other sources, and to be honest, when the state and local governments stated they are providing about $200 million for air pollution programs, and the federal contribution is another $82 million, the state and local governments feel they are doing their share, and they don't feel willing or able to increase funding for essentially federally mandated programs over and above what they are doing now.

Under the circumstances, we feel that it is appropriate and essential that the Federal Government continue to provide some support for state and local air pollution programs.

We would like to see support and appropriations of around $100 million, which would allow us to offset some of the inflation costs that are hitting our agencies, and to accomplish some of the new programs EPA would like us to, but as I said, we recognize that an appropriation of that level is not possible this year.

EPA, in their budget, has requested an increase of $4.9 million, making a total of $87.7 million for fiscal year 1981, that would go for state air program grants. We are supporting that request. It represents basically a 6 percent increase, and it won't allow us to do many of the new programs, but it will keep us, hopefully, our heads above water. With that, we wish to support their recommendation.

The big concern—and my comments thus far have made it sound like the money that you appropriate for state grants we actually get, and we don't. That is our problem. Starting three years ago with the Clean Air Act amendments and the additional duties for the states, EDPA began to earmark and target money out of the appropriated funds for special projects for their own use.

In fiscal 1979 that was about 16 percent of the money appropriated; in fiscal 1980 it was 18 percent. In fiscal 1981 they propose to earmark about 23 percent of the funds that they are requesting, and in fact all of the $4.9 million increase that they are asking has already been earmarked for special programs.

Our point is that all of this is happening without any consultation or any involvement from the state agencies who have to administer the program.

I want to turn to the appendix and go through a couple of the specific things that have happened. As I said, these decisions that

EPA is making on the money are being made without our consultation, without our input, and we have had many requests to them for that kind of involvement. I would note that there is a similar grant program set up under the Clean Air Act, Section 175, which allows grants to local planning agencies.

Before that money was actually spent or committed, EPA published their intentions in the Federal Register, and public comment was solicited. That has never happened with the state air pollution control grants. At one point in time Congress appropriated money over and above what EPA had requested, and they did not know what to do with it so they asked the states, "What do you want to do with that $5 million?"—made an exhaustive survey, contacted every state agency, set out two or three priority uses for that additional money, and turned that request into EPA, and then the final allocation of that money completely ignored our comments.

Some of EPA's practices in allocating the funds are questionable at best. The fiscal year 1979, when Congress appropriated $5 million over and above what EPA had asked for, EPA did not release that $5 million until late in May of the fiscal year 1980. That was for many states five or six weeks before the end of their fiscal year, and when you are given $500,000 to spend with two or three weeks left in your fiscal year, you spend it for whatever you can encumber money for quickly, which is not necessarily the most important air pollution goals. We are very upset about that delay in that money. That is one of the examples that we feel shows some mismanagement and inappropriate handling of the funds you are appropriating.

Another question or concern we have is the priorities that EPA has set, and the use of the money. It is my understanding that there is a separate item in the budget for research and development and one for pollution abatement and control programs. EPA has developed what they are calling a Northeast Corridor Regional Oxidant Study, a very sophisticated study that will study the transport of smog up into the Northeast part of the country, and will develop sophisticated mathematical models to figure out how that smog is moving.

Already $2.7 million out of the money appropriated for state operating grants has been spent on that research project, and this year and the next two years will show another $1.5 million, making a total of $4.2 million spent out of money that we felt was appropriated for operating our programs going to essentially a R&D project. The project was established, the funding was set up before we were consulted. In fact, we were told of our involvement in the study after the funds had already been earmarked out of our grants.

There are some questions about the priorities that EPA has set for the money. Already $10 million out of the funds in the last two fiscal years have been spent on developing inspection and maintenance programs, and I am sure automobile inspection and maintenance programs are of concern in your state. They are important programs, but we question the need to spend $10 million so far, an additional $4 million this year, for getting these programs off the ground. None of the state agencies feel that amount of money, $14 million, was necessary to get inspection and maintenance programs

going in the states. Yet, we had no choice and no opportunity to question the need for that amount of money.

From the Northeast States, since that is my primary concern, we look at the DOE oil back-out program and the conversion of power plants to coal. Sixty percent of the powerplants are in the Northeast part of the country. Yet that was not set as a priority for EPA's money, and there are no funds set aside to help us deal with the impacts of those coal conversions, and the acid rain problems that will result from them. Instead, we have a directive to spend almost a half million dollars on an automobile anti-tampering enforcement program. That would mean checking, making sure that the pollution control devices have not been taken off of the automobiles.

Mr. TRAXLER. Does that include the conversion from no lead to regular gasoline?

Mr. FAIRCHILD. It is my understanding the programs we would be doing would only be looking at the smog devices on the cars and the federal enforcement of the lead in gasoline, but that is a program that we could include in our automobile inspection very easily. We don't need another half million dollars to set that program up. We would like to have the opportunity to say we need that money for something else.

In summary, what we are asking the committee to consider, and what we are requesting, is that we, the state agencies have an opportunity to sit down and negotiate the priorities for this money, that we have an opportunity to consult and coordinate with EPA on the use of the funds. We feel that that is more in line with the intention of Congress in appropriating money in the first place, and we would ask for your assistance in encouraging that kind of cooperation with EPA.

Our requests to EPA directly have failed in the past. I have one other comment. I said I wasn't asking for additional money, but I don't want to let the opportunity pass without again stating our concern about manpower training programs for environmental pollution control and the federal support that goes to keep those programs in operation.

Each year since OMB decided in fiscal 1974 that federal support of those training programs ought to be terminated, we have come to the Appropriations Committees, requesting some additional funds to keep that support going. This is money that helps support research, faculty and graduate students at universities to keep air pollution and environmental training programs going. Since the cutback of federal funds, a number of the university programs have terminated, and there is a very limited supply of professionally trained people coming out of the universities.

That is a real problem for us. They come to state and local agencies as a last resort. We look at our salaries, and I look at the directors of the agencies I represent earning comparable to GS-11s, two or three levels below the level of the people they deal with in the Federal Government, and quite a bit lower than the salaries offered in private industry. The state and local agencies just can't compete, if there is a very limited pool of manpower available.

We look towards academic programs as increasing the manpower available to us, and we also look at those manpower training funds

as providing fellowships for our employees to go back to school. We can't offer them a bonus in salary but we can at least offer them an opportunity to go back and educate themselves. We would urge your consideration and support for an appropriation of $2 million in support of the environmental education programs, and this would be to cover programs that are authorized under the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act. Last year $1.5 million was included, and we would request a similar amount or $2 million, hopefully, this year to keep that academic program going.

I will answer any questions.

[The statements follow:]

Anthony D. Cortese, Sc.D.
Commissioner

The Commonwealth of Massachusetts
Executive Office of Environmental Affairs
Department of Environmental Quality Engineering
Division of Air Quality Control
600 Washington Street, Boston, Mass. 02111

Statement in Behalf of the State and
Territorial Air Program Administrators
Regarding U.S. EPA FY-81 Budget Request
and States' Air Program Funding

STAPPA (the State and Territorial Air Pollution Program Administrators) is a national organization of Program Directors from state air pollution agencies. Under the Federal Clean Air Act, the agencies that STAPPA represents have the major responsibility for implementation and enforcement of air pollution abatement regulations. These responsibilities are taking on new importance as air quality becomes a major consideration in energy and economic planning. For this reason, we expect the next few years to be extremely challenging to us.

One way to prepare for these challenges is to increase the resources available to us, and we could easily provide a strong justification to you for significant increases for our programs above what is included in EPA's FY-81 budget requests. However, we recognize the fiscal contraints facing both this Congress and our respective state legislatures, and realize that sizeable increases are not feasible this year. Therefore we support EPA's request for air program grants with the understanding that the requested level of funding will barely provide for maintenance of existing programs. There will not be sufficient funds to take on any new activities or to expand current activities that should be upgraded.

The only alternative we have to obtaining more resources will be to manage the resources available to us more effectively. We will need to be creative in our approaches to solving air pollution problems in the future. We cannot afford to drag along any outdated programs from the past or to have any needless duplication of our efforts by the EPA. Above all, we must set reasonable goals, establish priorities and then allocate the limited funds available in the most efficient manner.

These will be real tests of our abilities as program administrators. As we attempt to meet these challenges, we find our authority being undermined, our management options being co-opted and our fiscal decisions being pre-empted by EPA. Their administration of the funds appropriated by Congress for support of state air pollution abatement programs is seriously impairing our ability to achieve Clean Air Act objectives. We understand that the NESCAUM staff will be presenting more details on our specific problems with the EPA's allocation of funds, and so they need not be repeated here. It is sufficient to say, however, that STAPPA strongly objects to the earmarking, withholding, and direct spending of state grant funds by EPA without consultation and co-ordination with us.

We believe these actions are detrimental to our efforts to protect the health of our citizens, and we believe they are contrary to the intentions of Congress in funding state air program grants. We request that this Committee take whatever action you feel is proper and effective to insure a more responsive and acceptable allocation of the funds appropriated for FY-81 and for subsequent years.

Prepared for STAPPA by
Kenneth A. Hagg, Acting Director
Massachusetts Division of Air Quality
Chairman, STAPPA Committee on
Section 105 Funding

NESCAUM STATEMENT

FUNDING OF STATE AIR POLLUTION ABATEMENT PROGRAM GRANTS AS AUTHORIZED UNDER SECTION 105, FEDERAL CLEAN AIR ACT (PL 95-95)

Importance of State Air Programs

The Clean Air Act Amendments of 1977 and regulations in response to them have greatly increased the role of air quality considerations in energy and economic policy. The Act places the primary responsibility for implementing new source review procedures and prevention of significant deterioration requirements on state and local agencies. To a great extent our ability to resolve the energy and economic growth issues facing this country will depend on the effectiveness and capability of these agencies. Anyone who doubted the full implications of the Clean Air Act Amendments need only look at what is happening today. New industrial permits are being withheld in many areas where the State Implementation Plans have not been approved by EPA. In addition, many states are unable to assume responsibility for the prevention of significant deterioration (PSD) program resulting in federal control of local land use and growth decisions. The key to resolving these situations is to maintain adequately staffed and funded state and local air agencies.

Adequacy of Current Funding

Despite the importance of adequate funding of state air programs, we do not have it now. Federal funding for state programs has increased only 24% between FY-78 and FY-80, while requirements for new and expanded programs have increased by a greater amount. The increases have not even offset the rise in costs of existing programs due to inflation, and we have been facing severe staff and resource problems while trying to implement the Clean Air Act.

Table 1

Funding of Section 105 Grants

	Appropriations	$ Increase	%Increase
FY-78	$66.8 m	$14.3 m*	
FY-79	$80 m	$13.2 m	19.7%
FY-80	$82.8 m	$ 2.8 m	3.5%
Proposed FY-81	$87.7 m	$ 4.9 m	5.9%

* Includes an $8 m supplemental appropriation in FY-78 to allow for the change from July to October fiscal year, i.e., a 15-month fiscal year period in FY-78.

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Possibility of Increased Funds

State and local governments currently spend over $200 million a year on air pollution control. When compared to the federal contribution of $82.8 million for FY-80, the states feel they are already doing more than their share to pay for federally mandated programs and are not able or willing to increase their support at this time. As an alternative to increasing state funds, it has been suggested that industries be charged a permit fee to help cover the costs of operating the air pollution program. Unfortunately, very few states presently have the mechanism in place to designate a specific use for revenue collected. Legislation to establish such a dedicated use fund has been controversial and difficult to get passed. Under these circumstances it is both appropriate and essential for the Federal Government to continue to provide support for state and local air agencies.

As for the level of federal support, a $100 million appropriation for state grants in FY-81 would allow us to maintain effective programs in the face of rising costs, plus assume a limited number of the new programs that EPA is requiring. We recognize the fiscal constraints facing Congress and realize that this level of funding is not possible this year. EPA has requested a $4.9 million increase, making a total of $87.7 million in FY-81. While this is less than a 6% increase, we support this request with the understanding that it will not permit any new program activity, and it will doubtless mean some difficulties in processing new source permits and maintaining current monitoring and enforcement activities. It is clear that FY-81 will have to be seen as a year when state and local programs will have to work very hard just to keep things at status quo. Hopefully, in future years funding can be increased to permit our accomplishment of Clean Air Act goals.

Allocation of Funds

All of the above comments have assumed that the funds appropriated by Congress are actually available to the states to assist in their air programs. Unfortunately, this is not the case. Starting in FY-79, increasingly large amounts of appropriated funds were set aside by EPA Headquarters. In FY-79, it was 16%; in FY-80, it was 18%; and for FY-81, it is proposed that if the requested $87.7 million is appropriated, 23% of it, or $19.7 million, will be earmarked, set aside, spent directly by EPA, or otherwise not made available directly to the states. In fact, the entire $4.9 million increase in funds has already been earmarked so that the base grants to the states stay the same as FY-80. Table 2 below summarizes the situation. Appendix A provides additional details of EPA's handling of the appropriated funds.

Table 2

Amount of Designated Use Funds

	Appropriations	Direct Allocation to States	%Increase Over Previous Year	Amount Earmarked	% of Appropriation
FY-79	$80 m	$67 m		$13 m	16%
FY-80	$82.8 m	$68 m	1.4%	$14.8 m	18%
FY-81 (Prop.)	$87.7 m	$68 m	0	$19.7 m	23%

We are very concerned about EPA's practice of earmarking state air grant funds, and we feel the situation is unacceptable. It is interfering with our ability to meet the goals of the Clean Air Act, and it has seriously undermined the working relationships between the states and EPA. In addition, the practice seems to be contrary to the intent of Congress in establishing the state grants and appropriating funds for them.

The states are asking for an opportunity to consult with EPA on the expenditure of all funds appropriated for these grants and to have a meaningful role in the decisions as to project priorities and the amounts of allocation. We hope that you can assist us in establishing this cooperative effort with EPA, since our direct efforts with them have failed.

Funding of Manpower Training Programs

In addition to direct support of state air programs, we also wish to indicate our concern for funding of academic training in air pollution control. This has been an issue we have raised with Congress every year since OMB decided to phase out academic support in FY-1974. Last year, as they have for the past four years, EPA failed to request any funds for this purpose. The lack of concern by EPA over this issue is disheartening to say the least. There is a shortage of air pollution manpower, and it hits hardest on state and local agencies, whose salaries are well below what industry or the Federal Government offers. Also, the academic training funds provide fellowships for state and local agency employees to further their education. This is an important tool for us in retaining and upgrading capable staff persons.

Authorizations for academic training funds are in Sections 103(b)(5) and 325 of the Clean Air Act. Similar

provisions are included in the Clean Water Act (PL95-217) and the Safe Drinking Water Act (PL93-523). Last year Congress appropriated $1.5 million for all academic training under these three acts. It appears that EPA directed much of that money away from academic programs onto other activities, so that academic training suffered a major setback last year.

NESCAUM recommends that $2 million be appropriated in FY-81 for academic training in air, water and drinking water programs. Further, we request that any funds appropriated in FY-81 for academic training be spent for academic training. A committee of state agency and academic professionals could be established to oversee these expenditures.

APPENDIX A

ISSUES REGARDING EPA'S ADMINISTRATION
OF CLEAN AIR ACT SECTION 105 GRANTS

1. The decisions about how much is to be earmarked and for what purposes are being made without consultation with the states, despite many requests to EPA for this type of involvement. It is interesting to note that there is a similar grant program to local planning organizations under Section 175 of the Clean Air Act. Preliminary plans for use of the funds appeared in the FEDERAL REGISTER, and public comment was solicited. The only time in recent years that state comments were accepted was related to $5 million appropriated in FY-79 over what EPA had requested. We made an extensive survey of state air agencies as to their priorities for this money, and the results were forwarded to EPA. Our recommendations were ignored in the final allocation.

2. Some of EPA's practices in funds allocation that we have encountered are questionable at best. In FY-79 EPA withheld allocation of $5 million in appropriated funds until late May. Many states' fiscal years end on June 30, and they were forced to spend funds where they could be encumbered most quickly, not where they were most needed. Also, every year several hundred thousand dollars are withheld from the grant allocation, usually without any indication of where they will be spent.

3. While EPA's practices with these funds appear to be within the letter of the law, they certainly do not seem to be consistent with the intent of Congress in establishing and funding the state air grants. One prime example of this is the use of state program grant funds for the Northeast Corridor Regional Oxidant Study. This is a major R and D effort to develop and test complex models to describe the flow of smog into the Northeast. Already $2.7 million of money appropriated for the operation of state air programs have been spent on this project, which is clearly a research oriented activity. An additional $1.5 million have been earmarked for FY-81, 82 and 83 for this project. We are not saying that this is not a worthwhile study - only that funds should be coming from sources other than state program operating funds.

4. We have serious questions as to the programs EPA selects for earmarked funds and those it ignores. For example, $10 million have been spent on automobile inspection and maintenance (I/M) programs in FY-79 and 80, and $4 million have been earmarked for FY-81. Most states feel this level of funding is not necessary to get the job done, at least not at the expense of other programs. Meanwhile no funds are being set aside in FY-81 to assist the Northeast region in dealing with the potential air quality impacts of coal conversion. Sixty percent of the power plants slated to convert to coal under DOE's Oil Back-Out Program are in the NESCAUM area, yet no funds are being directed at this important issue. Instead the Northeast states are told to spend $425,000 on automobile anti-tampering programs, which most of us can include in our I/M programs anyway. As far as we can see, the $2 million to be spent nationally by the states on anti-tampering programs are going to be a waste of money. It simply makes no sense to set priorities for spending funds without conferring with the grant recipients to see if they need, want, or can effectively use the funds.

5. Furthermore, we find the allocation procedures are in conflict with good program management practices. When funds are limited and responsibilities outstrip resources, effectiveness is not improved by severely limiting the amounts and uses of funds available. Management and control of state and local programs are being undermined.

6. The practice of fund earmarking is in direct conflict with the Regional EPA Office's efforts to develop annual State-EPA agreements. On one hand, Regional Administrators and State Commissioners are attempting to set priorities for their environmental programs for the coming year, while on the other, EPA Headquarters has already established a different set of priorities through their earmarking of state money.

Mr. TRAXLER. Mr. Fairchild, we found that generally EPA is communicative and is open to suggestions from the state agencies. Why in this area isn't that taking place? What is your understanding of the reason?

Mr. FAIRCHILD. It is a bit bewildering. One thing that I can look to EPA procedures in the way they administer the grants that at authorized under the various acts, the Clean Water Act, Safe Drinking Water Act, all have grants for state programs, but even EPA's own staff would admit, and I have that in a memo, that the air grants give EPA more flexibility, and we say that is more control, more flexibility over administering the fund than any of the other federal environmental acts, so that we would say that they are more limited with other grants to earmark and direct the funds.

Part of the feeling that we have is that there is a lack of, I think, respect or confidence in the state agencies, in our ability to get the job done. We feel that we are constantly being second-guessed, and treated unfairly.

Mr. TRAXLER. Do you find that that is at the regional level or at the Washington headquarters?

Mr. FAIRCHILD. This is at Washington. I would say our dealings with the regional offices on these grants—I should make that clear; and I am glad you mentioned that—has been much more open. Their hands are tied by the headquarters. In Region I the EPA regional offices are trying to get state EPA agreements, where the states will sit down with EPA and set some priorities and say these are the goals that we mutually agree to reach this year. But the goals that are being set in our region and in other regions are not the same that this money is being earmarked for. So right now our regional administrator and our state commissioners are trying to set goals, but the funds have been directed elsewhere.

This national policy and procedures for administering these funds is counterproductive to what the regions are trying to do, so our problems are with the headquarters staff.

Mr. TRAXLER. Mr. Sabo?

Mr. SABO. A couple of questions.

What about the manpower problem? We heard yesterday from people concerning the same problem. I am interested in what is happening with voc/tech institutions, whether it is basic training of personnel, undergraduate or graduate school. It would just seem to me the whole environmental area would be a natural area for them to be developing programs in.

Mr. FAIRCHILD. The biggest problems are at the graduate and undergraduate level. Voc/tech and community colleges are very responsible to the need for technicians and operators for the automobile inspection staff, those kinds of people. The biggest problem are the professional level after people filling the professional slots, the engineering and scientist slots, and trying to find people with bachelor and graduate degrees that have some training in air pollution.

I don't have the figures but I know more than half of the air pollution programs that existed at the graduate and undergraduate level five years ago are gone now. There is a very limited number

of programs that are open to people to get specialized training at the graduate and undergraduate level.

To operate an university-level program, the universities want those faculty people to have some research money coming in. They want to find some support for their graduate students. They maybe need money for equipment and things like that. There needs to be some infusion of funds, and in the past it has been from federal training grants into the academic institutions to keep those programs going from year to year. The universities see a need but they are not willing to carry it all on their own, so we are having trouble at the university level, not at the technical school and 2-year colleges.

I have to re-emphasize that business of our ability to attract competent, qualified at the salaries state and local agencies can pay. It is just very difficult. There is a limited number of them to begin with, and we don't get them. What we do is take scientists, we take botanists and try to put them into air pollution positions. We stretch the skills that people have as much as possible, and it weakens or waters down our efforts, but that is what we are forced to do.

Mr. TRAXLER. I want to thank you for your presentation. We deeply appreciate it.

Mr. FAIRCHILD. Thank you.

Mr. TRAXLER. The Committee will recess until 2 o'clock this afternoon.

AFTERNOON SESSION

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. TRAXLER. The Committee will come to order.

We are very pleased to welcome the Honorable James Oberstar, a distinguished Representative from Northern Minnesota, who will tell us all about the EPA.

If you care to paraphrase your statement that will be fine with us.

Mr. OBERSTAR. I thank you very much for the opportunity to join you at this time to express my concern about some funding matters.

I want to focus on the needs of the National Water Quality Laboratory in Duluth, Minnesota, not because the lab is located in my Congressional district, but because its work is of a national nature.

The work of the water quality laboratory touches fresh water and toxicology, water quality criteria, research relating to the Great Lakes in general, toxics and acid rain research.

In the aggregate, we would like to see a $6½ million budget for the Water Quality Laboratory. That is the request the lab has

submitted, but I will not cite the broken down figures because they are in my testimony.

My first concern is in the fresh water area of research. The lab in Duluth was intended to be a national center for fresh water research and has been diverted at various times from that goal because of other pressing needs of EPA on specific assignments.

It is now back on track and is doing some pioneering research.

In the area of water quality criteria, the lab is charged with that responsibility of establishing criteria for fresh water inland lakes, and has done some remarkable work which, in fact, the Subcommittee on Investigation and Oversight of the House Public Works Committee made a special trip to review and to hold out as a model for research efforts within EPA.

The Great Lakes research focused on PCBs and dredge spoils, and in the course of their pioneering work two very great milestones were achieved. One was the detection of toxic substances in Lake Superior using living organisms—very minute creatures—which can detect extremely small amounts of toxic materials in fresh water.

Using such substances, they discovered in upper Lake Michigan a new chemical formed by the synergism of two existing chemicals floating around in Lake Superior which mixed with the waters in Lake Michgan, a substance that is very toxic which was not previously known to exist in either lake.

I will not go into any detail on the asbestos research, but there too we have a problem of a long-term nature which the work of the lab has been well established.

Another of my concerns is related to the field of acid rain research. There is no question that acid rain is the greatest threat to the environment in the North American Continent.

Already some 300 lakes in the Adirondacks are threatened. More than 100 are dead. Acid rain clouds now extend from the Tennessee Valley all the way into Southern California. The experience of Sweden may be an indicator of our future: some 10,000 lakes in that country are already dead because of acid rain which has destroyed not only plant life but fish life.

You do achieve a clean lake. It is so clean nothing grows or lives in it, and the tragedy is that the disaster which has already struck Sweden is awaiting us in the North American Continent.

Those of us who live in the Northern Tier States have a particular concern because of the build-up of acid rain over the winter months. It comes down as snow and you have a high peak during the spring run-off of acid in lake and stream waters destroying fish eggs and concentration in those relatively infertile glaciated lakes, causing long-term permanent damage.

The time to prevent that from occurring is now, and the place to put our financial effort is in the research laboratories of EPA.

Thank you very much for the opportunity to be here.

[The statement follows:]

STATEMENT OF

HONORABLE JAMES L. OBERSTAR, M.C.

MAY 7, 1980

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCY APPROPRIATIONS

Mr. Chairman, Members of the Subcommittee:

I appreciate the opportunity to appear today in support of increased funding for the EPA Environmental Research Laboratory in Duluth, Minnesota, and of the Administration's request for research on acid rain. The Duluth laboratory is requesting funding at a budget level of $6.5 million.

The lab's budget is broken into five specific areas of research. The fresh water category contains funding at a level comparable to that of FY'80: $2.6 million. The primary concerns of this division are in aquatics and toxicology. This division has funded pioneering research in the asbestos lab, under the direction of Dr. Philip Cook. The asbestos lab has done extensive research in the effects of Reserve Mining Company's disposal of asbestos-like fibers into Lake Superior. With the end of lake disposal, the lab now has an excellent opportunity to follow up the activity of these fibers in Lake Superior. Changes in the formation of the fibers, their role in the food chain over the next years, and the length of their presence in the original dumping area are questions of concern to the lab and, understandably, to the population of the Lake Superior area.

The fresh water lab is also engaged in the development of water quality criteria, including the establishment of the safe levels of substances in aquatic systems. This has been one of the projects of the lab since its inception in 1967.

The Great Lakes research, requesting approximately $1.6 million in FY'81, is primarily involved in the investigation

of PCBs and in the safe disposal of dredge spoil. This funding level request is already at a level of $2 million below last year's funding level.

The Toxics Department, requesting $1.5 million in FY'81, is currently developing a toxic substances manual for testing. This is for use by industries to aid them in compliance with EPA regulations.

In the fields of energy research, acid rain research, of acute concern on the Minnesota-Canadian border, is requesting $900,000. This will be the target of most of the funds in this division. I will return to my concern for this particular project in a few minutes.

The Duluth lab, in the words of its director, Dr. Jaworski, is "scientifically sound and healthy in 1981." It draws much of its strength from the University of Minnesota-Duluth and the University of Wisconsin-Superior, with which it has cooperative agreements. These agreements enable the lab to use the talents and knowledge of University personnel and, in return, provide laboratory training to the Universities' faculty members. The lab will use these funds to strengthen two of its major areas of research - its asbestos research and acid rain research.

The asbestos research is essential to our nation. Asbestos minerals are vital industrual materials. Yet the health impacts of asbestos and asbestos-like materials have not yet been determined. We must address the consequences of our nation's inattention to asbestos health hazards so as to avoid further dangerous exposures and to identify possible substitutes for asbestos.

The on-going work of the asbestos lab has been to introduce asbestos and asbestos-like particles into animal lungs to determine their carcinogenic effects. The goal of this research is two-fold: 1) to determine what particle properties regulate fiber carcenogenicity; and 2) to develop an effective model of mineral structural activity to use as a measuring stick in predicting carcenogenicity in mineral particles.

The importance of this work cannot be overstated. The ability to have relatively sound predictions as to mineral particles' toxic properties will save lives, time, and money in the future. We will no longer have to stumble along, discovering after the fact that the materials used to construct our most modern buildings are carcinogenic.

I want to emphasize the unique relationship which exists between the researchers at the asbestos lab in Duluth and those at the EPA lab in North Carolina. Several projects involving the testing of particle carcenogenicity tap the expertise of the minerologists at the Duluth lab and that of the biologists at the North Carolina lab. The model development programs recognize that cooperation and communication are essential in minerology studies and biology research.

The Duluth lab is also a major part of the nation's acid rain research program.

Acid rain pollution is one of the most critical pollution problems facing the United States and the industrialized West in the remaining two decades of this century.

It has reached critical levels throughout the northern United States and has become a point of controversy in U.S.-Canadian relations.

Acid precipitation results from the emission of sulfur and nitrogen oxides into the atmosphere. Mixing with precipitation in the atmosphere, the oxides become acids.

Most of the U.S. source pollution in the Great Lakes Basin and the Ohio Valley is produced by thermal power generation. Increased use of coal will exacerbate the pollution problem.

In the past year, the problem has finally gotten the attention it deserves from the Executive Branch, Congress, and the news media. We lag behind our Canadian neighbors in this respect.

In November, I traveled to Toronto to participate in a Conference on Acid Rain sponsored by a coalition of U.S. and Canadian organizations deeply committed to the international effort to combat the enormous environmental damage from acid rain pollution. In Canada, acid rain pollution is a national issue, heavily reported in the news media.

Frankly, the Congress and the Executive Branch must increase support for research into the causes and effects of acid rain pollution and for the development of effective means of reducing the impact of acid rain on wildlife, water quality, vegetation, and air quality.

In the past year, the federal government has taken the first steps towards developing a comprehensive battle plan to combat acid rain pollution.

The House-Senate Conference on the synfuels legislation is likely to include a version of the Moynihan amendent establishing in law an interagency task force on acid rain pollution as well as a framework for funding federal, state, local and private research efforts.

The President has established as administration policy an annual target of $10 million for research on acid rain. It is a modest amount, which must be increased in the near future. I recognize that the Subcommittee is operating under the constraints of a balanced budget. My personal preference would be to ask that the Committee add to the Administration's request. I am afraid that such a request would be unrealistic at this time. For that reason, I only ask that the Subcommittee approve without reduction the extremely restrained EPA request for acid rain research: $2.5 million in Anticipatory research funds and $4.4 million in Energy funds, of which $3 million would be DOE transfer funds for MAP3S. The President's target of $10 million will be met through funding of acid rain research in other Departments.

I am strong supporter of anticipatory research because I believe that it ultimately saves the federal government far more in terms of reduced enforcement and mitigation costs than it costs. Last year, the Subcommittee made substantial reductions in anticipatory research. The Administration FY 1981 request of $14.6 million for anticipatory

research is the same as the FY 1980 appropriation. As the result of inflatio real spending on anticipatory research declines. Further cuts would be most unfortunate. I urge the Committee to approve the Administration's request to insure that in FY 1981 we do fulfill our national commitment to acid rain research.

This Nation must recognize that acid rain is an increasingly dangerous pollution problem. We have a rare opportunity with this problem to anticipate the impact and develop in advance a program for mitigating the damage.

Thank you.

Mr. TRAXLER. Thank you for bringing the problems of the Duluth Laboratory to our attention. I understand that the budget proposes to fund them at $6.5 million.

Mr. OBERSTAR. That is the amount that the lab has requested. I don't know that it has been cut back.

Mr. TRAXLER. How was this handled in previous years?

I am sure this comes under the research funding category, and it does not show in their justifications that we received as to what they really allocate to laboratories.

Mr. OBERSTAR. That is something I have not been able to determine from EPA, but I do know from my contact at the lab that this is the amount of the budget that they have requested.

Mr. TRAXLER. Okay.

Mr. OBERSTAR. My concern is that in years past we had the discharge of the reserve mining company tailings in Lake Superior and all the lab work was side-tracked on toxics, Great Lakes research, to focus their total energy on finding the asbestos and other harmful effects of tailings discharge into the Lake.

They spent three years on that work and now are playing catch-up on the other basic research that the lab needs to conduct.

Mr. TRAXLER. Well, we want to thank you very much for bringing this to our attention. The committee will do all possible in this regard.

Mr. OBERSTAR. I want to thank the Chairman, because in the time of budget cutting it is very easy to cut research. It is something that is not needed, does not have a direct effect on today's activities and is one that people always think can be deferred.

I think the test of our progress is our wisdom to look ahead and to make the investment today in work that will produce results perhaps a decade from now.

Mr. TRAXLER. We thank you very much.

Mr. OBERSTAR. Thank you, Mr. Chairman.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

THOMAS J. BARLOW, NATIONAL RESOURCE DEFENSE COUNCIL, INC.

Mr. TRAXLER. Our next witness is Mr. Thomas J. Barlow, National Resource Defense Council.

I am going to ask the witnesses to confine their remarks to no more than ten minutes. We have a lengthy afternoon schedule, and unless we are all respectful of the succeeding witness, we will be here until many hours this evening.

Please observe the ten minute rule, and we want to welcome you, Mr. Barlow. We will insert your statement in the record.

Mr. BARLOW. Thank you, sir.

Non-point sources of water pollution in the Nation's streams and rivers is very serious. Reports to the Council of Environmental Quality indicate that over half of pollutant loads now in the Nation's water are from nonpoint sources.

We feel that nonpoint sources, the control of them, is going to be a high priority in the 1980's and we have gotten the point sources

under control. They are underway to being brought under control and we are going to have to map new strategies to get at non-point sources to have clean water.

The States need to be prodded to do a much more aggressive meaningful job in addressing nonpoint sources. It can't be a total Federal job the way a lot of the point source control has evolved.

To get the States moving we would like to see over the course of time that all water pollution control funds given to States from the Federal Government be conditioned on the States doing a meaningful job in both the point and nonpoint source area.

We would like to ask that the Subcommittee and the Full Committee consider putting language to this effect in the Committee's report to indicate to EPA that from a financial and programmatic standpoint that the subcommittee feels that this is a proper way to move to save the Federal government money in years ahead.

That is it, sir.

Mr. TRAXLER. We like that last sentence; saving them money.

Thank you very much. We will make your statement a part of the record and your attachments we will file in the committee files.

[The statement follows:]

Testimony of
Thomas J. Barlow
Natural Resources Defense Council

The water quality problems of the nation fall into three general categories -- point source discharges, municipal discharges and pollutant laden runoff from non-point sources. The past seven years of Enviromental Protection Agency effort have concentrated on curing point source and municipal discharge problems and good progress has been made. However, the control of sources of nonpoint pollution has been neglected by the agency. With the reduction of point source discharges, nonpoint source inputs have risen proportionately -- sediment from agriculture, construction, and silvicultural activities, acid mine drainage urban stormwater runoff, improperly functioning septic systems constitute more than half of the pollutants entering the nation's waters.

The 208 program has a twofold goal (1) to bring all control efforts -- point source, municipal facility, and nonpoint controls -- into a unified water quality planning matrix and (2) to secure the implementation of Best Management Practices to control sources of nonpoint pollution. Best Management Practices (BMP's) are those assortment of techniques and operating procedures which,

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if properly applied, will result in the least amount of pollutants being transported by diffuse runoff from the zone of activity into watercourses. A BMP is, in effect, a technological fix similar in function to the cleansing equipment you have for a piped point source outfall.

Let me speak for a moment about the nature of BMP's in the 208 program. (1) They are not land use controls in that they can be used to prevent a field from being turned into a parking lot. BMP's are this: no matter what use the land is put to, there should be respective BMP's for assuring that the diffuse runoff from rainfall, for instance, does not transport pollutants from the site. (2) There should be no argument within a watershed or river basin over the extent to which point or nonpoint sources are responsible for polluted watercourses when it comes to deciding whether BMP's should be developed and applied for nonpoint sources. Just as there is no argument as to whether or not a small chemical company in a basin should put on point source controls because a large chemical plant is contributing most of the pollutant load (the small chemical company should) -- so the BMP's should be developed and applied throughout the watershed without regard to load proportion factors. (3) BMP's are to be developed and applied <u>before</u> the pollution occurs. Because there may be negligible

nonpoint runoff in an area does not mean BMP's can be neglected. By their very nature they are designed to prevent pollutant loads from being generated or transported. Thus they should be on the land, so to speak, at all times to keep water pollution from occurring. Applying them after a stress of weather has turned the rivers brown with mud is too late.

There are many important benefits from securing implementation of BMP's throughout a watershed or river basin -- on a statewide basis. Existing pollutant loading in a receiving watercourse from nonpoint sources might require investment in water pollution control facilities by downstream towns and industries above the level of investment that would be required if those upstream nonpoint sources were controlled. Suburban development is often a factor in new sewage treatment plant capacity. Yet the water quality protection afforded by this new capacity can be reduced significantly if construction stirs nonpoint runoff and stormwater runoff from streets and paved surfaces is uncontrolled.

The application of BMP's need not be burdensome or complicated and can proceed efficiently and effectively if the federal government takes firm policy decisions at this juncture. We have set 1983 water quality goals which for the health and well-being of our people we should achieve. Industrial Point Source

polluters are doing their share to help clean up the nation's waters with the installation of point source controls. The threat of lawsuits and fines is, of course, an incentive to compliance. There is no comparable incentive authority for nonpoint polluters in the Clean Water Act. There is however ample authority for EPA to hold back, to condition delivery of grants and other financial assistance to a State under the Water Act upon proper implementation of Best Management Practices within that State. Nonpoint source control is in large measure a State responsibility. Such conditioning would go a long way to securing action from the State's to meet this responsibility and avoid the need for more stringent federal authority in this area at some future point. Such conditioning can achieve savings for municipalities and industries as their point source control responsibilities are lessened. The battle over phosphate nutrient loadings might be mooted as fertilizers in agricultural areas were prevented from washing into streams and rivers. The alternative route to secure implementation of BMP's is the cost-sharing route which would be tremendously expensive and therefore impractical and, due to the voluntary nature of cost-sharing arrangements with recipients, would not be effective in getting on top of nonpoint source problems in a comprehensive fashion. I have seen estimates from USDA that just to cure the topsoil erosion problems on the nation's farms

by current cost-share approaches could run up to 40 billion and then results could not be certain. You can cost share a dairy lagoon, for example. But how do you cost share contour plowing? And the red-tape and bureaucracy to sustain such an effort would be monumental.

We ask that in this committee's report language this year on this program that the agency be urged to exercise the authority they have to condition all Clean Water Act grants to a state upon proper implementation of Best Management Practices. In this fashion we will best move on curing the nonpoint source half of our nation's water pollution problems. I attach as appendices the section of CEQ's Ninth Annual Report dealing with nonpoint source problems; data from EPA on cost savings achieved in the construction grants program by implementation of BMP's for nonpoint sources and other items.

ENVIRONMENTAL QUALITY

The Ninth Annual Report
of the Council on
Environmental Quality

December 1978

NONPOINT SOURCES

A long list of human activities causes nonpoint pollution—farming, lumbering, pesticides and fertilizers applied to crops and lawns, disposal of waters on or under the ground, construction, and mining. Nonpoint sources are especially difficult to control. Indeed, they may stand in the way of achieving the 1983 goals in some areas.

The first 109 areawide planning agencies established under Section 208 of the 1972 Act identified urban storm water and agricultural and construction runoff as principal contributors to their water quality problems.[53] EPA's 1975 national inventory of water quality indicated that nonpoint pollution problems would make it impossible to attain "fishable" and "swimmable" waters by 1983.[54] For example, Montana reported in 1977 that 4,000 miles of its streams could not meet 1983 goals; the reason for more than 3,900 miles is pollution from nonpoint sources.[55]

Erosion is a major cause of nonpoint pollution. Rainfall patterns, natural erodibility of the soil, physical features of slopes, and other

natural factors influence erosion, but what people do is usually more important in determining soil loss than all other factors combined.[56]

The following facts and examples illustrate the significance of nonpoint influences on water quality:

- Sediments from nonpoint sources are estimated to be 360 times the quantities discharged from municipal and industrial point sources after treatment, and agriculture contributes over 50 percent of all sediment loadings.
- Acre for acre, construction activities are the foremost contributor of sediment, averaging 1,100 tons per acre per year.
- Biochemical oxygen demand (BOD) and nutrient loadings from nonpoint sources (feedlots, landfills, agriculture) are approximately 5 to 6 times loadings from municipal and industrial point sources.
- By 1981, BOD levels from untreated urban runoff are projected to equal the BOD levels in treated effluent from municipal plants.
- Few data have been gathered nationally on toxic metals, but studies in urban areas have shown that concentrations of toxic metals in runoff are many times greater than concentrations in sewage.
- Outside urban areas, the runoff from past mining operations is the major contributor to toxic metal concentrations in streams.[57]

A 1977 report by the General Accounting Office on controlling nonpoint pollution sources made these statements:

> Nonpoint sources of water pollution—sediment, acid mine drainage, pesticides, and other pollutants carried into streams by runoff from rainstorms—currently produce more than half of the pollutants entering the nation's waterways.
>
> If not controlled, nonpoint pollution will prevent attainment of national water quality goals and will continue to grow in significance as point sources are brought under control.
>
> To date, progress in the control of nonpoint sources has been minimal.
>
> The best way to control nonpoint pollution is proper management of the land.
>
> EPA should do more to prevent nonpoint pollution by collecting data, eliciting help from other agencies, developing legislative proposals for more resources, and placing management of the program at a higher level.
>
> State and local agencies planning solutions to control nonpoint sources are not using adequate data for planning, and they cannot collect the necessary data because of program constraints due to emphasis on controlling point sources.[58]

The scope and extent of the influences on nonpoint pollution as summarized by the states are shown in Table 2–9. The influences of agriculture are the greatest, but 52 percent of the basins were polluted by urban runoff.

Causes and Severity

Urban Areas Urban runoff, a primary cause of water quality degradation in populous areas, contains almost all types of pollutants. Suspended sediments and toxic materials, particularly heavy metals, cause the most harm, but bacteria, oxygen-demanding materials, nutrients, and oil and grease are also problems.

Pollutants in urban runoff come from air pollutants that settle in streets, erosion caused by construction, litter, chemical additives in fuels, and animal sources. These influences are understood only in principle, and their magnitude is not well-defined.

Quantities of material washed from the atmosphere that have been calculated for four cities are shown in Table 2–10. Sediment concentrations ranging from 115 to 314 milligrams per liter were produced in the urban runoff. For comparison, Figure 2–10 shows that mean sediment concentrations in streams in these same regions were considerably less.

Table 2-9

Nonpoint Source Pollution by Region 1977

Region	Number of basins	Percentage affected[1] by type of source: Urban runoff	Construction	Hydrologic modification	Silviculture	Mining	Agriculture	Solid waste disposal	Individual disposal
Northeast	40	70	15	20	10	20	55	35	63
Southeast	47	57	2	21	30	15	62	9	40
Great Lakes	41	54	7	2	15	41	59	15	39
North Central	35	54	6	3	6	40	89	9	29
South Central	30	52	0	23	13	53	87	13	40
Southwest	22	23	0	18	5	36	73	0	36
Northwest	22	23	23	23	27	23	55	9	32
Islands	9	67	67	22	0	0	78	22	89
Total	246	52	9	15	15	30	68	14	43

[1] In whole or in part.

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1977 Report to Congress* (Washington, D.C.: U.S. Government Printing Office, 1978).

Table 2-10

Estimated Materials Washed from the Atmosphere

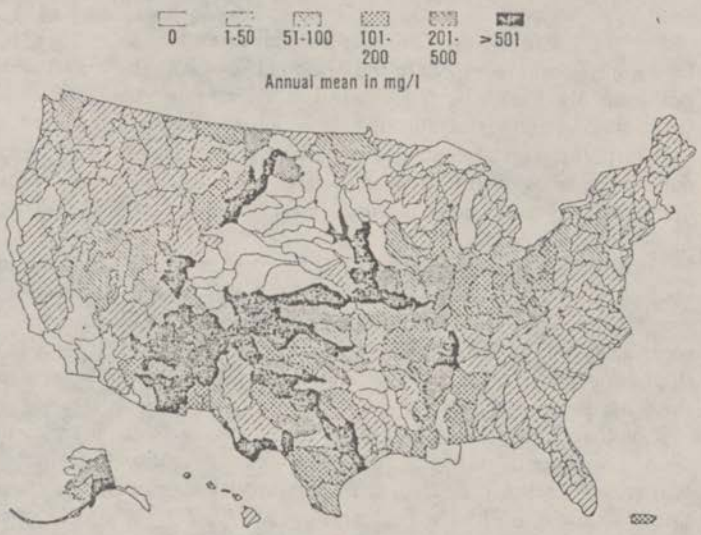
City	Dustfall (tons per square mile): (per month)	(per year)	Annual precipitation (inches)	Impervious area runoff (inches)	Runoff-weighted concentration[1] (milligrams per liter)
New York	68.3	766	42	34	314
Cincinnati	22.3	268	40	32	115
Pittsburgh	51.1	613	36	29	292
Seattle	25.5	306	39	31	136

[1] Mean concentration of sediments in urban runoff that are caused by dustfall.

Source: H.P. Guy, "An Overview of Non-Point Water Pollution from the Urban-Suburban Arena," in P.M. Ashwood and R.C. Underwood, eds., *Non-Point Sources of Water Pollution* (Blacksburg, Va.: Virginia Water Resources Research Center, 1975), p. 51.

Figure 2-10

Mean Concentrations of Suspended Sediments at NASQAN Stations during the 1977 Water Year



Source: CEQ analysis of U.S. Geological Survey, National Stream Quality Accounting Network, data.

The large loadings of sediments from construction, primarily an urban activity, are illustrated by erosion data from Connecticut, shown in Table 2–11. Reports from the states summarized in Table 2–9 showed that the basins most affected by construction sediments are in the Pacific and Caribbean islands, the Northwest, and the Northeast.

The literature contains many examples of urban runoff with similarly high concentrations of biochemical oxygen-demanding materials, fecal coliform bacteria, toxic heavy metals, asbestos, chemical

Table 2-11

Estimated Soil Erosion Rates for Connecticut

Land use	Tons per acre per year
Natural woodland	0.11
Adequately managed cropland	2.73
Inadequately managed cropland	10.77
Urban area	0.86
Construction site	185.20

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1976 Report to Congress*, EPA–440/9–76–024 (Washington, D.C.: U.S. Government Printing Office, 1977), p. 5, based in part on Soil Conservation Service data.

nutrients, and organic materials. Downstream of Greenfield, Massachusetts, for example, the concentrations of chromium, copper, lead, nickel, and zinc in sediments are at least double the upstream concentrations, shown in Table 2–12. Biological indicators showed significant effects of pollution as the Green River passed through Greenfield.

Farming, Mining, and Forestry In rural areas, agriculture, surface mining, and forestry are the principal nonpoint sources of water pollution. By disturbing the vegetative cover and loosening the soil, they cause erosion and add stream sediments. Agriculture contributes nutrients and agricultural chemicals to waters, and mining can contribute acids, nutrients, and a variety of metals. Forests do not ordinarily degrade water quality, but logging and associated road construction often do.

Of all the sources of nonpoint pollution, agriculture is the most extensive, affecting over one-half of the basins in all geographic regions (see Table 2–9). In the North Central, South Central, Southwest, and the Pacific and Caribbean Islands regions, 83 percent of the basins are affected, compared with an average of 58 percent for the other parts of the country.

Runoff from agricultural land can increase levels of bacteria, suspended sediments, nutrients, and pesticides; irrigation return flows primarily increase dissolved solids (salinity), nutrients, and pesticides, as shown in Figures 2–11 and 2–12.

Nutrients are a particular problem in intensely farmed regions where concentrations of nitrogen and phosphorus in waters may be higher than anywhere else except in rivers subject to heavy loading from municipal wastes. The source of many of these nutrients is commercial fertilizer, but animal manure also makes an important nonpoint contribution. Figure 2–13 shows how agricultural and other land uses influence nutrient levels in streams.

Mining runoff and drainage adversely affect water quality in 30 percent of the nation's basins via runoff or drainage (see Table 2–9

Table 2-12

Sediment Concentrations of Heavy Metals from Urban Runoff, Greenfield, Massachusetts

(parts per million)

Metal	Concentrations	
	Upstream from urban area	Downstream from urban area
Chromium	60	125
Copper	25	64
Lead	9	75
Nickel	31	62
Zinc	56	133

Source: F.A. Digiano *et al.*, "Characterization of Urban Runoff—Greenfield, Mass., Phase II" (Amherst, Mass., Water Resources Research Center, 1976).

Figure 2-11

Basins Affected[1] by Excess Salinity from Nonpoint Sources 1977

[1]In whole or in part.

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1977 Report to Congress* (Washington, D.C.: U.S. Government Printing Office, 1978).

Figure 2-12

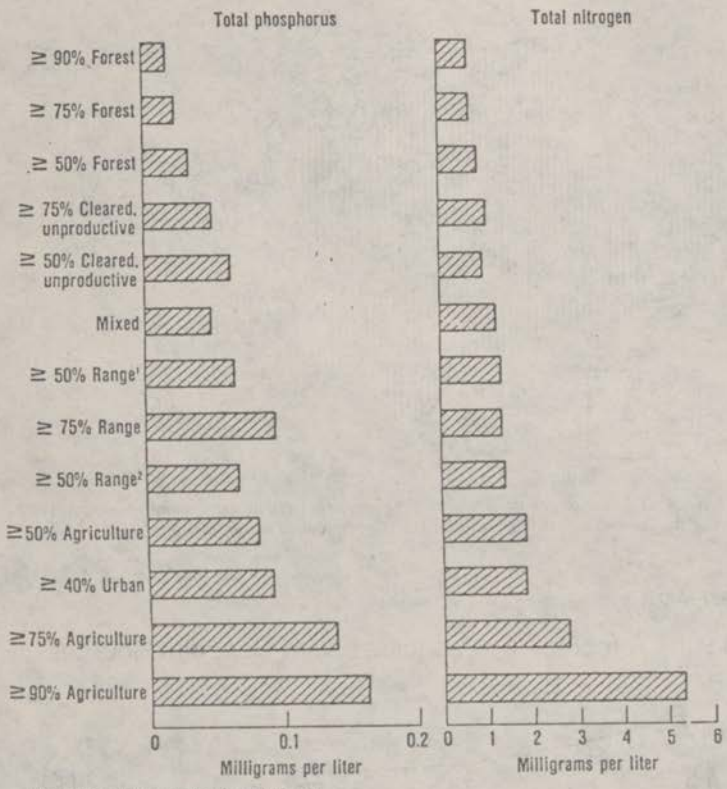
Basins Affected[1] by Pesticides from Nonpoint Sources 1977

[1]In whole or in part.

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1977 Report to Congress* (Washington, D.C.: U.S. Government Printing Office, 1978).

Figure 2-13

Relationship of Land Use and Nutrient Concentrations in Streams



¹Remaining land predominantly forest.
²Remaining land predominantly agriculture.

Source: James M. Omernik, *Nonpoint Source—Stream Nutrient Level Relationships: A Nationwide Study* (Corvallis: U.S. Environmental Protection Agency, Environmental Research Laboratory, 1977), pp. 28-29.

and Figure 2–14). It is the abandoned mines that cause the most severe and intractable problems because active mining is now generally regulated. Mining effects vary widely among regions. The Ohio River basin (Great Lakes region) is severely impacted by coal mining, especially acid mine drainage which occurs when exposed sulfur-bearing rock reacts with air and water to form sulfuric acid, which then leaches or runs off into nearby streams. Erosion from mining may also cause excess suspended sediment.

The extent of acid mine drainage problems was vividly pointed out in the Pennsylvania report to the Congress.[59] In approximately 2,000 of the 2,988 major stream miles which do not meet water

quality standards, drainage from abandoned mines is partly or wholly responsible. The volume of acid discharged into the rivers in coal mining areas is enormous; in the western third of Pennsylvania alone, 700 tons of acid per day enter major rivers (see Figure 2–15).

In the North Central, South Central, and Southwest regions, pollution by heavy metals from ore mining is a significant problem. Oil and gas extraction causes excess salinity in the South Central and North Central regions.

Forestry activities can cause severe erosion where logging roads are built and steep hillsides denuded. Runoff then causes high levels of suspended sediments in the streams and lakes that receive the runoff and excessive sediment deposits at the bases of slopes and in ditches and streambeds. Runoff can also carry along oxygen-demanding materials, nutrients, and pesticides. Widespread problems from silviculture activities are found primarily in the Southeast and Northwest (see Table 2–9 and Figure 2–16).

Other Sources Hydrologic modification of streams, such as by dredging, excavating, or dam installation, affects water quality in approximately 15 percent of the hydrologic drainage basins, as reported by the states (see Table 2–9). The basins affected are shown in Figure 2–17.

Dredging or excavation of streambeds to maintain navigation channels, reduce flooding potential, or facilitate irrigation can in-

Figure 2-14

Basins Affected[1] by Mining Activities 1977

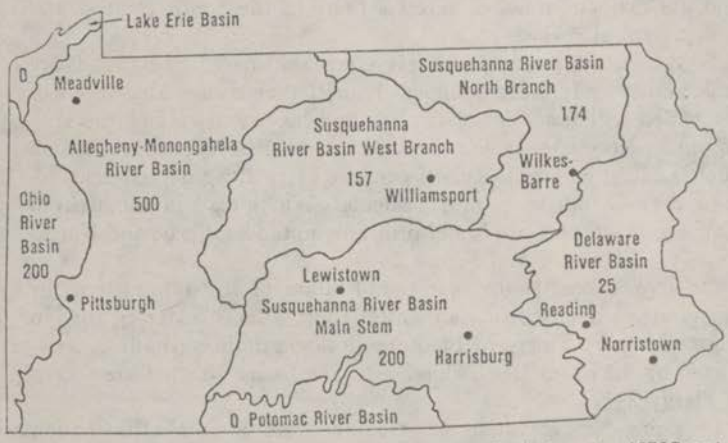
[1]In whole or in part.

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1977 Report to Congress* (Washington, D.C.: U.S. Government Printing Office, 1978).

Figure 2-15

Mine Acid Discharge per Day into the Major Rivers of Pennsylvania

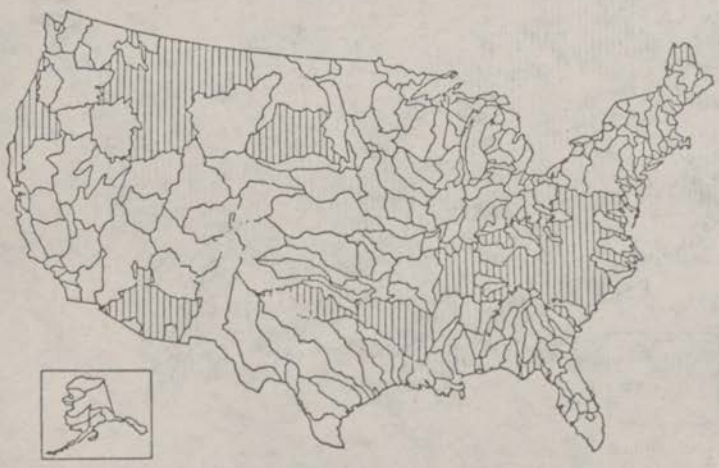
(tons)



Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1976 Report to Congress*, EPA-440/9-76-024 (Washington, D.C.: U.S. Government Printing Office, 1977), p. A-163.

Figure 2-16

Basins Affected[1] by Silvicultural Activities 1977



[1]In whole or in part.

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1977 Report to Congress* (Washington, D.C.: U.S. Government Printing Office, 1978).

Figure 2-17

Basins Affected[1] by Hydrological Modifications 1977

[1]In whole or in part.

Source: U.S. Environmental Protection Agency, *National Water Quality Inventory: 1977 Report to Congress* (Washington, D.C.: U.S. Government Printing Office, 1978).

crease the amount of suspended sediments and sediment deposits and destroy stream habitats. This problem, described in detail in the Arkansas and Tennessee state reports, affects many streams in the Lower Mississippi River basin.[60]

Dams may improve or degrade water quality. On the positive side, dam impoundments can serve as basins where suspended sediments and nutrients settle out, thereby reducing their levels downstream. Dams can regulate streamflow to provide adequate assimilative capacity for downstream waste loads (this flow regulation is a supplement, not an alternative, to adequate waste treatment). On the other hand, dams can cause serious water quality problems.

For example, water descending over dam spillways may become supersaturated with dissolved oxygen and nitrogen and cause gas bubble disease, which is fatal to fish. This problem is of particular concern in the Snake and Columbia Rivers in the Northwest, where dams also bar the migratory runs of salmon and other fish.

Water released from the deeper portions of many reservoirs contains high levels of nutrients and low levels of dissolved oxygen because of stratification of the water. Several southeastern states, including Tennessee and Georgia, with many dams that provide hydroelectric power mentioned poor quality of water released from reservoirs as a problem.

Solid waste disposal causes pollution because heavy metals, PCBs, and other substances from landfills or dumps can run off into nearby

surface waters or leach into ground waters. The problem is potentially critical; once polluted by a persistent toxic material, a ground water aquifer may take decades or even centuries to recover. This problem is of concern in the Northeast, but it may well be widespread. Unfortunately, the facts are few and understanding is limited.[61]

Pollution from individual disposal systems (such as septic tanks) affects 43 percent of the basins in the United States (see Table 2–9). The major pollutants are bacteria and, to a lesser extent, nutrients. Inadequate or malfunctioning septic systems were principal causes of contamination, especially in rural areas; overcrowding and unsuitable soil conditions were also important. Particularly in some of the islands, where individual disposal systems are common, contamination resulted from direct sewage discharges into water bodies.

Controls

Urban Areas Because urban runoff markedly influences water quality, control deserves serious attention. Most studies indicate that control of urban nonpoint influences can be achieved, but so far the controls have had limited success and a high cost.

An obvious solution is to impound and treat all the water just as sanitary wastes are treated. But the costs appear prohibitive because storage space would be required and the capacity of treatment plants may have to be doubled. Unfortunately, areawide planning under Section 208 of the Federal Water Pollution Control Act and steps for control of urban nonpoint pollution have taken a back seat to planning and controls for rural areas.

There are methods for hydraulic control measures that appear promising from the standpoint of cost—reducing sediment volume by running the water over lawns or other vegetated land, substituting vegetated drains for curb drainage, and storing water temporarily on parking lots, lawns, or other open spaces to reduce the peak runoff rate.

Rural Areas Controls of pollution from rural nonpoint sources are varied. Improved cropping methods, restricting mine drainage, and controlling erosion in logging illustrate the management practices used.

Cropping practices are probably the most important determinant of nonpoint pollution from agriculture. The amounts of sediment, nutrients, and pesticides that enter waterways depend largely on what crops are planted, how and when the soil is tilled, what fertilizers or animal wastes are applied, and when and what forms of pesticides or other means of control are used for weeds, insects, and diseases.[62] In agriculture, costs, crops, soil, and climatic conditions may impose additional limits of their own. Some effective control practices that are subject to such limitations are listed in Table 2–13.

The ways and timing of manure disposal can greatly influence the amounts of bacteria, nutrients, and oxygen-demanding materials in

Table 2-13

Pollution Control Practices Subject to Possible Crop, Soil, Climate, and Economic Limitations

Erosion	Nutrients	Pesticides
No-till planting	Eliminating excessive fertilization	Alternative pesticides
Conservation tillage	Timing nitrogen applications	Optimum placement
Sod-based rotations	Crop rotations	Crop rotations
Meadowless rotations	Animal wastes	Resistant varieties
Winter cover crops	Green legume crops	Controlled release formulations
Improved soil fertility	Incorporating applications	Mechanical or biological control
Timing field operations	Slow release fertilizer	Timing of applications
Plow-plant		

Source: J.E. Douglass, "Southern Forests and the Problem of Non-Point Sources of Water Pollution," in P.M. Ashwood and R.C. Underwood, eds., *Non-Point Sources of Water Pollution* (Blacksburg, Va.: Virginia Water Resources Research Center, 1975), p. 33.

runoff. It is known that nitrogen and phosphorous levels in runoff from manure applied in winter are approximately four times as high as those from springtime application. The numbers of animals per acre can also influence loading of nutrients and oxygen-demanding materials.[63]

Areawide Planning Comprehensive areawide planning and management under Section 208 of the 1972 Act is a primary vehicle for controlling nonpoint source pollution, rural and urban. As discussed in the section on agriculture in Chapter 6, the same management planning that conserves fertile soil for farming protects rural streams from water quality damage. As noted there, EPA has an agreement with the Department of Agriculture to develop jointly the "best management practices" for controlling runoff pollution from farms.[64] Provisions of the 1977 Clean Water Act authorizing this program are discussed below.

South Dakota, Iowa, Illinois, New Jersey, New York, Pennsylvania, and Hawaii regulate sediment and erosion from agricultural activities. Montana and North Dakota are among the states that regulate all animal confinement facilities, and South Dakota has developed a grant program to assist farmers in building diversions and retention facilities to prevent runoff from feedlots. Five states have Forest Practices Acts regulating silviculture activities.[65] EPA has compiled 58 cases of effective action by local 208 agencies in controlling nonpoint sources and solving other water quality management problems; actions range from revising local zoning ordinances and subdivision regulations to protect ground water to adopting a statewide antidegradation policy.[66]

Responsibilities of Federal Agencies Federal agencies are also lending technical assistance to states and localities in developing

parts of their areawide Section 208 programs. The Soil Conservation Service, the Agricultural Extension Service, and the Forest Service have assigned people to approximately 50 state and local agencies to help develop agriculture and silviculture nonpoint source control programs. The Bureau of Reclamation in the Department of the Interior has an Irrigation Management Service Program to help farmers increase irrigation efficiency and reduce salinity in irrigation return flows. The Geological Survey, also in Interior, has cooperative programs with 208 agencies to collect water data, assess river quality, and investigate ground water.

The slow progress of the Section 208 program continues to frustrate water quality managers and many citizens. The program has been difficult to implement because of funding impoundments, lack of data on nonpoint source pollution, and the slow development of economical control techniques. The dominant problem appears to be an institutional one, however. Solutions to complex local and regional water quality management problems will ultimately be devised locally and regionally. Yet the incentives for local governments to develop and implement effective water quality management programs are limited and often are overshadowed by the availability of federal construction grants and statutory compliance deadlines for point sources. The Congress did not include in the 1977 Clean Water Act an Administration proposal that continued construction grant funding be conditioned on development and implementation of effective 208 plans.

Changes in the Law

The 1977 Amendments strengthen Section 208 programs for comprehensive areawide control of rural nonpoint sources and weaken it for urban sources.[67] The Amendments authorize a new program for the Department of Agriculture, in conjunction with EPA, to provide technical and financial assistance to farmers for implementing areawide management plans under Section 208. USDA, with the concurrence of EPA, may contract with farmers to install measures to reduce agricultural runoff. Only those soil conservation measures approved in a state 208 plan as "best management practices" will be eligible for funding.

The Amendments also authorize states to assume regulatory responsibility under Section 208 for regulating the discharge of dredged or fill materials in connection with some farming, lumbering, mining, and construction activities that are now regulated by the Corps of Engineers under Section 404 of the FWPCA.[68]

On the negative side, the Congress repealed the eligibility of storm water pollution controls for construction grants funding until 1983. This action will retard the development and implementation of nonpoint source controls in cities.

201 Cost Savings Achieved by the WQM program

The following examples demonstrate cost savings for wastewater treatment facilities achieved by the Water Quality Management program:

Exeter, New Hampshire

As part of its urban stormwater planning program, the statewide WQM agency prepared a wastewater treatment facilities plan for the town of Exeter. This facilities plan will lead to improved water quality and a $450,000 cost savings over a previous alternative, which would have taken two years longer to complete.

New Castle County, Delaware

The New Castle County 208 program helped to achieve a $2 million cost savings for sewer extensions, by developing a priority list for septic system needs which identified areas suitable for continued use of on-lot disposal systems and areas requiring sewering.

Bristol, Virginia

The Water Quality Management agency performed a study showing that most of the phosphorus and ammonia were contributed to the receiving water by nonpoint sources and not by the Bristol sewage treatment plant. Reduction of the treatment requirements for these substances saved $2.9 million.

Knoxville, Tennessee

The Water Quality Management agency reassessed plans for upgrading treatment facilities and effected cost savings by determining that tertiary treatment would produce negligible improvement in water quality, due to nonpoint source contributions. A $4 million to $5 million cost savings was achieved by improving secondary treatment rather than going to AWT.

Provo, Utah

Water quality analysis and facility planning by the Mountainland Association of Governments resulted in a $5 million cost savings for three regional wastewater treatment facilities. The WQM program recommended against upgrading these secondary plants to AWT, because nonpoint source pollution would prevent significant improvements in water quality.

Springfield-Eugene, Oregon

The Water Quality Management agency achieved the development of a cost-effective, regional wastewater treatment facility and the formation of a sewerage management agency for Lane County, Springfield, and Eugene, Oregon. This regional wastewater treatment solution will save $3 million in comparison to the two separate facilities that had been proposed.

Pocatello, Idaho

A joint land application system for municipal and industrial wastewater effluent, which was developed with water quality management assistance, will eliminate significant discharges to the Portneuf River and reuse valuable resources. The joint municipal-industrial facility will result in a $3 million cost savings.

Erosion

ST. LOUIS POST DISPATCH
February 15, 1979

St. Louis Post-Dispatch 2/15/79

Illinois River Is Winding Its Way To A Slow Death

PEORIA, Ill. (AP) — The Illinois River, which winds its way from northeastern Illinois to join the Mississippi River near St. Louis, is dying, and there seems to be nothing that can be done about it.

Its backwater lakes, once teeming with fish and aquatic life, gradually are being filled with silt. Its main body is being narrowed each year by tons of topsoil, which come streaming off farm fields with every rain.

Prime fishing grounds virtually have been eliminated, waterfowl are finding less food and poorer habitats during their annual migrations, and the once "veritable aquatic gardens" now are barren, according to Frank Bellrose, a waterfowl biologist.

"It looks kind of hopeless," said Bellrose, who has been studying the Illinois over the last half-century. "The Illinois River is dying because of sediment. It is suffocating the backwater lakes."

Much of the former pasture and hay land has been converted to row crops, some of it soybean acreage, which doesn't hold soil well. And the number of farmers who plow in the fall has increased substantially in recent years.

A minimum of 181 million tons of soil washes from Illinois land in an average year — about two bushels of dirt for each bushel of corn produced. The dollar cost of erosion might be well over $1 billion.

Bellrose and Richard Sparks, head of the Natural History Survey's Havana, Ill., office, have concluded a study that says the siltation is an urgent problem.

The study found the rate of sediment buildup has nearly doubled in the last 10 years compared with the previous 60 years, and about one-third of Illinois' topsoil already has been lost.

Despite the magnitude of the erosion sedimentation problem nationally (between 3 billion and 4 billion tons of soil is lost annually through erosion of crop land), only the state of Iowa has any regulation concerning it.

The Illinois River is unique because of the string of backwater lakes and the slow current that makes it particularly susceptible to siltation from the numerous farms lining it. Bellrose said those backwater lakes already are more than half filled with mud.

About 1900, the dollar value of commercial freshwater fishing on the Illinois ranked second in the nation only to that of the Great Lakes, federal government data shows.

At the turn of the century, the reported commercial catch of fish from the Illinois averaged 15 million pounds annually, which was about 10 percent of all the freshwater fish sold in the United States.

"Now, no fish come from the river," said Sparks. "All the fish sold locally are imported from other places."

It has long been thought that if all the municipal and industrial wastes were treated, much of the river's former splendor would return. But that hasn't happened. Sewage is being treated, but siltation continues to kill the fish.

Environmental Protection Agency

WITNESSES

CHARLES B. KAISER, JR., GENERAL MANAGER, METROPOLITAN ST. LOUIS SEWER DISTRICT, REPRESENTING THE ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES

RON M. LINTON, EXECUTIVE DIRECTOR, AMSA

Mr. Traxler. Charles Kaiser, General Manager of the Metropolitan St. Louis Sewer District, and he is here to speak on behalf of the EPA.

We will make your statement a part of the record.

You may proceed, Mr. Kaiser.

Mr. Kaiser. I am accompanied by Ron Linton, the Executive Director of AMSA.

I am Legislative Committee Chairman for AMSA. We represent 77 of the major agencies in the country who have treatment facilities for about 90 million of our citizens.

We have long supported the goals of the Clean Water Act and we have tried over the years to advise both Congress and the executive branch of the most cost-effective ways of achieving those goals.

We think we do have the experience and we would like to recommend a few ways, we think, with the pinch and the funding problems that we in the long run by recommendation could save some money.

The preliminary EPA survey last fall showed that of the $106 billion we still needed in Categories I and II about $35.6 billion of that in Step I, I mean Categories I and II with $21.9 billion in agencies like ours to provide secondary treatment and more stringent treatment.

We would like to offer some solutions.

First, we favor the creation of a separate national review and funding tract for major city projects. This is practical from a technical standpoint because these sophisticated projects will be thoroughly reviewed by EPA regardless of the Department of State review which can add little to the expertise already brought to bear by our agencies.

In addition, we think that it would remove the major projects from the State review. They could give their attention to the smaller projects and by expediting both the major projects, by this method, as well as small ones, we think you could save a ton of money because we feel that the inflation rate now is in excess of 18 percent of our types of projects.

So really, by saving time, you really are saving money. The more one studies the program and the needs in the major areas the more one realizes the practicality of a separate tract for these major projects to allow everyone involved, cities, States and EPA, to do a better job of getting their job done.

We realize this will take legislative change. However, this committee this year must act on funding through the present mechanism of the law.

For two years we have urged the Environmental Protection Agency to coordinate its enforcement program with the construction grants program. The agency responded by announcing its mu-

nicipal enforcement strategy. According to the policy, enforcement agreements would be linked to the availability of construction funds.

We feel that this is very, very important, and in particular we feel that if this committee or the Congress cuts appropriations and Congress continues on their road of enforcement which we understand they have 55 cases ready to file on, we would find ourselves in the position of having severe deadlines to meet without any funding.

Although it is not in my statement I do read quite a bit and I understand the balanced budget and the fiscal crunch, but if you think the Federal Government is broke, you should come out to some of out towns when, with the cost of energy and the cost of gas, and everything else we use in our treatment facilities going up, we are really in a crunch, so we do recommend that this committee appropriate at least what the President has asked for, because with inflation, with the freeze, the program is now about to start running smoothly.

To cut the appropriations and with the freeze on funding, we feel that it will have a very disastrous effect. We have taken so long to get the program moving, and it looks like we are about to get some of these jobs out to construction, and to delay them a year or cut the funding would have a twofold effect.

One, inflation would murder us. We would have jobs not coming out but, more importantly, the effects of what this money, I think, is being shown.

We had two public forums in the last week on public involvements required by the Act, and people are now saying they are seeing improvements. They are seeing fish back in some of our streams that have benefited from the appropriations you have made.

We were even amazed at people saying nice things about our agency in that they really think we have done a job of cleaning up the streams. It took 20 years maybe, but with the help of these grants and the Congress, we think that the citizen is backing and still backing clean water programs.

I was recently Chairman of a $200 million State bond issue for clean water, and we passed with about 70 percent of the people voting yes for a $200 million bond issue for clean water, so what we are saying is just what you heard from the Congressman who preceded me.

We were in Duluth with him and we are starting to see the treatment plants and people saying, my God, the lake is better. We have got a long way to go. As I say, we are not asking for more money or the $50 billion that was authorized. Everybody has got to stop a little, but to not appropriate at least 3.7 that the President originally asked for could be disastrous and stop the program and give it its slowing down, so if you could see fit to appropriate those funds we would at least with the freeze have the expectation we have gone into a slow enough, but not a stop, go-stop-go situation.

We are asking that you appropriate under the full grant program.

Another thing that we are hopeful that we might design a new program and a program that would respond to local priorities.

We think that the standards based strictly on technology may be beyond, certainly beyond the local agencies like our financial capability and with the latest Needs Survey, even some of the most ardent dreamers in the waste pollution field are beginning to realize that maybe we can't accomplish everything we wanted to in a ten-year span.

So, hopefully, we can link, one, enforcement with availability of funds, two, that possibly if funds are continued to be cut or even stay at the level with inflation, that possibly a new look can be taken at the standards.

I realize that is not this committee's sole responsibility, but I think that if I am the father in the house and you have to handle the money, you can also handle how it is spent or at least make recommendations.

We are urging Congress, both here and elsewhere, to take a look at limited funding, the requirements of the Act and possibly some relaxing of those standards and maybe even a recommendation to EPA that they have more flexibility within the last and the law maybe grant more flexibility in how this money is to be spent.

Therefore, AMSA urges the committee not to reduce the funding for fiscal year 1981 below the administrative request, and begin a study as we have begun a study at how best to match the various needs throughout the Nation with the resources that will be available in years to come and the mandates laid upon us by the Clean Water Act.

I realize that we might have opened some new doors here to study with this testimony, but AMSA would be most happy to answer any questions and furnish information, and I might add that we are compiling a dollar amount which Jim Young, our staff manager, has almost completed on projects that are ready to go to bid, that with the freeze they cannot go.

Money is critical and we do realize your problem. If you just keep it at that level, we know the $5 billion is out; we will not even be that ridiculous to ask for that in these times.

[The statement follows:]

I am Charles B. Kaiser, Jr., Chairman of the Legislative Committee of the Association of Metropolitan Sewerage Agencies. I also serve as Assistant Executive Director and General Counsel of the Metropolitan St. Louis Sewer District. I thank the subcommittee for this opportunity to appear in support of funding for the Section 201 wastewater treatment construction grants program. The Association of Metropolitan Sewerage Agencies represents 77 agencies who provide wastewater treatment for nearly 70 million Americans living in our nation's largest metropolitan areas.

AMSA has long supported the national goals of the Clean Water Act. We have tried over the years to advise both the Congress and the Executive Branch on the most cost-effective ways of achieving those goals, based on the experience of our members who each day are responsible for preserving the waters of their areas. The success or failure of the national program will take place, not in Washington or in state administrations, but at the local level, under the control of our members in the nation's major city treatment plants.

It is here, in the nation's metropolitan areas, where the problem remains to be confronted. A preliminary EPA survey last fall showed that of the $106 billion Category total needs listed in the 1978 survey, the amount needed for achieving categories I and II is $35.6 billion. The needs to achieve this in 106 metro areas alone is $21.9 billion. That's nearly two thirds of the national need for achieving just secondary and more stringent treatment required.

Historically, the nation's Clean Water Program has favored areas other than the large metropolitan communities. With the growth in requirements for grants under the act, and the complexity of designing both facilities and institutional entities for metropolitan areas, the situation continues to this day. Many cities will have large projects coming out of the planning phase, ready for construction, in the next year or two. The advent of these major demands will in some cases vastly exceed the state's allocation for any given year. In many other cases, it will put a huge strain on the resources of a state's program for several years running.

AMSA has offered some solutions to this problem of limited means and ambitious goals. First, we favor the creation of a separate national review and funding track for major city projects. This is practical from a technical standpoint, because these sophisticated projects will be thoroughly reviewed by EPA regardless of the depth of state reviews which can add little to the expertise already brought to bear by the large agency which develops the plans. State water program personnel would be saved for reviews of smaller projects where they could significantly contribute to the quality of the project. From the standpoint of funding strategy, removing major projects from the state's system would eliminate the major distortion and strain which occurs when a large metropolitan project comes due for funding at a level which would leave no funds at all for other state projects in a given year. Instead, the major projects could be tracked on a national basis, and this committee would have two accounts, the list of major city projects ready for construction in a year, plus the balance of the program to be funded through the states for smaller cities.

The more one studies the program, and the needs of the major areas, the more one realizes the practicality of a separate track for these major projects, to allow everyone involved, cities, states and EPA, to do a better job of getting projects started.

This will take legislative change, however, and this committee, this year, must act on funding through the present mechanisms of the law.

Another idea advanced by AMSA is that of the borrowing pool, which would allow states unable to spend construction grant moneys to lend them to other states who can. This idea is now being pursued by some individual states with EPA, and it, too, may require some legislative change to the authorizing bill.

For two years, AMSA has urged the Environmental Protection Agency to coordinate its enforcement program with the construction grants program, and the agency responded by announcing its municipal enforcement strategy. According to this policy, enforcement agreements would be linked to the availability of construction grant funds, so that the lack of support promised at the time of the agreement, for whatever reason, would not plunge a mayor or a board of commissioners into court or make them subject to fines and sentencing under the Act.

I have mentioned this problem because it points to a problem we feel this subcommittee must address. If, through reduced appropriations, funds will not be available to enable us to meet deadlines mandated by the Clean Water Act, are we to be hauled into court and characterized as recalcitrants? EPA is now launching a new series of enforcement actions, with a master list of the first 55 targets now reportedly being sent to regional offices to be turned into what they term "litigation packages". One EPA attorney was quoted as saying he was disappointed at only being able to move with 55 cases, and would like to see that number up around 200.

We urge this committee to consider the dilemma which reduced funding and constant mandates presents to the local official. AMSA, with great reluctance, has begun doing just this. At our annual membership meeting in Nashville last week, we adopted changes to our policies which urge the Congress to reconsider the mandates of the Clean Water Act if funding is not there to meet the pledges of the 1972 and 1977 authorizations.

The ability of this committee is to provide or withhold funds for specific purposes, an ability exercised with respect to advanced waste treatment projects over the last year. AMSA, whose members have been concerned about the huge continuing cost of advanced treatment projects, feels that the AWT reviews have on balance saved little if any money that was not erased by the inflationary costs of delay of the projects subject to review. However, we feel that it has been important to instill a consciousness of AWT costs in the system, so that future projects will have been designed in the most cost-effective manner from the beginning. This committee's action may therefore save millions of dollars in ways that will never appear on any balance sheet, because the improvements will be internalized in project design and review.

AMSA asks the committee to take a similar approach to 1981 fiscal year funding of the 201 program. We ask that the committee consider what, among the many mandates of the Act, it wishes to cut back on, if funding is to be reduced. We must recognize that at current levels of inflation and 201 funding,

the program will never be able to achieve its stated objectives. Many AMSA members can testify that their own programs, based on the foreseeable share of state dollars at present funding levels, will never be completed. This leaves our mayors and commissioners faced with untenable choices...crippling increases in local taxes or water and sewer charges, or efforts to reduce water quality standards for their area which means abandoning clean water goals, or even local defiance of EPA mandates, which will resound not only in the courts but back to the Congress.

This committee can respond to our problem by careful exercise of its powers. Funding can be directed in various ways to those categories which promote stream quality, although the variety of local situations means that actual best use of available dollars will differ greatly, from plant construction in one city to combined sewer overflow in another, and in some cases going ahead with advanced treatment projects. AMSA feels that these needs can best be met by giving first priority to projects needed to meet enforceable requirements of the Act as a condition of appropriations.

Also, this committee can act to bar enforcement actions against communities which have moved to solve their problems, but who depend on Federal assistance to meet the requirements of the Act, or whose programs are delayed by lengthy EPA review rather than their own lack of effort.

AMSA is establishing its own task force to produce a new design for the clean water program. It is clear that the easy broad-brush solutions - delaying deadlines, eliminating categories of funding, and reducing the share of Federal support - only guarantee that water quality decisions will be skewed toward availability of funds rather than actual needs, and that delayed projects will only be more expensive in the long run. However, we are hopeful that a new program designed to reflect and respond to local priorities rather than technology-driven standards for treatment may offer the means for adjusting real needs with local and national resources.

We have testified in the past before this committee on the effects of uncertain funding on the program. The current freeze on the obligation of 1980 fiscal year money is having precisely the effects we predicted. Some projects, ready to move to construction this summer, will instead stay on the shelf at EPA regional offices. The cost of those projects will continue to rise by one to one and a half per cent a month. Staff at the state and local level will be reassigned to other tasks. Finally, when the freeze is ended, there will be additional delay for new reviews of the completed applications, by those who were not involved in the original process. The effects of the freeze will be felt for at least a year throughout the program; and it will have real impact on costs.

This year I think that the clean water program is at the crossroads in terms of national commitment to its objectives. The steady decline in funding has sent its own message to states and localities, that when their efforts come due for funding, the money will not be there.

I am here today to urge that this subcommittee demonstrate the continuing commitment of the Congress toward the goals of the Act. First, I and the members of AMSA ask that appropriations not be further reduced so as to widen the gap between what we are ordered to do and the resources we have to do it with. Second, I think this committee must send a new message to states and localities - that the decline of this program is to be reversed, and that Congress is committed

to provide the resources it assumed would be there when the mandates of the law were adopted. Imagine the shape of the community development program, for example, if mayors and other local officials could be sued for failure to provide adequate community development.

The President has requested $3.7 billion for the construction grants program for the 1981 fiscal year. Appropriating this amount will not bring the program up to the level needed to meet future demands of the enforceable requirements of the Clean Water Act. However, funding at this level would constitute a reversal of the decline of the past few years, and provide some beacon to us at the local level that the program is not headed down to zero.

Therefore, AMSA urges the committee not to reduce the funding for fiscal 1981 below the original Administration request, and to begin the study, as we are doing, of how best to match the various needs throughout the nation with the resources that will be available in years to come and the mandates laid upon us by the Clean Water Act.

I realize I have opened up a great many subjects in this brief testimony, but I would be happy to respond to any questions you might have.

Mr. TRAXLER. We appreciate your testimony on behalf of the Association, and we will do all possible to comply with your request.

Mr. LINTON. We will provide you I hope in the next week with a copy of our survey of our members which they would be able to obligate in fiscal 1980 and 1981 so that you can see what that total would be, if there weren't any freeze or funding problem.

Mr. TRAXLER. Thank you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

DR. WILLIAM R. HUNT, COMMISSIONER, COUNTY OF ALLEGHENY, PENNSYLVANIA

Mr. TRAXLER. Dr. William Hunt, Commissioner for Allegheny County.

We have asked the witnesses to observe the ten minute rule. You may proceed.

Dr. HUNT. We will certainly limit ourselves to that.

Thank you very much for the opportunity to testify.

I am William R. Hunt, serving my third term as a Commissioner of Allegheny County, Pennsylvania. Before being elected Commissioner, I was Coroner of Allegheny County.

I have been a physician for 41 years and a life-long resident of Allegheny County. In the three years just prior to my current term of office, I was engaged as a consultant in environmental medicine.

There is a dual purpose in my appearance before your honorable body. As a physician, I am concerned over the air quality in Allegheny County as it affects the citizens' health. As an elected county official and a resident of the county, I am also vitaly interested in the impact of the Environmental Protection Agency's regulations on our industry, especially steel production, the kingpin in the structure of our economy.

I recently heard 42 hours of testimony on the regulations which were proposed by the Allegheny County Air Pollution Control Bureau designed to bring our community into compliance with the 1977 amendments to the Clean Air Act.

Basic to compliance with these regulations is the stipulation by EPA that, before a new manufacturing facility can be built in our community, the amount of pollution produced by that new facility must be removed from a present facility.

Allegheny County faces this regulation after 15 years of strenuous efforts on the part of industry to clean up the air. Allegheny County monitors today report that we are in complete compliance, with the exception of a few marginal areas. If we cannot clean up any further by known technology, we can have no new industry.

Allegheny County's air pollution problems are unique because of topgraphy and the location of our mills and factories. I believe that these factors can be overcome by reasonable EPA regulations which will protect not only the health of our citizens but the varied industries and commercial operations representing the basis of our economic well-being.

Consider for a moment what it means to be faced with carrying out a State Implementation Plan. This is a massive document whose full significance is comprehensible to perhaps but a handful of highly trained specialists.

The concept of a control strategy at the county level is supposedly to permit flexibility in design. Yet none of the criteria can be less stringent than those promulgated by EPA, and passed on by the State of Pennsylvania.

Those of us in decision-making positions live with the gnawing question of whether we are indeed protecting the community from a demonstrable and imminent health threat, or providing for the attrition of industry and the loss of the very elements which allow our community to survive.

Testimony presented at the public hearings which we conducted gave convincing evidence that there would be not one identifiable health benefit to the lives and citizens of Allegheny County if we complied to the letter of the proposed SIP Agreement. But complying with that is going to cost us $600 million today.

So I am here today representing the Board of Commissioners of Allegheny County, Pennsylvania. As a board elected to serve the needs of over 1.6 million people, we are charged with guiding the enhancement of the human environment within Allegheny County.

Numerous Federal programs are directed towards specific aspects of that environment. In order to meet the requirements of these programs, the Board of Commissioners must allocate local resources such as time, effort, and tax moneys.

With a desire to grow in population and faced with the necessity to respond to growing community needs with their every-increasing costs, the only sources of funds must come from either increased Federal grants or through an expanded local tax base.

The current budget mood of Congress and the Administration has been towards reduced Federal budgets and reduced Federal funding. As a result, the burden of meeting increasing local costs of compliance for federally-mandated environmental programs rests almost solely upon the shoulders of the local tax base. And it is already stretched to the limit.

The overriding control at present upon what we, as local government officials, can do in guiding the enhancement of the human environment is placed in the hands of the United States Environmental Protection Agency. This determination is defined in part by provisions in the law, in part by regulations, in part by policy and in part by arbitrary authority.

As an example, Allegheny County presently is unable to issue construction permits amounting to more than $500 million worth of steel industry improvements, because the county does not have an approved implementation plan for meeting national ambient air quality standards.

Yet we are generally in compliance with the regulations, with the exception of applying information from certain models, which are still to be designed, to verify our own monitoring system that indicates we are in basic compliance.

We have recently completed a series of public hearings on a proposed implementation plan that conforms with the EPA's desires. The testimony we received has been most informative and

revealing to us. I would like to submit a very small portion of that testimony for the Committee files.

Included are statements by Dr. Harry B. Demopoulos, Associate Professor of Pathology at New York University Medical Center who testified: "If air pollution did not cause any rise in your lung cancer rates under 'worst case' conditions as they existed in the 1940's and 1950's, then I'm not sure I understand the present day concerns when your air is far cleaner."

Dr. A. E. Bennett, Professor of Clinical Epidemiology at St. George's Hospital Medical School in London, England added: "Experience has shown that in effecting social policies, the harm of the unintended consequence may outweigh the benefit of what was desired." I am afraid that is what is happening with these regulations.

I am also submitting some published material related to the statements of these two distinguished scientists; and, to demonstrate the diversity of those who were interested in our public hearings, I have included a list of those who testified and their affiliations.

Among the facts discerned at these State Implementation Plan Hearings were these:

The basic purpose of the Clean Air Act is to protect and enhance the quality of the Nation's air resources, so as to promote the public health and welfare and the productive capacity of its population.

The measures of protection of health are the standards adopted by EPA. That portion of testimony from our local hearings, which I am submitting for the record here, will show that strong uncontested testimony raised questions as to the scientific basis of those standards.

Therein lies the problem. We are forced to enforce ambient air standards, and when we look to the medical background, it is not there and yet EPA admits it, and we are forced to spend an additional $6 million United States Steel, for health beneifts that they have not defined yet.

There is not only an economic burden but also a physiological burden when people in our community think that their health is in jeopardy, when in fact it is not.

Restrictions upon placement of existing facilities are excessively prohibitive. Such replacement facilities, which would be more efficient, more productive and clearner, cannot be installed without providing for the closure of other plants. This aspect of the proposed plan would place severe limitations upon local jobs, construction and taxes.

Allegheny County would be severely penalized by adopting regulations presumably designed to protect public health, when other sections of the Nation can be protected with much less stringent limits. Yet a purpose of the Clean Air Act was to treat all areas uniformly. A substantial amount of testimony was offered to us by private citizens of Allegheny County, who contend that they have observed remarkable success in the clean-up of gross pollution.

Now they ask us to balance further improvements with jobs. But what good is a stricter enforcement of laws and regulations that produces no health benefits but yet results in the loss of thousands

of jobs? We find that we are simply not in a position to make local decisions about growth and standards.

Our purpose in offering this testimony to you is to let you know that we share your concerns about balancing the needs of people. It is within the Appropriations Committee and this subcommittee where all Federal programs come together to stand the test of scrutiny. It is here that the balance is struck.

I believe that the American philosophy which has applied so well to the legal system, that we are innocent until proven guilty, can also be applied to the industrial community. Under the present policies of EPA, industry seems to be guilty of causing all sorts of imagined disease and disorders, and industry has been asked to prove its innocence.

I think it's time to reverse that procedure somewhat, and charge government with the responsibility of proving that the ambient air over our cities is detrimental to the health of the people living in those communities.

In the Pittsburgh area, we want to grow. But we cannot do that when the capital expenditures which were intended to improve our steel-making capabilities, and for United States Steel alone, this is $600 million over the next several years, must instead be spent for EPA compliances.

This is especially difficult to accept when those dictates are producing only higher prices in the cost of steel, and increasing the competitive differential between foreign steel producers and those of our own Nation.

We would like your advice on how we can work with you to develop a more responsive program and get the Federal agency coordination that is needed.

I respectfully thank you for the opportunity to present these views.

Gentlemen, I stand ready to answer any questions relative to the testimony.

Mr. TRAXLER. We want to thank you for your testimony before the committee, and we fully understand the problem that you have described to us, and it is a terrible one.

Dr. HUNT. United States Steel wants permits to build $600 million of additional facilities which will modernize and reduce the cost of steel so that we may become competitive, yet EPA has said one plant must throw out a desulphurization plant that is now taking out 93½ percent of the sulphur, we have to throw that out and adopt the LEUR technology, the latest technique that will take out 97 percent.

Yet EPA itself cannot define the increase in health benefits that we are going to get by throwing out a $100 million facility and putting in another one. We cannot get a permit for a new facility because EPA does not yet accept our concept of a bubble concept.

The trade-off policies that are written in the law are interpreted differently by the Department itself. The fact that we cannot grow as a community because we are basically a steel industry, and anything we put in there is going to produce some air pollution, the law says you cannot get a permit to build a new facility unless you clean up what you already have to the extent that the new facility will contaminate the air, and yet we can show you right

now that there is no danger of breathing the air in Allegheny County from cancer or any other diseases of that kind.

It just seems that we are stymied. There is no reason to explain it other than the fact that United States Steel is going to move to Erie.

Mr. TRAXLER. Erie?

Dr. HUNT. Well, they are talking about a new plant in Erie, and we have coal. We have the man and we have the industry and we are losing hundreds of jobs, thousands of jobs.

We are going to lose 2,000 jobs in the next two years complying with EPA regulations on water alone, which we are concern right now with air pollution, but the law says that we have to take the water out of the Monongahela River, which is pretty filthy.

We have to return it in a condition that you can drink after we take it out for a steel industry. We have to return it in a condition you can drink it. We closed down two furnaces that could be running right now, 400 jobs lost, and we have about 2,000 jobs like that that are going to be lost in the next two years, because it does not pay to put in expensive water purification systems on these old furnaces, and yet we are predicting United States Steel tells us in 1983 they will be to full capacity and we cannot use those funds and we don't have time to build those facilities.

Mr. COUGHLIN. I certainly commend your testimony. This is one of the things that has bothered the subcommittee. For a number of years we have talked about the question of inadequate research and study of standards before they implement standards.

The tendency of EPA is to implement the standard first and do the research afterward. That is in my judgment a ridiculous way to go, and so that any information that you have, that goes to the scientific basis of the standards is very important, and I would certainly want to make sure that that is available to me on the subcommittee.

Dr. HUNT. We have physicians coming from England. We got into the acid rain business.

The main thrust of the scientific investigation is that the present air over any city in the United States to breathe is absolutely safe. There is no danger of cancer. Scientific evidence proves now that there is less than 2 percent of the cancers in the United States are caused by the air we breathe.

What you are doing right there is the worst thing in the world. Thirty percent of the people who drink excessively and smoke a pack of cigarettes a day will die of cancer alone. That is Dr. Demopoulos' testimony, which is accumulative testimony of about 40 of the best cancer research men in the country that met in New York City.

Mr. TRAXLER. What does drinking have to do with cancer of the lung?

Dr. HUNT. I don't know; if you chase down the cancers you will find there is another 20 percent added to that for those of us who overeat. These are the real causes of cancer. It is not the air pollution or the water we drink.

We ceased to worry about water the day we started to chlorinate and yet we are closing industry down really to grow fish.

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Mr. COUGHLIN. You mentioned that the EPA would not accept your proposals on a bubble concept in terms of, well, how is your proposal different from what EPA will accept?

Dr. HUNT. I have yet to understand why they don't accept it, but simply to say we have submitted it and United States Steel has and they will not approve it as part of an agreement. The concept that we have is this:

Under the bubble concept we have some facilities where there are two emission standards that are not passable right now at the plant. There come certain times where demands for certain kinds of steel that we could shut down facilities that are producing contamination emission so that we can reduce the amount of emission contaminants that this facility normally puts out, so that the total bubble under there is not producing any more contamination than it is today.

They will not permit us to do that. We want to shut down two extensive facilities over here so that this one facility, if operated today, has an emission standard that is not acceptable. As to the bubble concept, we would not be producing any more contamination than we are today, but they will not permit us to do that.

United States Steel is putting in $300 million to put in a new coke oven, and we have to consider that as a new facility, and we are not allowed to use that as a trade-off even though we are going to turn over and completely eliminate two basic coke furnaces right now that we have.

Those are the problems that we are having in trying to get our steel industry back.

Mr. COUGHLIN. Has EPA given you any reason why they rejected that?

Dr. HUNT. It is a matter of determination. The interpreter from Philadelphia, they get it from Washington, and we are desperate. We have lost population, industry and almost 15 percent of our basic industry in the last five years, and it is simply because we can't get a permit to build.

It is a very serious consequence to it, to a community like theirs. It's the ninth largest community in the United States.

Mr. TRAXLER. What is the unemployment figure in Pittsburgh?

Dr. HUNT. Six and one half percent.

Mr. TRAXLER. My recollection is that the Commerce Committee next year will begin reauthorization of the Clean Air Act. It would be my hope that in the event that many of the issues that you have talked to us about by that time, if not resolved by that time, that you would, and persons from your State would make your views known to the Commerce Committee.

Dr. HUNT. I would like to.

Mr. TRAXLER. I think the Clean Air Act expires in 1982 with the Reauthorization Act in 1981. They will be working on it next year.

Dr. HUNT. We have to live up to the basic information that medically we have as back-up. The software standard is unduly restrictive. The ambient air standard is 0.03. Why would you think the environmental standards under which you can work for eight hours a day should be 22 times as lenient, and it is.

You can work for a whole year under an environment that is 22 times as strong as the ambient air standards. I don't understand it,

and yet there is nothing, not one medical article in the literature that tells us that sulphur causes cancer, not one.

Mr. TRAXLER. This committee can't change the substantive law. We can appropriate or not appropriate. We are very sensitive to not intruding upon the prerogatives of the Legislative Committee, and I would encourage you.

You are an excellent witness and you make some very fine points, and I would really encourage you to communicate with your two State Senators.

I know Larry is very sensitive to the matters you brought to our attention, your own Congressman, and especially before the Commerce Committee next year when they begin their review of the current Act.

Dr. HUNT. Thank you very much.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

JERRY ENGLISH, COMMISSIONER, NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION

PAUL ARBESMAN, ASSISTANT COMMISSIONER

Mr. TRAXLER. Our next witness is Commissioner English from the State of New Jersey. Ms. English, you may proceed.

Ms. ENGLISH. Good afternoon; I am Jerry English, and with me is Paul Arbesman, Assistant Commissioner.

With your permission, I will paraphase my statement.

I would like to make available for the Committee files something that may be unusual before such a committee, however, and that is a collection of graphs of what is an area that is now certainly famous to us and, hopefully, will be famous to the rest of the world as an example that we do not want to be replicated.

That is Chemical Control. I will share with you and leave with the committee a collection of before and after photos, if you will, that you can look at at your leisure.

I want to thank you for the opportunity to appear before your committee today, and I am here in support of my Federal partner, the Environmental Protection Agency.

I would like to state to the committee——

Mr. TRAXLER. I am sure they will be pleased to hear that.

This has been a tough day for them.

Ms. ENGLISH. I sense that.

Again, I will not burden the committee with a restatement of my position which is far more technical, but to talk in fact about the Federal partnership that I believe that we share at the State level with the Environmental Protection Agency in the resolution of matters environmental.

We are faced at the State level with many, many tasks that I am certain you are constantly being complained to about which are Federal mandates of matters to clean up, decontaminate and to change.

In New Jersey, along with my fellow commissioners from other States, we do not move from that responsibility. We accept it, but

we ask that the Federal partnership be one in truth as opposed to just responsibility.

As a practical matter, I note that this committee should know that we do in fact believe we have a partnership at the Federal level, and that within one-half an hour of that, the Environmental Protection Agency was not only on the ground at the scene but in the air taking the air samples.

The Federal lab then began to do the testing to ensure that workers could go on that site. They also assisted us with water samples and technical assistance and something that the committee should certainly start to know about, and that is the Blue Magoo.

I want to ensure that at the same time that I may on issue-to-issue rail against my Federal partnership for minor defalcations from time to time, and we have been known to disagree. At the same time, I believe such an agency is essential to this country.

I believe that there will always be issues when we are changing for the future standards that are going to cause dislocations, that are going to cause shareholders to be upset and taxpayers to be upset, because we are in fact changing the rules.

We have determined that as a Nation, it is better not to poison the land or poison the air and, as our Governor has said, that we would like to breathe the air and not be able to see it.

Those standards, I submit, are not as easy as they say, and I am in daily battle on those issues, again responsibility that we do not move from, but we ask that Congress in passing those bills also try to assure that their federal agency has the capability of being able to respond with resources, grant moneys to follow up the bills.

I will read from my testimony, because I do believe that this part is particularly important for the committee.

Clearly, the most serious environmental and public health issue facing us today is hazardous waste disposal. Over the past few years, the magnitude and complexity of this problem has been recognized throughout the Nation.

I believe that the problem of hazardous substances will remain the most critical environmental issue that we must deal with throughout the 1980's.

Moving from the text, I admit to this committee I did review the EPA's assessment of those waste disposal sites and problems that are in each of your districts so that I do not speak to you of something that is vague and unrelated only to a certain geographic area. In fact, it is an international problem as well now.

We must address the legacies of past improper and illegal disposal practices, legacies which are all too evident at Love Canal in New York, the Chemical Control site, which I have shown pictures of, in New Jersey, and too many others to mention.

What is the assessment, between 20,000 to 30,000 sites exist? There are 233 that we know about in the State of New Jersey, and we must establish the groundwork for future hazardous waste management practices which will not endanger our environmental resources and the health of the citizens of the Nation.

In New Jersey, we are moving forward on both these fronts. In the hazardous waste cleanup area, New Jersey has taken a major step with the establishment of our State Spill Compensation and

Control Act and recent amendments to the Act which enable us to use moneys from our oil spill and hazardous substances cleanup fund to clean up abandoned dump sites.

In New Jersey we have not waited for a Federal response, and New Jersey passed the Oil Spill and Hazardous Waste Cleanup Act in 1977. The amendments provide $3 million per year for abandoned dumpsite cleanup; no more than $1.5 million per site. Our experience to date with abandoned sites and the fact that more and more such sites are being discovered, and that site of chemical control, for all purposes, was abandoned in the trusteeship of the court, shows that the costs of cleanup will clearly be much too high for the States to bear alone.

Most other States do not have equivalents to our cleanup fund. At the chemical control site in New Jersey, for example, cleanup had been estimated to cost up to $10 million.

As many of you are aware, two weeks ago a raging fire of potentially catastrophic consequences to the most heavily and densely populated area of the Northeast took place. Had we not had the resources from the State fund to remove over 500 pounds of explosives, cannisters of poisonous gases and close to 10,000 drums of materials, this event could have been catastrophic.

We were lucky it was not. The cost for cleanup after the fire, as well as the cost of claims filed for damages due to the fire, cannot even be estimated at this time. Before it was a landslide problem, but this is physically located on a peninsula next to a navigable water.

The Coast Guard is there now, therefore, we have also got a water site cleanup which has triggered the first Federal money, the oil spill conservation fund, Section 311, so that I now have at last the beginning of a partnership.

Legislation for a Federal superfund, a concept we strongly support, has been pending in the Congress for some time now, and $250 million has been requested in EPA's budget for funding such legislation if it is passed. We strongly support this request. But let us assume for the purposes of our discussion that we must look to other programs and that it does not pass, because that may be what this committee will be in fact looking at.

We must look to other programs for assistance in the cleanup and containment of hazardous waste emergencies. Therefore, it is essential that with or without Federal superfund legislation in fiscal year 1981, we have the resources necessary to address this serious problem.

If superfund funding is deferred, we recommend that existing programs, such as those authorized under Sections 311 and 504 of the Clean Water Act, be fully funded. These programs will provide some emergency funding to States.

That is the reason that I have been concentrating on something that I actually experienced myself. I was there, saw the Feds in action, and they continue to be of assistance. It is also my understanding that there is but $3 million left to the Nation in that Section 311 fund.

To cite the periously low level of funds now available, the Section 311 fund was opened by the Federal Government for us after the fire at Chemical Control, and again we discovered it had about $3

million left for the Nation. We can no longer afford to wait until a superfund is enacted; the problems of hazardous waste sites is immediate and critical, and certainly not limited to jurisdiction.

Looking toward the future of hazardous waste management, it is clear that the Federal Government must make a substantial commitment to the establishment of strong State programs to regulate the generation, transportation, and disposal of hazardous wastes.

The Resource Conservation and Recovery Act of 1976 encourages States to undertake a leading role in hazardous waste management, but unless maximum funding is provided under Subtitle C, all such attempts will fall far short of providing adequate safeguards in the form of State regulatory programs.

While New Jersey has launched an aggressive hazardous waste control effort, State programs at present are woefully understaffed in all necessary areas to mount an effective response to the national mandate. In the short term, as the chief operating officer of such an undertaking, I am diverting staff to other programs, because while these pictures that you see are going on, that does not stop the 1,600 spills per year that we experience in our State that we also respond to.

Federal funds, made available to States by grants from EPA, must be provided to upgrade staffing and equipment.

I repeat, this is not a task of the B Team. You have to have professional people doing this. It is not the sort of thing you hire someone who is competent to run a bulldozer. You have to have testing, skilled specialists to be able to go into one of these sites.

We believe that the increase in the EPA budget to provide these resources should be supported, but feel the sum is still grossly inadequate and that, of course, is my point of being here.

It should be doubled again to give States the necessary resources at a time when all the Federal regulations are being promulgated because I understand this happened within this week, and you will recall ironically enough we were scheduled to be announced at the Chemical Control site prior to its mulling up, because you couldn't even get people on the site without having to wear protective equipment, moon suits, et cetera.

Wiser heads prevailed for a little less demonstrative evidence.

I have more testimony on solid waste which is very important. Again I do not believe I should take this committee's time to read that testimony.

I feel it is important for us to bring the most dramatic and, as the New York Times has said, not one of its kind but surely one of the worst kinds of examples to you.

That cleanup is still going on and will continue to go on. I have meanwhile 18 sites in the State that we are actively working on. I need a Federal partner, however, to ensure not just in the locations in New Jersey but throughout this Nation, that there be the resources, that there be the technical expertise that is required for this very, very serious health hazard plant.

Thank you for letting me be with you.

I will be glad to answer any questions the committee may have.

[The statement follows:]

TESTIMONY OF

COMMISSIONER JERRY FITZGERALD ENGLISH

N.J. DEPARTMENT OF ENVIRONMENTAL PROTECTION

BEFORE THE

HOUSE HUD - INDEPENDENT AGENCIES APPROPRIATIONS SUBCOMMITTEE

MAY 7, 1980

CHAIRMAN BOLAND, MEMBERS OF THE SUBCOMMITTEE, I AM PLEASED TO BE HERE TODAY AND TO HAVE THE OPPORTUNITY TO PRESENT NEW JERSEY'S VIEWS ON THE FY 1981 BUDGET OF THE U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA). MY NAME IS JERRY FITZGERALD ENGLISH, AND I AM THE COMMISSIONER OF THE NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP).

THIS YEAR, 1980, MARKS THE END OF THE DECADE IN WHICH WE LAID THE FOUNDATION FOR PROTECTING AND ENHANCING THE QUALITY OF LIFE AND THE HEALTH OF THE CITIZENS OF THE NATION. THE 1960'S AND 1970'S MARKED THE PASSAGE BY CONGRESS AND THE STATES OF LANDMARK ENVIRONMENTAL LEGISLATION AND GAVE US THE TOOLS TO PROTECT OUR IRREPLACEABLE ENVIRONMENTAL RESOURCES.

WHAT HAVE WE BEEN DOING OVER THE DECADE OF THE 70'S WITH THE FUNDS AVAILABLE TO US? WE HAVE SEEN PROGRAMS GROW TO ATTACK THE IMMENSE POLLUTION PROBLEMS WE FACE. IN NEW JERSEY, OVER 99% OF OUR INDUSTRY IS MEETING OUR TOUGH SULFUR OXIDE AND PARTICULATE STANDARDS AND AS A RESULT OUR AIR IS HEALTHY TO BREATHE AGAIN. WE TEST OVER 3 MILLION AUTOS A YEAR FOR EXHAUST EMISSIONS; WE HAVE $1.5 BILLION OF NEEDED SEWERAGE PLANTS UNDER CONSTRUCTION; WE HAVE OPENED NEW SHELLFISH RESOURCES AS A RESULT OF THESE PROGRAMS. OUR WATER AND AIR ARE IMPROVING, AND IT HAS BEEN A PARTNERSHIP BETWEEN THE CONGRESS, EPA AND THE STATES THAT HAS MADE THIS POSSIBLE.

IN THE DECADE AHEAD, WE ARE FACED WITH EVER-CHANGING PUBLIC VALUES AS A RESULT OF INFLATION, ENERGY SHORTAGES, AND UNEMPLOYMENT. BUT THE PUBLIC'S VALUE ON THE ENVIRONMENT HAS ONLY BECOME MORE DEAR, OUR POLLS IN NEW JERSEY SHOW THAT, AS DO THE VOTES ON OUR ENVIRONMENTAL BOND ISSUES. AT THE SAME TIME, NEWLY DISCOVERED AND INCREASINGLY COMPLEX ENVIRONMENTAL ISSUES, SUCH AS HAZARDOUS WASTE AND TOXIC SUBSTANCES, BRING PRESSURE FOR EXPANDED REGULATION AND ENFORCEMENT. NOT TOO MANY PEOPLE HAD EVER HEARD OF "GROUNDWATER" UNTIL A YEAR OR TWO AGO. NOW IT IS A COMMONPLACE CONCERN, ESPECIALLY WHEN YOU DRINK IT, AND THE QUALITY OF GROUNDWATER WILL BE HIGH ON THE PUBLIC'S AGENDA FOR YEARS TO COME. MORE

THAN EVER, WE NEED THE SUPPORT AND COMMITMENT OF THE CONGRESS FOR THE CONTINUED PROGRESS OF EXISTING ENVIRONMENTAL PROGRAMS AS WELL AS WORK ON MAJOR NEW ENVIRONMENTAL ISSUES SUCH AS TOXICS AND GROUNDWATER.

CLEARLY, THE MOST SERIOUS ENVIRONMENTAL AND PUBLIC HEALTH ISSUE FACING US TODAY IS HAZARDOUS WASTE DISPOSAL. OVER THE PAST FEW YEARS, THE MAGNITUDE AND COMPLEXITY OF THIS PROBLEM HAS BEEN RECOGNIZED THROUGHOUT THE NATION. I BELIEVE THAT THE PROBLEM OF HAZARDOUS SUBSTANCES WILL REMAIN THE MOST CRITICAL ENVIRONMENTAL ISSUE THAT WE MUST DEAL WITH THROUGHOUT THE 1980'S. WE MUST ADDRESS THE LEGACIES OF PAST IMPROPER AND ILLEGAL DISPOSAL PRACTICES; LEGACIES WHICH ARE ALL TOO EVIDENT AT LOVE CANAL IN NEW YORK, THE CHEMICAL CONTROL SITE IN NEW JERSEY AND TOO MANY OTHERS TO MENTION. AND WE MUST ESTABLISH THE GROUNDWORK FOR FUTURE HAZARDOUS WASTE MANAGEMENT PRACTICES WHICH WILL NOT ENDANGER OUR ENVIRONMENTAL RESOURCES AND THE HEALTH OF THE CITIZENS OF THIS NATION.

IN NEW JERSEY, WE ARE MOVING FORWARD ON BOTH THESE FRONTS. IN THE HAZARDOUS WASTE CLEANUP AREA, NEW JERSEY HAS TAKEN A MAJOR STEP WITH THE ESTABLISHMENT OF OUR STATE SPILL COMPENSATION AND CONTROL ACT AND RECENT AMENDMENTS TO THE ACT WHICH ENABLE US TO USE MONIES FROM OUR OIL SPILL AND HAZARDOUS SUBSTANCES CLEANUP FUND TO CLEAN UP ABANDONED DUMPSITES. THE AMENDMENTS PROVIDE $5 MILLION PER YEAR FOR ABANDONED DUMPSITE CLEANUP; NO MORE THAN $1.5 MILLION PER SITE. OUR EXPERIENCE TO DATE WITH ABANDONED SITES AND THE FACT THAT MORE AND MORE SUCH SITES ARE BEING DISCOVERED, SHOWS THAT THE COSTS OF CLEANUP WILL CLEARLY BE MUCH TOO HIGH FOR THE STATES TO BEAR ALONE. AND MOST OTHER STATES DO NOT HAVE EQUIVALENTS TO OUR CLEANUP FUND. AT THE CHEMICAL CONTROL SITE IN NEW JERSEY, FOR EXAMPLE, CLEANUP HAD BEEN ESTIMATED TO COST UP TO $10 MILLION. AS MANY OF YOU ARE AWARE, TWO WEEKS AGO A RAGING FIRE SWEPT THROUGH THE SITE. HAD WE NOT HAD THE RESOURCES TO REMOVE OVER 500 POUNDS OF EXPLOSIVES, CANNISTERS OF POISONOUS GASES AND CLOSE TO 10,000 DRUMS OF MATERIALS, THIS EVENT COULD HAVE BEEN CATASTROPHIC. WE WERE LUCKY IT WAS NOT. THE COST FOR CLEANUP AFTER THE FIRE, AS WELL AS THE COST OF CLAIMS FILED FOR DAMAGES DUE TO THE FIRE, CANNOT EVEN BE ESTIMATED AT THIS TIME.

LEGISLATION FOR A FEDERAL SUPERFUND, A CONCEPT WE STRONGLY SUPPORT, HAS BEEN PENDING IN THE CONGRESS FOR SOME TIME NOW, AND $250 MILLION HAS BEEN REQUESTED IN EPA'S BUDGET FOR FUNDING SUCH LEGISLATION IF IT IS PASSED. WE STRONGLY SUPPORT THIS REQUEST. IF SUPERFUND LEGISLATION IS DELAYED BEYOND FY 1981, HOWEVER, WE MUST LOOK TO OTHER PROGRAMS FOR ASSISTANCE IN THE CLEANUP AND CONTAINMENT OF HAZARDOUS WASTE EMERGENCIES. THEREFORE, IT IS ESSENTIAL THAT WITH OR WITHOUT FEDERAL SUPERFUND LEGISLATION IN FY 81, WE HAVE THE RESOURCES NECESSARY TO ADDRESS THIS SERIOUS PROBLEM. IF SUPERFUND FUNDING IS DEFERRED, WE RECOMMEND

THAT EXISTING PROGRAMS, SUCH AS THOSE AUTHORIZED UNDER SECTIONS 311 AND 504 OF THE CLEAN WATER ACT, BE FULLY FUNDED. THESE PROGRAMS WILL PROVIDE SOME EMERGENCY FUNDING TO STATES. TO CITE THE PERILOUSLY LOW LEVEL OF FUNDS NOW AVAILABLE, THE SECTION 311 FUND WAS OPENED BY THE FEDERAL GOVERNMENT FOR US AFTER THE FIRE AT CHEMICAL CONTROL AND WE DISCOVERED IT HAD ABOUT $3 MILLION LEFT FOR THE NATION. WE CAN NO LONGER AFFORD TO WAIT UNTIL A SUPERFUND IS ENACTED: THE PROBLEM OF HAZARDOUS WASTE SITES IS IMMEDIATE AND CRITICAL.

LOOKING TOWARD THE FUTURE OF HAZARDOUS WASTE MANAGEMENT, IT IS CLEAR THAT THE FEDERAL GOVERNMENT MUST MAKE A SUBSTANTIAL COMMITMENT TO THE ESTABLISHMENT OF STRONG STATE PROGRAMS TO REGULATE THE GENERATION, TRANSPORTATION, AND DISPOSAL OF HAZARDOUS WASTES. THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976 (RCRA) ENCOURAGES STATES TO UNDERTAKE A LEADING ROLE IN HAZARDOUS WASTE MANAGEMENT, BUT UNLESS MAXIMUM FUNDING IS PROVIDED UNDER SUBTITLE C, ALL SUCH ATTEMPTS WILL FALL FAR SHORT OF PROVIDING ADEQUATE SAFEGUARDS IN THE FORM OF STATE REGULATORY PROGRAMS. WHILE NEW JERSEY HAS LAUNCHED AN AGGRESSIVE HAZARDOUS WASTE CONTROL EFFORT, STATE PROGRAMS AT PRESENT ARE WOEFULLY UNDERSTAFFED IN ALL NECESSARY AREAS TO MOUNT AN EFFECTIVE RESPONSE TO THE NATIONAL MANDATE. IN THE SHORT-TERM, WE HAVE TO DIVERT FUNDS AND PERSONNEL FROM OUR AIR AND WATER PROGRAMS AT A TIME WHEN THE LAWS PASSED BY THE CONGRESS GIVE US EVER-INCREASING MANDATES IN THOSE AREAS. FEDERAL FUNDS, MADE AVAILABLE TO STATES BY GRANTS FROM EPA, MUST BE PROVIDED TO UPGRADE STAFFING AND EQUIPMENT. WE SUPPORT THE INCREASE IN THE EPA BUDGET TO PROVIDE THESE RESOURCES BUT FEEL THE SUM IS STILL GROSSLY INADEQUATE: IT SHOULD BE DOUBLED AGAIN TO GIVE STATES THE NECESSARY RESOURCES AT A TIME WHEN ALL THE FEDERAL RCRA REGULATIONS ARE BEING PROMULGATED.

SOLID WASTE IS ANOTHER ISSUE THAT IS COMING TO A HEAD IN THE 1980'S. THE IMPLEMENTATION AND SUCCESS OF OTHER ENVIRONMENTAL PROGRAMS, UNDERWAY SINCE THE EARLY 1970'S, HAVE CONTRIBUTED TO THE BURGEONING PROBLEMS OF LAND DISPOSAL OF SOLID WASTE. UNDER THE CLEAN WATER ACT, THE IMPLEMENTATION OF THE NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES) PERMIT PROGRAM HAS CREATED MORE AND VARIED SLUDGES THAT MUST BE DISPOSED OF IN AN ENVIRONMENTALLY ACCEPTABLE MANNER. IN ADDITION, THE BAN ON OCEAN DUMPING OF SEWAGE SLUDGE NECESSITATES ALTERNATE DISPOSAL METHODS. INCINERATION AND DISPOSAL IN LANDFILLS ARE OFTEN UNACCEPTABLE ALTERNATIVES.

EVEN FOR MORE CONVENTIONAL SOLID WASTE MATERIAL - GARBAGE - LANDFILLING IS A LESS DESIRABLE DISPOSAL OPTION. RESOURCE RECOVERY MUST BE PURSUED AS THE PRIMARY SOLUTION TO THE PROBLEM OF SOLID WASTE MANAGEMENT. IN NEW JERSEY, THE PROBLEM OF CAPACITY TO PROVIDE FOR DISPOSAL OF AN EVER-INCREASING SOLID WASTE STREAM IS REACHING A CRITICAL STAGE. IN FACT, WE ESTIMATE THAT THERE IS AN AVERAGE OF FOUR YEARS LEFT OF LANDFILL LIFE IN THE STATE: LESS IN OUR URBAN AREAS.

RESOURCE RECOVERY FACILITIES ARE NEEDED TO REPLACE OUTDATED AND POLLUTING LANDFILLS; SUCH FACILITIES WILL DEAL WITH GARBAGE IN A MORE APPROPRIATE FASHION AND MAKE SENSE FROM BOTH ENVIRONMENTAL AND ENERGY PERSPECTIVES. THE PRESENT FEDERAL FINANCIAL COMMITMENT IS INADEQUATE TO PROVIDE REAL IMPETUS TO RESOURCE RECOVERY EFFORTS. SUBTITLE D FUNDS ARE PRESENTLY BEING USED ALMOST EXCLUSIVELY FOR LANDFILL CLASSIFICATION PURPOSES. PLANNING AND RESOURCE RECOVERY IMPLEMENTATION PROGRAMS SHOULD BE FULLY FUNDED. LOOKING TO THE FUTURE, RESOURCE RECOVERY FARES MUCH BETTER ON A COST EFFECTIVE ANALYSIS WHEN COMPARED WITH THE TOTAL COST OF LAND DISPOSAL, INCLUDING THE COST TO CORRECT SUBSEQUENT ENVIRONMENTAL DAMAGE CAUSED BY LAND DISPOSAL.

NEW JERSEY IS MOVING FORWARD IN THIS AREA. OUR SOLID WASTE PLANNING EFFORT IS WELL ON ITS WAY TO COMPLETION AND CALLS FOR A NUMBER OF RESOURCE RECOVERY FACILITIES. WE ARE DISCUSSING A BOND ISSUE TO GET STARTED ON RESOURCE RECOVERY. THE PROPOSED REDUCTION IN FUNDING UNDER SUBTITLE D COMES AT A TIME WHEN NEW JERSEY AND OTHER STATES ARE GEARING UP TO ADDRESS RESOURCE RECOVERY NEEDS. SUBSTANTIAL FUNDING FOR THESE EFFORTS IS NEEDED TO CARRY THE RESOURCE RECOVERY PLANNING PROGRAM THROUGH TO THE IMPLEMENTATION PHASE. PROGRAMS SUCH AS THE PRESIDENT'S URBAN POLICY RESOURCE RECOVERY GRANT PROGRAM, CURRENTLY BEING REAUTHORIZED UNDER RCRA AMENDMENTS, ARE ESSENTIAL TO LAYING THE GROUNDWORK FOR RESOURCE RECOVERY. IN FACT, THE CONGRESS MUST CONSIDER A FUTURE CAPITAL PROGRAM, SIMILAR TO THE SEWER CONSTRUCTION GRANTS PROGRAM, THAT WILL HELP GET THESE FACILITIES ON LINE. WE CANNOT TURN OUR BACKS ON THE PROBLEM NOW THAT WE HAVE BARED ITS CHARACTER AND MAGNITUDE; $1.5 BILLION IS NEEDED FOR THE INITIAL FACILITIES IN NEW JERSEY ALONE.

THE CLEAN AIR ACT AMENDMENTS OF 1977 PLACED A CONSIDERABLE NEW BURDEN ON STATE REGULATORY PROGRAMS. ADMINISTRATIVE REQUIREMENTS HAVE INCREASED DUE TO, FOR EXAMPLE, THE EMISSION OFFSET PROGRAM, THE PROGRAM TO PREVENT DETERIORATION OF AIR QUALITY (PSD), AND SECTION 120 ENFORCEMENT-RELATED ACTIVITIES. IN THE TECHNICAL AREA THERE ARE HYDROCARBON REGULATIONS, THE INCREASED NEED FOR AIR QUALITY MODELLING CAPABILITIES AND THE INCREASED NEED TO DEVELOP CONTROLS FOR THE RELEASE OF TOXIC POLLUTANTS. AND IN ENFORCEMENT WE HAVE RESPONSIBILITIES RELATED TO THE MOTOR VEHICLE EMISSIONS PROGRAM AND LEAD EMISSIONS.

THE CURRENT PROPOSAL FOR MANDATING CONVERSION FROM OIL USE TO COAL CARRIES MAJOR IMPLICATIONS FOR STATE AIR PROGRAMS, ESPECIALLY IN THE NORTHEAST. TEN FACILITIES IN NEW JERSEY HAVE BEEN IDENTIFIED FOR CONVERSION TO COAL USE; THIS WILL PLACE AN ADDITIONAL MAJOR BURDEN ON OUR UTILIZATION OF 105 FUNDS.

FAILURE TO COMPLY WITH A NUMBER OF THESE MANDATES CARRIES THE THREAT OF SEVERE SANCTIONS SUCH AS THE LOSS OF SEWAGE TREATMENT CONSTRUCTION GRANTS, HIGHWAY FUNDS, SECTION 105 GRANTS AND THE PROHIBITION OF NEW CONSTRUCTION OF MAJOR STATIONARY SOURCES. SECTION 105 GRANTS UNDER THE CLEAN AIR ACT HAVE NOT KEPT PACE WITH THESE ADDED RESPONSIBILITIES. PAST INCREASES HAVE NOT BEEN ENOUGH TO FULLY CARRY OUT THE MANDATES AND RESPONSIBILITIES PLACED UPON THE STATES IN RECENT YEARS, AND ARE CERTAINLY NOT ADEQUATE TO SOLVE OTHER SERIOUS ENVIRONMENTAL PROBLEMS SUCH AS TOXICS EMISSION CONTROL AND INCINERATION OF SEWAGE SLUDGE. IT IS ESSENTIAL THAT SECTION 105 RECEIVES MAXIMUM FUNDING TO ENABLE US TO EFFECTIVELY CARRY OUT THESE RESPONSIBILITIES AND WE SUPPORT THE EPA REQUEST.

THE SEWERAGE TREATMENT PLANT CONSTRUCTION GRANTS PROGRAM CARRIED OUT UNDER SECTION 201 OF THE CLEAN WATER ACT IS ONE OF OUR MOST IMPORTANT EFFORTS, BOTH IN TERMS OF WATER QUALITY AND COMMUNITY REDEVELOPMENT. THE STATE OF NEW JERSEY IS IN THE PROCESS OF TAKING OVER FROM EPA THE ADMINISTRATION OF THIS PROGRAM. THIS DELEGATION OF AUTHORITY TO ADMINISTER THE PROGRAM WILL ELIMINATE DUPLICATIVE AND TIME-CONSUMING STATE AND FEDERAL REVIEW OF PROJECTS AND WILL SPEED THE PROCESS OF GETTING PROJECTS MOVING TOWARD COMPLETION.

THE STATE IS CONCERNED WITH THE RELATIVELY LOW LEVELS OF ALLOCATIONS IN RELATION TO OUR WASTEWATER TREATMENT WORKS NEEDS. WITHIN THE NEXT TWO YEARS, WE WILL BE IN A POSITION TO GRANT FUNDS FOR THE SORELY NEEDED TREATMENT SYSTEMS IN OUR URBAN HUDSON AND CAMDEN COUNTIES. THESE PROJECTS WILL REMEDY THE REMAINING MAJOR PRIMARY DISCHARGES LEFT IN THE STATE. WITHIN THE SAME TIME PERIOD PROJECTS TO ELIMINATE OCEAN DISPOSAL OF SLUDGE WILL ALSO NEED TO BE FUNDED. THE CAMDEN AND HUDSON PROJECTS WILL COST IN EXCESS OF $500 MILLION; THE SLUDGE DISPOSAL PROJECTS IN EXCESS OF $200 MILLION. CONSIDERING THAT THE NEW JERSEY ALLOCATION THIS FISCAL YEAR IS $120 MILLION, IT IS APPARENT THAT WE WILL BE IN THE UNENVIABLE POSITION OF DECIDING WHICH MAJOR POLLUTION PROBLEM IS MOST SIGNIFICANT AND DELAYING THE REST. THIS SITUATION WILL RESULT IN NONCOMPLIANCE WITH FEDERAL LAWS, BECAUSE OF THE LACK OF FUNDING, AND WILL FURTHER DELAY ALL REMAINING PROJECTS WITHIN THE STATE. IT IS IMPERATIVE THAT THE CONGRESS RECOGNIZE THE MASSIVE CLEANUP PROJECTS THAT ARE PENDING WITHIN CERTAIN STATES AND DEVELOP A MECHANISM FOR ADVANCING FUNDS FROM FUTURE FISCAL YEARS SO THAT NEEDED URBAN CLEANUP PROJECTS CAN GO FORWARD.

NEW JERSEY HAS BEEN GRANTED PRIMACY BY EPA FOR ENFORCEMENT OF THE FEDERAL SAFE DRINKING WATER ACT AND ITS ATTENDANT REGULATIONS AND SINCE FY 1976 HAS BEEN RECEIVING PUBLIC WATER SYSTEM SUPERVISION PROGRAM GRANTS TO CARRY OUT THE MANDATES OF THE ACT AND TO EXERCISE GREATER SUPERVISION OF PUBLIC WATER SYSTEMS.

THROUGH USE OF THESE GRANTS, THE STATE HAS EMBARKED ON MORE-INTENSIVE SUPERVISION AND CONTROL OF PUBLIC COMMUNITY WATER SYSTEMS AND IS IN THE PROCESS OF INVENTORYING, AND SUPERVISING, THE SEVERAL THOUSAND PUBLIC NON-COMMUNITY WATER SYSTEMS THAT HAVE BEEN HITHERTO LARGELY IGNORED BECAUSE OF INADEQUATE FUNDING. ALL OF THE PROVISIONS OF THE ACT HAVE BEEN IMPLEMENTED.

UNLESS THESE GRANTS ARE CONTINUED, NEW JERSEY WILL BE FORCED TO CUT BACK ON ITS PUBLIC WATER SYSTEM SUPERVISION PROGRAM, WHICH WOULD BE A RETROGRADE STEP IN ASSURING THAT THE CITIZENS OF THE STATE RECEIVE DRINKING WATER OF SAFE, POTABLE QUALITY.

RECENT INVESTIGATIONS HAVE DISCLOSED THE WIDESPREAD CONTAMINATION OF SOME AQUIFERS WITH ORGANIC CHEMICALS, MANY OF WHICH HAVE CARCINOGENIC POTENTIAL, NECESSITATING THE CLOSING OF PUBLIC WATER SYSTEM WELLS AND THE DEVELOPMENT OF ALTERNATE SOURCES OF SUPPLY. THIS HAS PLACED A GREAT FINANCIAL BURDEN ON THE OWNERS OF SUCH SUPPLIES AND AN EFFECTIVE SOLUTION TO THE PROBLEM IS OFTEN BEYOND THEIR FINANCIAL CAPABILITIES IN LIGHT OF CURRENT INFLATION AND THE DIFFICULTIES AND COSTS FOR RAISING CAPITAL. THERE IS, THUS, URGENT NEED FOR FEDERAL ASSISTANCE TO SOLVE SUCH PROBLEMS. WE URGE THE COMMITTEE TO EXAMINE THE OPTIONS IT MAY HAVE IN TERMS OF HOW EXISTING AUTHORITIES COULD BE FUNDED TO ASSIST IN ADDRESSING CONTAMINATION OF DRINKING WATER SUPPLIES.

SINCE FY 1972, NEW JERSEY HAS RECEIVED FEDERAL FUNDING FOR POLLUTION CONTROL UNDER SECTION 106 OF THE CLEAN WATER ACT. IN PAST YEARS, AN AVERAGE OF $1.4 MILLION A YEAR HAS BEEN AWARDED BY EPA TO SUPPLEMENT STATE FUNDS FOR IMPLEMENTATION OF WATER POLLUTION CONTROL PROGRAM STRATEGIES. THIS REPRESENTS, OVER A THIRD OF OUR PROGRAM'S TOTAL RESOURCES.

IN FY 1980, DEP'S MONITORING, SURVEILLANCE AND ENFORCEMENT EFFORTS AND WATER RESOURCES PLANNING AND MANAGEMENT PROGRAMS PLAN TO FULLY UTILIZE THESE 106 FUNDS. THE MAJOR ACTIVITIES WITHIN THESE PROGRAMS WHICH BENEFIT FROM THIS FUNDING ARE ADMINISTRATION OF REGULATORY AND OTHER WATER QUALITY CONTROL PROGRAMS INCLUDING MONITORING AND ENFORCEMENT ACTIVITIES, WATER QUALITY MANAGEMENT AND PLANNING INCLUDING STANDARDS REVIEW AND DEVELOPMENT, ADMINISTRATION OF PERMIT PROGRAMS AND PROGRAM ADMINISTRATION INCLUDING PROGRAM EVALUATION AND PUBLIC PARTICIPATION.

IN ORDER FOR WATER POLLUTION CONTROL ACTIVITIES WITHIN NEW JERSEY TO CONTINUE AT THEIR CURRENT LEVEL OF EFFECTIVENESS, IT IS IMPERATIVE THAT THIS FUNDING BE CONTINUED IN THE FUTURE, AND THAT SIGNIFICANT YEARLY INCREASES BE MADE TO COMPENSATE FOR SOARING INFLATION.

OVER THE PAST YEAR GOVERNOR BYRNE HAS CERTIFIED EIGHT OF TWELVE WATER QUALITY MANAGEMENT PLANS (208) PREPARED IN THE STATE AND WILL SHORTLY CERTIFY THE REMAINING PLANS. THESE PLANS SET THE FRAMEWORK FOR THE STATE'S LONG-TERM WATER POLLUTION CONTROL PROGRAMS BY IDENTIFYING SURFACE AND GROUNDWATER PROBLEMS, DEVELOPING SOLUTIONS TO POINT SOURCE PROBLEMS AND IDENTIFYING APPROPRIATE AGENCIES TO CARRY OUT THE NECESSARY PROGRAMS. AS LOCAL AGENCIES HAVE BEEN OUR PARTNERS IN FORMULATING THESE PLANS, WE LOOK TOWARDS A CONTINUATION OF FUNDING SUPPORT FOR THEIR EFFORTS.

THE STATE'S WATER QUALITY MANAGEMENT (208) PLANS INCLUDE POPULATION PROJECTIONS WHICH WILL BE USED IN ALL ENVIRONMENTAL AND INFRASTRUCTURE PLANNING ACTIVITIES IN NEW JERSEY. IN THE SEWERAGE CONSTRUCTION PROGRAM ALONE WE HAVE IDENTIFIED COST SAVINGS OF OVER $40 MILLION IN TWO MAJOR DRAINAGE BASINS RESULTING FROM PROPER SIZING OF FUTURE SEWERAGE PROJECTS IN ACCORDANCE WITH THE PROJECTIONS.

THE WATER QUALITY PLANS ALSO SET FORTH WASTELOAD ALLOCATIONS FOR MUNICIPAL AND INDUSTRIAL SOURCES. FOR MUNICIPAL DISCHARGERS IN OUR MOST POLLUTED WATERS THESE ALLOCATIONS WILL REQUIRE HIGHER THAN SECONDARY LEVELS OF TREATMENT WHICH WILL RESULT IN ADDITIONAL CONSTRUCTION COSTS OF UP TO $200 MILLION IN THE PASSAIC-HACKENSACK BASIN, WHICH HAS ROUGHLY HALF OF THE STATE'S POPULATION. NEVERTHELESS, THE PLANS ALLOW CONSIDERATIONS OF ALTERNATIVES TO END OF THE PIPE TREATMENT INCLUDING RELOCATION OF SEWERAGE OUTFLOWS, AND FLOW AUGMENTATION IN CONJUNCTION WITH WATER SUPPLY MANAGEMENT.

THE TWO AREAS IN WHICH OUR PLANS HAVE ONLY BEGUN TO PROVIDE ANSWERS TO SERIOUS POLLUTION PROBLEMS ARE NONPOINT SOURCE AND GROUNDWATER POLLUTION. WITH OUR FY1979 208 GRANTS WE ARE DEVELOPING A STORMWATER CONTROL PROGRAM FOR NEW DEVELOPMENT AS WELL AS CASE STUDIES OF MEANS TO CORRECT EXISTING STORM RUNOFF PROBLEMS. WE EXPECT THAT CORRECTION OF EXISTING RUNOFF PROBLEMS WILL BE A LONG-TERM EFFORT. OUR STRATEGY IS TO IDENTIFY PROGRAMS WHICH INVOLVE DRAINAGE REHABILITATION (INCLUDING DOT AND HUD PROGRAMS) AND INCORPORATE WATER QUALITY CONTROLS INTO THESE PROJECTS. OUR GROUNDWATER GRANT WILL INVOLVE SETTING UP A REGULATORY PERMIT PROGRAM TO CONTROL MAJOR CONTAMINATION SOURCES INCLUDING LAGOONS AND LANDFILLS. THIS PROGRAM WILL EVENTUALLY BECOME SELF-FINANCING THROUGH PERMIT FEES. WE ARE ALSO USING PART OF A 208 GRANT TO FINANCE COMPLETION OF STATEWIDE SOLID WASTE MANAGEMENT PLANS WHICH WILL PROVIDE NEAR-TERM DIRECTION TO HANDLING OUR SOLID WASTE PROBLEMS.

IN THE 1980'S WE ARE FACED WITH THE NEED FOR MORE SOPHISTICATED ENVIRONMENTAL MANAGEMENT THAN WE PRACTICED OVER THE LAST DECADE. WE EXPECT TO USE FY81 208 GRANTS TO CARRY OUT PILOT PROJECTS FOR STORMWATER CONTROL IN COOPERATION WITH AGENCIES PROVIDING CONSTRUCTION MONIES FOR DRAINAGE AND TO DEVELOP THE TECHNICAL ANALYSIS FOR ONE OR TWO WATERSHEDS

TO DIRECT THE SPENDING OF FEDERAL COST SHARING MONIES FOR AGRICULTURAL PRACTICES. FOR OUR GROUNDWATER PROGRAM WE NEED THE FY 81 GRANTS TO BEGIN FULL SCALE AQUIFER MAPPING IN THE MOST CRITICAL AREAS OF THE STATE THAT ARE DEPENDENT ON GROUNDWATER FOR POTABLE WATER SUPPLY. WE EXPECT TO USE THE DETAILED MAPPING TO PROVIDE A BASIS FOR REGULATORY DECISIONS IN THE GROUNDWATER DISCHARGE PERMIT PROGRAM.

PESTICIDES PROGRAMS ARE AN INTEGRAL PART OF THE FIRST LINE OF DEFENSE AGAINST THE CONTAMINATION OF GROUNDWATER AND PROTECTION OF THE PUBLIC HEALTH FROM THE BROAD SPECTRUM OF EXOTIC CHEMICALS WE INTRODUCE INTO OUR ENVIRONMENT. STATE PROGRAMS ARE ESPECIALLY IMPORTANT BECAUSE THE MAIN ENFORCEMENT BURDEN IS CARRIED AT THE STATE LEVEL. USE VIOLATORS ARE PURSUED MAINLY BY STATE INVESTIGATORS. THE STATE CERTIFICATION PROGRAM IS ESSENTIAL TO ENSURE THAT ONLY TRAINED INDIVIDUALS APPLY POWERFUL PESTICIDE PRODUCTS, AND DEALERS OF PESTICIDE PRODUCTS MUST BE POLICED TO ENSURE THAT PESTICIDES ARE PLACED IN THE HANDS OF TRAINED APPLICANTS.

SOME ASPECTS OF PESTICIDE USE HAVE NOT RECEIVED ENOUGH ATTENTION DUE TO THE LACK OF RESOURCES AVAILABLE TO STATE AGENCIES. THE APPLICATION TO LAKES AND STREAMS OF HERBICIDES CAN HAVE GRAVE ENVIRONMENTAL CONSEQUENCES. STATE REGULATORY PROGRAMS MUST BE DEVELOPED, FUNDED, AND SUPPORTED TO PREVENT UNWISE AND DANGEROUS AQUATIC APPLICATIONS. AERIAL APPLICATION OF PESTICIDES PRESENTS SIMILAR PROBLEMS. A STRONG ENFORCEMENT AND RESEARCH EFFORT MUST BE SUPPORTED BY FEDERAL FUNDS TO ESTABLISH ADEQUATE LABORATORY CAPABILITIES. PRESENT FEDERAL POLICY RECOGNIZED THIS NEED AND, IN NEW JERSEY AT LEAST, HAS BEGUN TO SUPPORT THIS POSITION. MAXIMUM FINANCIAL SUPPORT IN THIS AREA IS ABSOLUTELY ESSENTIAL TO THE DEVELOPMENT OF EFFICIENT STATE PROGRAMS.

IN CLOSING, I WOULD LIKE TO NOTE THAT WHILE FEDERAL FUNDS ARE IMPORTANT TO THE PROGRESS OF NEW JERSEY'S ENVIRONMENTAL PROTECTION EFFORTS, WE HAVE NEVER TAKEN THE POSTURE OF WAITING FOR FEDERAL DOLLARS BEFORE WE MOVE TO ADDRESS ENVIRONMENTAL ISSUES. NEW JERSEY IS MOVING AHEAD ON MANY FRONTS, MOST NOTABLY OUR AGGRESSIVE HAZARDOUS WASTE MANAGEMENT PROGRAM, OUR STATE OIL SPILL AND HAZARDOUS SUBSTANCES CLEANUP FUND, AND OUR SOLID WASTE PLANNING EFFORTS. BUT WE NEED FEDERAL ASSISTANCE. THE FUNDS WE RECEIVE FROM EPA MAKE A GREAT DEAL OF DIFFERENCE AS TO HOW EFFECTIVE OUR PROGRAMS ARE AND WILL CONTINUE TO BE. ONCE AGAIN, I WOULD LIKE TO SAY THAT WE LOOK TO THE CONGRESS FOR CONTINUED COMMITMENT TO THE REALIZATION OF ENVIRONMENTAL PROTECTION GOALS.

THANK YOU.

Mr. TRAXLER. In the Emergency Supplemental that is moving through, there is little hope in Section 311 program, there is an additional $12.5 million which should be made available in the next couple of weeks.

On the superfund we are awaiting the passage of the authorizing legislation. I think it is a 50-50 kind of probability.

Ms. ENGLISH. While it may not be relevant to this committee, I think that the experience in New Jersey may be helpful to the chemical industry.

It is in our State and in our neighbor's States. The chemical industry has been through the CIC exceptionally helpful to the legislation that we have moved.

Why there is a change of strategy at the national level is a matter for concern of the Congress, but I submit it is the sort of question that you may be interested in for those who lobby against the bill.

Mr. TRAXLER. Well, this Subcommittee which has the responsibility for funding that activity when it is established. We are in a procedural situation where we cannot, as we are marking up the 1981 bill which will come next week, we cannot very well proceed to fund the Superfund in the absence of it passing.

Ms. ENGLISH. There are alternatives that this Committee might do, are there not?

Mr. TRAXLER. We welcome your suggestions.

Ms. ENGLISH. I just happened to bring someone with me, Assistant Commissioner Arbesman, who is the Assistant Commissioner in our State for Environmental Management, and Paul has examined this as an alternative, and we give this to the committee as a suggestion.

Mr. ARBESMAN. The alternative was the supplemental funding of 311 and 504. You already indicated the emergency authorization on 311 was applied at 12.5.

Mr. TRAXLER. Which was somewhat less than the Administration requested.

Mr. ARBESMAN. It could be that some of the moneys that the Administration requested in this budget could be diverted into those areas as well as into full funding of the 504 fund.

Mr. TRAXLER. It should be pointed out that this Subcommittee does not fund the 311.

Ms. ENGLISH. Does the subcommittee take to anybody who does?

Mr. TRAXLER. Yes; we do.

Mr. Duncan from Oregon is the Chairman of the Subcommittee that handles the 311. We handle 504.

However, that is our responsibility.

Mr. ARBESMAN. Our issue is very simple. When we get out in the middle of a disaster and turn around and ask for commitment capability, when people's lives are in danger, we need the money there at that point in time, so any alternatives that are available to put moneys in the budget will earmark moneys pending the passage of this legislation would put it on the horizon for us, and possibly there are other members that would make it available immediately.

We are faced in Chemical Control with a 311 picture of only $3 million nationally, which is a paltry sum.

Mr. COUGHLIN. That happens to be in my other Subcommittee but, as I understand it, it applies to spills and I guess 504 is pretty much spills, too.

It really does not provide for getting to the waste dump itself for disposal.

Ms. ENGLISH. The problem really is that the Congress at this point, because of the enabling legislation not having to move forward, you don't have that convenient normal method of operation. Our difficulty, of course, as yours, is that meanwhile these environmental disasters are happening.

We have no control over when and where.

Mr. COUGHLIN. The funds you got were for the spills in the river?

Ms. ENGLISH. I had to encourage them to spill into the water.

It has also been suggested, for instance, that construction grants, that is your bag, right?

Mr. TRAXLER. Right.

Ms. ENGLISH. That is another area in which you might very well be looking at whatever we used to think were construction grants, and I am interested in the first water project there that is up on the wall, remove a little from that, but perhaps we should start thinking about other types of construction grants as well, and that it may very well be that the response of the State or a region will be to put together to establish, to build a hazardous waste disposal site.

In New Jersey we have some 20 sites, and of those 20 sites only one or two have even the beginnings of facilities that could take care of the kinds of materials and dispose of them properly that were stored on the site that I have just shown you.

So it may very well be that construction grants, as we thought of them, should not necessarily just go for what were the benign and established public works approaches, but there may be a new response that the Congress can consider that will again bring us into not only partnership but into the 21st Century, which is where we must be, in my judgment.

Mr. TRAXLER. You are at the payout window now, Mrs. English, and you bring the winning tickets here, and we can only fund those kinds of projects which the Congress has authorized. I guess where you have to go is over to the other window, to the authorizing committees, and say, "Here is our experience and we have some thoughts for you. We hope that this can take place." The thing about this institution called the Congress is that it is very compartmentalized and we each have certain responsibilities, and it is sometimes a terrible effort to get——

Ms. ENGLISH. You mean the daily double is very difficult?

Mr. TRAXLER. Very difficult to make on the first round.

Ms. ENGLISH. Nonetheless, when the big voting in the sky takes place——

Mr. TRAXLER. We want to be there. That is one payout window we want to be at. Obviously, within the Congress there exists an awareness of the problems you present to us today, and one can only hope that the process will be expedited as the authorizing legislation moves through. That will present some problems for the Administration and for this subcommittee, then the full committee,

to find the way to fund that, assuming that it does pass during 1980.

Ms. ENGLISH. I urge you, and I understand the mood of the Congress at this point, I understand the pressures that are upon us for balancing budgets. That has been supported by my Governor, our state constitution requires a balanced budget as a matter of course, so I am very used to that type of process. At the same time, I really believe that I can speak more globally than these types of concerns. I think when there are public projects and programs that the Congress authorizes, that in fact are ones that show something in the end that worked out, you wanted to have clean air, 10 years later we can tell you in the State of New Jersey we have cleaner air. Clean water is a mandate for this nation. We can demonstrate that in a way that is demonstrable, and that there is some hard evidence about it. I think those are the sorts of things that the taxpayers are looking for. For us to say if you have a public program it should work, and you should have the right people on it and you put your dollars wisely, and certainly not at the risk of lecturing this august body, I also do speak in support of my federal partner, and hopefully I will not be the only voice on this side.

Mr. TRAXLER. We appreciate your testimony today. It has been most helpful to us, and we don't envy the position that you are in. We will do what we can to provide you with the resources and tools within our means.

Ms. ENGLISH. Very good. Thank you.

Mr. COUGHLIN. Mr. Chairman.

Mr. TRAXLER. Yes, Mr. Coughlin?

Mr. COUGHLIN. Let me say I have encountered some of the same problems you have at a waste disposal site not in my district but in a neighboring district, where you literally almost had to release the waste into the Delaware River before you could get money to dispose of it. I guess one question I would have of you, to what extent do you think it is a state responsibility as opposed to a Federal responsibility to provide for these hazardous waste sites?

Ms. ENGLISH. I think it is a joint responsibility. Because we happen to have a large concentration of chemical, petrochemical and pharmaceutical generators in our state, we have a deep pocket, if you will, in an excise tax form to be able to fund the fund. That is not necessarily the case of all states, and now I am just telling you what should be the general wisdom, I assume. Each state might have a different approach that they would use, and it might be their own general appropriations or it might be in fact something that turns out to be those who are the end users of all products.

In a highly rural state, they may find that the pesticides use, or something of that nature——

Mr. COUGHLIN. It occurs to some extent whereas air quality and water quality are things that transcend state boundaries, the dumpsite, at least to some extent, is within a state boundary, and I guess the argument could be made that maybe that is a problem that is more adaptable to the states.

Ms. ENGLISH. I would accept that except insofar as to say it usually turns out that what we are dealing with here is a reclamation in the pure essence. The abandoned and orphan site is what

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we are really talking about. That is the biggest problem. There is no one there. You are going against someone.

In my research on the districts that you represent, one dumpsite owner in Minnesota moved to Arkansas, or they are always in Chapter 11, Chapter 13, or on the fringes of being indicted, hopefully after you finally have caught them in what turns out to be criminally negligent acts. That does not mean that a state should not have its own response if it is possible, and as I say, New Jersey has moved forward in that respect.

It is my understanding that New York has done so as well, and it may as well be that because we, unhappily, find ourselves as leaders in the problem we also found the responsibility to be leaders in the solution.

We are working on a regional approach for manifests, for transportation of hazardous wastes with Pennsylvania and surrounding states. There can be regional responses. There can be state responses, but I think that it is absolutely essential that the Federal Government be involved in this responsibility.

Mr. COUGHLIN. From what standpoint?

Ms. ENGLISH. Financially.

Let me go on to one further point.

Mr. COUGHLIN. We are in worse shape than you are.

Ms. ENGLISH. You have a better revenue base than most states, because although we have an income tax in the State of New Jersey, that is dedicated to real property tax relief. Not one dime comes to state operational expenses, and a real property base is more than likely what most states depend upon for their revenues, than an excise tax.

We don't happen to have the revenue base that the Federal Government does, so from that point of view, especially if you—you don't want me to get into general revenue sharing—but especially if you remove that form of state aid that is going back, then there is less and less flexibility from the point of view of how the states can respond.

Mr. COUGHLIN. It occurs to me that it is not just the financial commitment of the Federal Government. One of the reasons I think this may be almost more adaptable to state control than federal control is that I suspect each state has its own nature or kind of dumpsites that are fairly peculiar to the particular state. Yours is petrochemicals and things like that. Some states out West may be an entirely different nature of sites and an entirely different way of handling them.

Ms. ENGLISH. That could be.

Mr. ARBESMAN. There is another point, too, that the waste from that site most likely comes from that originating state total. Many facilities from all over the country are using a site in one state or in another state, so it really is an interstate problem.

Ms. ENGLISH. And the Supreme Court so informed us. We tried to keep Pennsylvania from using New Jersey and we lost that one.

Mr. ARBESMAN. And in the other direction, too, we are on record supporting the federal Superfund concept, and at the present time that does require a significant state share, anywhere from 10 to 25 percent of the cleanup program would be put up by the state

governments, the other from the excise tax approach in some of the concepts on the industry.

Ms. ENGLISH. The thrust of our comments to you today, being very mindful, Mr. Chairman, of what you can do and cannot do, comes to emergency response, and again I want to leave you with that thought, and I am hopeful that not only that you will not cut that, but that you will double it.

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

Ms. ENGLISH. Thank you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

PAUL CARSON, JR., PRESIDENT, NATIONAL UTILITY CONTRACTORS ASSOCIATION

RON BUCKHALT, DIRECTOR, GOVERNMENT RELATIONS, NATIONAL UTILITY CONTRACTORS ASSOCIATION

Mr. TRAXLER. We welcome Mr. Paul Carson, President of the National Utility Contractors Association. You may proceed.

Mr. CARSON. I am Paul Carson, Jr., President of the National Utility Contractors Association which represents about 2500 firms engaged in sewer, water and underground utility construction work. A significant portion of this work is funded under the Clean Water Act. We appreciate the opportunity to appear before this committee and express our support for the preservation of adequate funding for the Clean Water Program.

We realize these are difficult financial times for the United States, and we concur with attempts by Congress and the Administration to tighten up federal expenditures and balance the budget. Reducing deficit spending will help our nation control inflationary pressures threatening our economic system.

Nevertheless, in 1972, Congress decided that Americans deserve fishable-swimmable waters, and they reaffirmed that commitment again in 1977. 1983 was set by law as the date for achieving that laudable goal. Funding was authorized, in 1977, at $5 billion a year with a 75 to 85 percent federal share. However, because of a variety of factors including inflation, unstable funding and overregulation, the 1983 goals will not be achieved until the 1990s, at least.

The EPA Construction Grants Program is one of the few federally-funded programs which provides both strong environmental and economic benefits. In addition to cleaning up our nation's waters, the program provides direct employment for more than 200,000 persons each year.

The $3.7 billion appropriation level is already a drastic cut from the authorized $5 billion level and is in essence a further reduction from the $3.4 billion of fiscal year 1980, when inflation is factored in. Any further reduction will halt or delay needed construction activities throughout the nation, resulting in significant and possibly drastic unemployment problems for industry, states and local communities.

Further, with any threat of unstable funding, local governments will most certainly hesitate to begin necessary planning and design activities. Communities must be assured that the promised federal funding will be available when their projects reach the construction stage.

Congress must take the necessary steps to assure an adequate and sustained level of funding for the Clean Water Program. If economic conditions were different, NUCA would strongly argue for a return to the full $5 billion a year as authorized.

With these considerations in mind, we urge this committee to fully support the President's 1981 budget request of $3.7 billion for the EPA Construction Grants Program.

Furthermore, we would also like to add our support to the concept of multiyear funding for this program.

For Congress to appropriate any less would further delay achieving the objectives of this program and send a clear and possibly irreversible signal that it—the Congress—doesn't really care about the program any longer.

We would also like to address the subject of year-end unobligated balances of appropriated funds which has raised some concerns in Congress. Unobligated balances occur, not because the money isn't needed, but because the design and construction phases of the process take so long to complete—in many cases, up to eight to ten years. There are projects in the pipeline far beyond our present ability to fund them. Communities need these projects and plan on the funds becoming available when their projects are ready. The length of time it takes to design and build a plant or a system and its cost certainly will not be reduced by cutting funds.

As you may know, last year, the House Subcommittee on Oversight and Review of the Public Works and Transportation Committee held extensive hearings on the Construction Grants Program. The subcommittee's mandate to EPA was "reduce by 25 percent the time it takes to complete projects under the Act and report back to Congress in one year on the progress you have made." As one group who testified at those hearings, we heartily concur with the directive as issued by the committee chairman, Congressman Norman Y. Mineta.

Yet to achieve that directive, states and EPA nationally, must be assured of reliable funding, or else we run into a start-stop situation which will further increase the time it takes to complete clean water projects. Without a clear, long-range commitment, communities most likely will postpone water clean-up efforts since they, too, are faced with financial problems. How, in good conscience, can a mayor ask his citizens to pay for a bond issue to fund a needed clean water project if he cannot be assured that the Federal Government will be matching the efforts of his community as promised in the law?

We would also like to request that this committee address the President's deferral action as it affects the Clean Water Program. We have no quarrel with the need to reduce federal expenditures next year and can certainly accept the $95 million outlay deferral actions.

However, EPA has frozen only fiscal year 1980 funds, not prior year's funds in the pipeline. This has punished states who are on

schedule and expended their 1979 funds and are depending on fiscal year 1980 funds to keep their programs alive and moving. This uneven action has already particularly hurt 13 states, including Connecticut, New Hampshire, Rhode Island, Virginia, Mississippi, Illinois, Wisconsin, Nebraska, Arizona, California, Oregon, Washington, and Pennsylvania. Many other states will feel the effect as we near the end of the fiscal year.

Finally, there is currently more than $2 billion in fiscal year 1979 funds still available and about $2.5 billion in the pipeline already awarded to communities but not yet into construction. We feel better internal management and flexibility with these funds could speed them into construction and more efficiently serve those communities seeking clean water. At the same time, the whole economy would benefit because of the gainful employment for thousands of workers in the construction industry.

NUCA strongly suspects that since the deferral action on March 11, the objective of reducing fiscal year 1980 spending by $95 million may have already been achieved. If not, the agency certainly could achieve the remainder administratively and apply it more evenly across all 50 states. We therefore request this committee support rejection of the deferral action.

Since this is the Appropriations Committee, we wish to also discuss with you a preliminary concept paper currently being circulated by EPA entitled "Federal Funding Strategy for the Contruction Grants Program." This document addresses the problem of how to fund more than $100 billion of needs with only $45 billion in authorization. We believe that the direction EPA thinking is taking is flawed and would contravene the will of Congress. Sooner or later, if this thinking does not change, Congress will be forced to decide if EPA is indeed ignoring its legislative mandate.

Specifically, the concept paper recommends priority ranking for the various program categories. The assumed ranking system is as follows:

Highest Priority—Secondary Treatment, Advance Treatment, and Combined Sewer Overflow;

Middle Priority—New Interceptor Sewers and Correction of Infiltration/Inflow; and

Lowest Priority—New Collector Sewers and Major Sewer Rehabilitation.

Based on these premises, the concept paper recommends virtual exclusion of new collector sewers and major sewer rehabilitation from funding eligibility, and a sharp curtailment of funding for interceptors.

Despite the obvious importance of the priority ranking, only minimal substantiation for this hierarchy is ever offered. The paper maintains, for instance, that "one factor supporting the low-ranking of new collectors is their frequent use to promote growth as opposed to rectifying existing pollution problems." Certainly this concern is more than adequately refuted and controlled by Section 211(a) of the Clean Water Act which restricts eligibility of new or rehabilitated sewer systems only to existing communities.

EPA's recommendation to restrict or eliminate these categories from funding eligibility is clearly contrary to the intent of the Act

and represents an attempt to usurp state's rights in priority determination.

If this committee is interested in further information on this question, we would be glad to furnish additional data at a later date.

Finally, to reiterate:

First, the Construction Grants Program must have stable and reliable levels of funding if the program is to work, and $3.7 billion is the minimum figure we believe will be adequate for 1981.

Second, the proposed presidential deferral of obligations this year to achieve a fiscal year 1981 outlay reduction is applied inequitably, and, since it has probably achieved its objective, we urge its rejection.

Third, we urge better management of existing grant funds; and

Fourth, Congress must be aware of EPA's long-range funding strategies which contravene the 1977 amendments to the Clean Water Act by eliminating or restricting eligible categories.

We thank the committee for its indulgence and we would be pleased to answer any questions you might have.

Mr. TRAXLER. Thank you, Mr. Carson. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Carson.

You indicated that the deferral had probably already achieved its objective of reducing outlays by $95 million. Do you have any evidence to substantiate that?

Mr. CARSON. Yes, I believe EPA reacted on the March 11 date following the presidential order. It is now several months later. Some of those projects have already been delayed, and certainly between now and whatever point legislative action is taken in the House and Senate to adopt whatever measures are going to be taken, further things along that line will happen.

I think, secondly, you have to recognize the lead time from when the funds are actually given to the community to construct a project, and the date by which it actually starts. Historically it is anywhere from 3 to 6 months, so even if the deferral action is rescinded, and you go ahead and spend the money, it is going to be September before it gets out of the pipeline and actually gets into the economy at that point. So we feel even as of today the objective has been reached on the deferral program.

Mr. COUGHLIN. And you indicate that the agency could, if there were some remainder to be achieved, do so administratively and apply it more evenly across the 50 states. How would it do that?

Mr. CARSON. The EPA has a number of ways of awarding funds. For instance, certain projects get on line much faster than other projects. A complicated sewage treatment plant facility normally takes much more lead time before the money gets out into the economy, as opposed to, say, a sewer rehabilitation program which has a shorter startup time, so these kinds of choices are available within the EPA system to make those kinds of administrative decisions.

We are not looking at that many millions of dollars. I think just the start of the economy may take care of some of that, and some of the local funding that has to go along with these projects because of the high interest rates and so forth. The localities may not quite be on stream, so that may also become a mechanism by

which administratively there is some delay to the awarding of grants. I think it is a combination of those types of actions that would administratively allow the EPA to balance that money out.

Mr. COUGHLIN. Recently I met with some representatives of your industry, and if I recall properly they were urging the release of Step I and Step II funds. Is that correct?

Mr. CARSON. That is right.

Mr. COUGHLIN. Will you refresh my recollection on that?

Mr. CARSON. Step I and Step II are primarily the engineering and design stages of wastewater projects. They are not the actual construction stages. Because of the long lead time involved, if you don't keep going on your Step I and Step II work, which is the design and feasibility studies, and so forth, we are going to hit a spot maybe two years down the road from now, three years down the road, when the program is going to hit a lag only as a result of not funding some of that work at this point.

In the interests of keeping the program on target, keeping what you might say the enthusiasm among the cooperative states that are doing a good job of administering it, they have built up staffs, created the mechanism to make sure we accomplish these goals. If the funding is cut off so they can no longer be doing Step I and Step II, I think the state agencies are going to start taking a look—maybe we should cut back—and the whole program will begin to falter as a result. So the Step I–Step II money is the smaller amount compared to Step III, so that I think the feeling of the group was, well, let's keep that portion going so that we know there will be work coming out in the future from the two.

Mr. COUGHLIN. Does the deferral go to the Step I and Step II funds?

Mr. CARSON. It is across the board.

Mr. COUGHLIN. Across the board?

Mr. CARSON. Yes.

Mr. COUGHLIN. I just don't know the answer. Maybe you researched this. Is it possible to rescind only that portion of the deferral that goes to Step I and Step II or do you have to rescind the whole program? Or have you looked at that?

Mr. BUCKHALT. We heard varying opinions on it, Congressman. EPA is not too enthusiastic. We thought it was a total take-it-or-leave-it Step I, II, and III. OMB seemed to be very intrigued when talking to them about the possibility, but we have not had legal counsel on the possibility. We have met with both EPA and OMB and do not have a definitive answer. I would like to see what the legal situation is, frankly.

Mr. COUGHLIN. I would be interested in that too.

Mr. CARSON. We will look at it.

Mr. COUGHLIN. That might be something that this committee should take into consideration.

Thank you, Mr. Chairman.

Mr. TRAXLER. Thank you very much.

Mr. CARSON. Thank you, gentlemen.

Environmental Protection Agency

WITNESSES

SCOTT C. WHITNEY, ESQ., OF LEITNER, PALAN, LYMAN, MARTIN & BERNSTEIN, WASHINGTON, D.C., ON BEHALF OF VICTOR WINIK, CHAIRMAN, REGULATORY ADVISORY COMMITTEE, INTERNATIONAL SANITARY SUPPLY ASSOCIATION

JOSEPH L. LYMAN, ESQ., OF LEITNER, PALAN, LYMAN, MARTIN & BERNSTEIN, WASHINGTON, D.C.

Mr. Traxler. Our next witness, Mr. Scott Whitney, representing the International Sanitary Supply Association.

Mr. Whitney. I am accompanied by Joseph Lyman, a colleague of mine. In our prepared statement, Mr. Chairman, we addressed several points, two of which appear to be hopefully at least being resolved in the legislative committee after negotiation which we had yesterday with members of the EPA, members of the housing staff, and a variety of industrial representatives, and so I plan to confine our statement today to two problems which appear not to be resolved, and which appear to be problems which directly affect the proper use of the agency's resources.

We think that both of these problems constitute a rather significant waste of EPA resources, and we know that it creates a very counterproductive and, we think, unjustifiable economic burden on the industry. The first of these two problems has to do with something that is called the inert-active problem, and let me just explain that. In any pesticide formulation, and the International Sanitary Supply Association is a group composed of about 2700 companies that are principally formulators and distributors of induced pesticide products that are essentially antimicrobic products, sanitized, things that are used to protect against disease, and that sort of thing. In the formulation of these pesticides there are substances which are used as solvents or as builders or as something of that sort but which are not pesticides in themselves, and for which no pesticidal claim is made or intended. Historically, industry, to be very frank with you, kind of brought their problem on themselves. Back in the 1940's and 1950's for marketing reasons people, formulators, wanted to claim they had more active ingredients than some of their competitors had, and so they were treating isopropyl alcohol and ethanol and things like that as active ingredients. As the EPA data requirements or registration requirements became more complicated and sophisticated, these people were sort of hoisted with their own petard because they then had to do their own research on inert substances being treated improperly as active ingredients. As the data requirements got more complex, this became much more onerous. It also began to take up an increasing amount of the agency's time and it is one of those things which ought to be corrected but, for inertial reasons that we don't really understand, they haven't.

Now we think that this has particularly come to a head now because two years ago when the EPA administrator was issuing

regulations implementing the Toxic Substances Control Act, he indicated in the Federal Register notice that these particular substances should and will be regulated under TSCA, not under FIFRA, and I would like to take a second to read the administrative statement which sort of speaks for itself. This comes from the Federal Register rulemaking under TSCA, the Toxic Substances Control Act:

"The administrator of EPA agrees that raw materials, intermediates and inert ingredients produced or used in the manufacture of a pesticide are substances or mixtures which can be regulated under TSCA. In order to be considered a pesticide, a substance must be intended for use as a pesticide." And parethetically, as I indicated, they are not. They are used as solvents and builders and chelating agents, but the active ingredient is the real pesticide. "The raw materials, intermediates and ingredients produced or used in the manufacture of pesticides are not the ingredients regulated under FIFRA and therefore are subject to the Toxic Substances Control Act." We feel you have really got a dual situation here: One, these substances should not be regulated and subjected to the extensive data requirements that active ingredients are, and properly are subjected to, and they in effect should be spontaneously deregulated. We think it is all the more true that this should happen because now you have a classic case of double regulation.

The Administrator has indicted that these substances are being regulated under TSCA. I can speak for the industry. When the TSCA industry, as you may know, was compiled, all of these substances were listed on that TSCA inventory and are presently there, and are presently totally jurisdictionally subject to EPA's regulation under that statute, and we simply think it is a great waste of everybody's resources to continue this way. And we would hope that you would direct EPA to discontinue this practice and not to consume appropriated funds either directly or indirectly to regulate these substances under FIFRA.

Our second problem we also think has a good deal of merit. Without going into a lot of detail about how the registration process occurs, suppose that I were to manufacture and to register a formulated end-use antimicrobial product, say a surgical scrub, something like that, and since I am a formulator, to market it typically in the trade you will have maybe 800, 1,000 distributors out there, and you simply sell them this product, and it is identical. It is chemically in every respect identical to the product that is registered and fully regulated under FIFRA by the EPA. All that happens is it is marketed under a different tradename, with perhaps a different packaging for marketing purposes. But for the basic purposes of the Act, to regulate to protect the public health and environment, you have already done all of the testing of the product that the law requires at the time that the formulator produces a product and registers it.

These distributors are currently operating under something that is called a supplemental registration, in which they simply fill out forms and recite the registration number in my hypothetical company.

Unfortunately, for reasons that we frankly don't fully understand, the EPA in the course of processing each of these hundreds

and hundreds of supplemental registrations, the track record varies but it can be as short as eight or ten weeks. Last summer it was a total moratorium. There was an absolute bogdown, and we see this as really a totally useless expenditure of agency resources, and also it deters the marketing of a product that has already been totally cleared. It is just being marketed under another package.

We have a proposal that this whole thing could be simply done by a notification procedure. We think it is important that EPA keep track of who all these distributors are, so that in the odd case where a distributor is cheating and he is diluting or doing something, in enforcement they know where they are and they can monitor them for enforcement purposes, but we think this could be much better done by simply sending in a notification of that information to the EPA, and allow these people to go ahead and market this already registered product without these long delays, and without the considerable expenses involved.

Those are our two problems, and we wanted to bring them to your attention, because I think they directly impact on a prudent use of the agencies appropriations and their resources.

[The statement follows:]

STATEMENT OF

VICTOR WINIK, CHAIRMAN

OF THE

REGULATORY ADVISORY COMMITTEE

OF THE

INTERNATIONAL SANITARY SUPPLY ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

OF THE
APPROPRIATIONS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

HEARINGS ON EPA APPROPRIATIONS

MAY 7, 1980

My name is Victor Winik. I am Chairman of the Regulatory Advisory Committee of the International Sanitary Supply Association. ISSA is located at 5330 North Elston Avenue, Chicago, Illinois 60630. It has been in existence over 56 years and is composed of more than 2,500 manufacturing and distributing, small business firms engaged in producing and selling cleaning and maintenance products and supplies used in hospitals, schools, food establishments, commercial businesses and institutions. ISSA supplies janitors and maintenance workers throughout the United States and is concerned with the vital role which sanitary maintenance plays in providing better public health in the United States.

The Regulatory Advisory Committee [RAC], on which I serve as Chairman, is composed of fourteen representatives from the various member companies. This membership rotates and is representative of the various interests in ISSA - manufacturers of basic chemicals, formulators and distributors. The purpose of the Committee is to advise the Board of Directors of ISSA concerning what position the Association should take with respect to legislation and regulations affecting the business activities of ISSA members. We also seek to keep members informed about the voluminous and complicated laws and regulations that relate to their business to foster compliance and avoid inadvertent violations. I assure you, Mr. Chairman and Members of this Committee, that we are devoted to the objective of protecting public health and the environment. Our advisory and members information program is especially important because a significant percentage of ISSA members are small businesses and most members simply cannot afford to hire an expert to keep them informed about the ever-increasing number of laws and regulations that affect their business.

Last year, I appeared before this Committee to submit testimony on behalf of ISSA concerning the Environmental Protection Agency's [EPA's] implementation of the Pesticide Act of 1978. ISSA had hoped that the EPA would take full advantage of the new provisions enacted by the Congress in 1978 to correct past mistakes and provide a reasonable and workable regulatory program for pesticides. When we testified last year we pointed out several serious deficiencies in the EPA implementation program which involved substantial waste of that agency's resources, but at that time we recognized that the EPA had had less than a year to adapt to the new provisions of the 1978 legislation.

I am sorry to report, Mr. Chairman, that although another year has passed, ISSA is faced with essentially the same problems today as we faced this time last year. EPA is still engaged in what we contend are serious misuses of agency resources which also significantly and unnecesarily increase compliance costs for the pesticide industry. I

do not intend to be unduly critical of the EPA. ISSA recognizes that some of their most difficult problems have been thrust upon them by court decisions, for example, the so-called "cite-all" problem. But there are other problems which could be quickly cured if only EPA would exercise its existing powers properly.

Mr. Chairman, we have presented to the House Agriculture Committee a concise statement of our grievances and our recommendations how to solve the problems.

First, ISSA believes the time is long overdue to correct the "cite-all" problem. EPA presently requires applicants for conditional registration of pesticides "...to acknowledge reliance on all scientifically pertinent data..." which have been submitted to EPA after December 31, 1969 (44 F.R. 27947, May 11, 1979). This mandatory cite-all applies to "...registration of a technical-grade or manufacturing use product." (id.). Although EPA purports to allow an alternative method of supporting a registration application for a formulated end-use product (id.), in practice EPA's Office of Pesticide Programs [OPP] has vacillated and frequently requires cite-all.

Under EPA's mandatory cite-all an applicant must write to all parties who have referenced any of the active ingredients in the formulation and offer to pay. Even for comparatively simple formulae this frequently entails writing more than a thousand letters. EPA has acknowledged that the resulting "transaction costs" are substantial, especially for end-use formulations (id.). In addition to these "transaction costs," this system creates multiple contingent liabilities for the applicant which is a serious deterrent to developing new products.

ISSA believes mandatory cite-all is unlawful under the present terms of §3(c)(1)(D) which clearly provides for alternative methods of supporting an application, i.e., supplying the applicants' own test data or citation "...of data that appears in the public literature or that previously had been submitted to the Administrator..." between the period December 31, 1969, and September 30, 1978.

Moreover, §3(c)(1)(D)(ii) requires the applicant to make an offer to compensate the original data submitter, not everyone who has referenced the substance during the pertinent time period. However, because of the inadequacy of the EPA filing system it is not possible to identify original data submitters. EPA formerly overcame this problem by publishing in the Federal Register a notice that an application has been filed, a listing of the active ingredients, and the original data submitters had the burden of coming forward and establishing that compensation was due. This method was declared unlawful by the U.S. District Court for the Western District of Missouri on the ground that 3(c)(1)(D) contemplates a specific offer of

compensation made by the subsequent applicant to the original data submitter. [Mobay Chemical Corporation v. Costle, 447 F.Supp. 811, at 822]. The Court noted that EPA does not maintain an "indexing system" that enables that applicant to identify the original data submitter, but held that it lacked power to direct EPA to do so and concluded that Congress should act to rectify the situation [id.].

ISSA recognizes that the primary purpose of these hearings is to consider EPA's appropriations rather than considering new amendments to FIFRA. We have asked the House Agriculture Committee to adopt a simple amendment to §3(c)(1)(D)(i) to correct the cite-all situation. THis amendment would be in the nature of a technical correction made necessary by the court decision. The technical correction would simply make possible the implementation that Congress originally intended by restoring the Federal Register notification system. In the meantime, we hope this Committee will urge EPA to abandon mandatory cite-all and allow applicants to rely upon the alternative methods of documentation.

A second major problem is the EPA's misuse of its powers under §3(c)(2)(A). This Section clearly directs the Administrator to publish guidelines that specify the data required to support registration of pesticide products and directs that these guidelines be kept up to date and abreast with scientific progress. §3(c)(1)(B) also empowers the Administrator to require additional new data to support existing registrations. This assures that even registered products must be subjected to newly discovered tests to obtain up-to-date scientific information concerning their effect on public health and the environment.

Over the past three years the EPA has been developing a variety of new guidelines under this statutory authority, which are intended to supplement the last guidelines which EPA adopted pursuant to rulemaking requirements imposed by the Administrative Procedure Act [40 CFR Part 162, Subpart A, July 3, 1979]. Some, such as Subpart F, Hazard Evaluation: Humans and Domestic Animals, have been proposed in the Federal Register. Some, such as Subpart G, Efficacy Guidelines, have merely appeared in draft form.

The problem is that the EPA imposes many of these data requirements on applicants for registration regardless of whether the Guidelines are final, proposed or merely in draft form. This creates great confusion, substantial delay, unnecessary expense and a good deal of unnecessary animosity on the part of small companies who feel they are being given the run-around by big government. A good example of this abuse involves a member of ISSA who sought to register an antimicrobial product and after a year of delay, was told in writing by EPA that if certain tests were done, registration would be granted. The company

had the tests conducted by a prominent medical school, but when the results were submitted to EPA, EPA requested still further tests concerning efficacy.

This places a company, especially a small company, in the position of having to abandon the product and cut its losses, because even if they spend the additional money for the new efficacy tests, they have no assurance EPA will not require additional data before granting registration.

I want it clearly understood that ISSA does not oppose submission of adequate data to enable the EPA to do its job. Our interpretation of 3(c)(2)(A) is that an applicant for registration need only supply the data set forth in EPA's final guidelines on the day the application is filed. If EPA devises additional data requirements after that date, EPA must utilize 3(c)(2)(B) to get these new data to support the registration, but is not empowered by the law to delay grant of the registration and make submission of the new data a condition precedent to granting registration.

We believe the law as presently written is adequate, but we hope this Committee will include in its Report, a direction to the EPA that it conform its registration practice to the clear purport of the law. This would greatly improve the efficiency of the EPA registration process.

Our third problem also relates to data requirements. In our testimony last year, we applauded Administrator Costle's statement,

> ...it has become increasingly clear that we are spending far too much time on individual end-use formulation applications, and that the whole structure for registration needs to be focused primarily on the chemicals themselves rather than thousands of individual applications for products containing mixtures of chemicals.

It was on the basis of this statement, inter alia, that Congress enacted the "Simplified Procedures" and exemption provisions set forth in §3(c)(2)(C) and (D) of the 1978 Act. The intent of Congress was made quite clear:

> This streamlined approach is contrasted to the existing process that treats each registered product independently, with a concomitant repetition of active ingredient review and evaluation. Generic registration will permit the 4,200 busi-

nesses engaged in formulation or labeling of end-use products to submit simplified applications to EPA, and will relieve them of responsibility to offer to pay for the registration data submitted by suppliers of technical material [except in the price structure of the technical material].

Shortly prior to enactment of the above simplified provisions, the EPA had issued proposed Guidelines which would impose on formulators six testing regimes involving acute toxicity tests:

FORMULATED PRODUCT

Acute oral toxicity -- Section 163.81-1

Acute dermal toxicity -- Section 163.81-2

Acute inhalation toxicity -- Section 163.81-3

Primary eye irritation -- Section 163.81-4

Primary dermal irritation -- Section 163.81-5

Dermal sensitization -- Section 163.81-6

The above-noted list of tests that would be required of formulators is, however, by no means all of the testing and data requirements the proposed guidelines would impose on formulators. In addition to the aforementioned six test protocols (multiplied by the use dilution formulations), the proposed guidelines would impose:

1. Subchronic oral dosing studies, §163.82-1, provides that such studies will be required for manufacturing-use and formulated products if use of the product is likely to result in repeated human exposure through the oral route. This could be construed by EPA to apply to sanitizers used in kitchens, on food contact surfaces and on dishes.

2. Subchronic 21-day dermal toxicity studies (§163.82-2) or Subchronic 90-day dermal toxicity studies (163.82-3). Under the proposed guidelines, the 21-day test would be required of manufacturing-use and formulated products if its use is likely to result in repeated human skin contact. This could be construed by EPA to include a housewife or maintenance worker who uses a toilet bowl sanitizer on a weekly basis. The 21-day test is not required if the 90-day tests are done. The 90-day test requirement would be triggered by use, for example, of

chlorine in a swimming pool.

3. Chronic feeding studies, §163.83-1, provides that "all pesticides involving repeated exposure are subject to this data requirement". [Emphasis added] It specifically provides that the requirement applies to manufacturing-use and formulated products and cites examples of use including, inter alia, in and around residences, swimming pools, and in enclosed working places or their immediate vicinity.

4. Oncogenicity studies, §163.83-2, would require such tests of manufacturing-use and formulated products if the product is likely to result in human exposure over a portion of the human life span which is significant in terms of either the time the exposure occurs (e.g., diapers) or the duration of exposure (e.g., swimming pool additives or indoor use pesticides in aerosol form).

5. Teratogenicity studies, §163.83-3, would require such tests of manufacturing-use and formulated products which may reasonably be expected to result in significant exposure to human females (e.g., a woman using sanitizing products).

6. Reproduction studies, §163.83-4, would require such tests of manufacturing-use and formulated products if the product is likely to result in significant human exposure to the product.

7. General metabolism studies, §163.85-1, would require such studies of manufacturing-use and formulated products if the product required a chronic feeding study or an oncogenicity study discussed supra.

8. Domestic animal safety tests, §163.86-1, would require ten tests related to domestic animals if domestic animals are exposed to either manufactured or formulated pesticide products.

Last year ISSA made the point that the EPA should revise the proposed Guidelines to remove the requirement that formulators of end-use products conduct the foregoing chronic and subchronic tests provided, of course, that such tests have been conducted by the manufacturer of the basic pesticide chemical utilized in the end-use formulation.

ISSA has filed two formal written requests to the EPA seeking to rectify this situation and met with EPA officials in October of 1979 requesting relief. The EPA position appears to be that it does not intend to enforce these chronic and subchronic data requirements upon formulators of end-use products at the present time, but it refuses to amend the language of the proposed regulations. We respectfully submit that it is poor regulatory policy to propound regulations that say one thing, when in fact, the agency operates differently. While it is not possible to quantify the savings that a more orderly process would

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realize, we think that substantial agency resources are wasted by needless dispute and possible litigation. We therefore hope this Committee will direct the EPA to conform its Guidelines to be consistent with existing law.

Finally, ISSA contends that the EPA's present method of processing applications for Supplemental Registrations can be simplified, expedited and done at substantially less cost without interfering with the objective of the Act to protect public health and the environment. A Supplemental Registration is the registration of an already tested and registered end-use product which is packaged by the registrant but sold by distributors of the registrant under the distributor's product name. The contents of the product sold by the distributor is the same as the product registered by the registrant. The only difference is the name, and the label of the distributor's product clearly references the original EPA registration number.

Under current EPA practice, an applicant for a Supplemental Registration is required to fill out an EPA form which requires disclosure of the product registration number, the distributor's EPA number, the name and address of the registrant, the product name, the registrant's signature, the distributor's name and address, the distributor's proposed product name and the distributor-applicant's signature.

The EPA usually takes six to eight weeks to process this application. In some instances this process takes substantially longer and during the summer and fall of 1979 a substantial delay period was usual.

ISSA respectfully submits that the EPA has legal authority and should in the interest of efficiency allow applicants for Supplemental Registrations to simply send notification to EPA setting forth the above information and immediately begin to market the product without waiting for EPA processing. This procedure would save substantial agency resources and facilitate the marketing of already registered products.

Mr. Chairman, ISSA appreciates this opportunity to bring to the Committe's attention the foregoing measures which if adopted would substantially improve pesticide regulation and the cost-effectiveness of EPA.

Thank you.

Mr. TRAXLER. Thank you very much for this interesting information. Mr. Coughlin?

Mr. COUGHLIN. I am just trying to think of how we would specifically address these problems.

Mr. TRAXLER. I wish you hadn't asked that. I was doing well.

Mr. COUGHLIN. As a Subcommittee, what would you suggest we do?

Mr. WHITNEY. Well, I think it would be helpful if the committee in short report language simply indicated that they were aware of these problems and that they shared the view that it did constitute a waste of agency resources, because I think it is fairly well known that this committee has rather considerable persuasive force with agencies through their appropriations, and I suppose technically you can even have a restriction on the appropriations that no funds be spent for activities which are regarded as improvident and duplicative.

Mr. COUGHLIN. Could you provide the subcommittee with suggested report language?

Mr. WHITNEY. We would be delighted.

Mr. COUGHLIN. I can't guarantee it would be included.

Mr. WHITNEY. We would be very happy to fashion something along that line and to submit it for your consideration.

Mr. COUGHLIN. Thank you very much.

Mr. TRAXLER. Thank you very much.

Mr. COUGHLIN. Thank you, sir.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

NEIL SAMPSON, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

JIM LAKE, PROGRAM SPECIALIST, NACD

Mr. TRAXLER. We welcome Mr. Neil Sampson, Executive Vice President, National Association of Conservation Districts.

We will submit your statement for the record.

Mr. SAMPSON. Let me thank you for the chance to appear.

We have a lengthy paper to demonstrate some of the things involved in 208 management responsibility that many of our conservation districts are carrying out, and we did it to indicate to you some of the financial implications of that. I certainly won't go through that but I would appreciate it if you could include our statement as part of the record.

Mr. TRAXLER. We will be happy to.

Mr. SAMPSON. We would like to focus today on some of the programs of the Environmental Protection Agency that are of specific interest to our conservation districts who work primarily in the area of the prevention of nonpoint-source pollution and have worked very closely with the 208 program.

This continuing planning program we feel has done a great deal around the country to not only alert people to where the problem of nonpoint-source pollution existed, but where the solutions might lie, and where some of the institutional and management and

financial and regulatory and voluntary and other types of arrangements are going to need to be made.

The conservation districts have been involved, as I say, from the very outset, and I think right now are somewhat disturbed by the budget proposal to cut the 208 program back from its current $37.5 million to its $34 million level as proposed.

NACD has taken a hard look at this, and believes that an increase in this program to $40 million in fiscal year 1981 would be justified. That would represent a $2.5 million increase over 1980, and we offer that as a recommendation for the Committee's consideration.

We just think there has been a tremendous investment of time and money and energy by people all over this country. They started at the request of this Congress that we make a national goal to clean up the waters of this land by 1983, and I think we are getting into the final stages of that commitment, and I hope you will take a hard look at these signals that are sent out in the appropriations bill on that particular effort.

The clean lakes program, Section 314, has been an interesting case of another program in the Clean Water Act that has come into much more view since the 208 planning process has begun. There are many areas where the 314 program, the clean lakes program, is being looked at as a very excellent vehicle for carrying out some of the land treatment required to clean up a lake, and we would suggest that that program should be continued at the same level as last year.

The Second 106 program, the state program grants, are now being used to support some of the nonpoint-source activities, and we support the President's budget in that regard.

Finally, we would like to point out the renewable resources research and development activity in EPA. There is a great deal that we don't know about the connection between what happens on the land and what happens in the water. There are currently experimental clean water projects around the country, model implementation projects where people are hard at work to try to get that conservation and those pollution prevention practices on the land, and we surely need the support of EPA's research and development efforts to help us identify the connection between those practices and what actually happens in the water.

We would like to thank you for this opportunity. I point out at the end a finding that came into USDA on a Louis Harris poll where, when people were asked if they were willing to spend more money for programs to clean up our nation's water, overwhelming support resulted, so we are hopeful that that is the sort of support you can get as you go through the difficult task we know of finding money to fund these programs.

Thank you very much. We will be happy to respond to questions.

[The statement follows:]

NACD

NACD RECOMMENDATIONS ON THE 1981 APPROPRIATIONS
ACT FOR HUD-INDEPENDENT AGENCIES

AGENCY AND PROGRAM	FY 1980 Appropriations	FY 1981 Budget	NACD Recommendation
ENVIRONMENTAL PROTECTION AGENCY			
Water Quality Planning (208)	37,500,000	34,000,000	40,000,000
Clean Lakes Program (314)	15,000,000	13,400,000	15,000,000
State Program Grants (106)	48,700,000	48,700,000	48,700,000
Renewable Resources (R&D)	3,071,000	300,000	3,000,000

There are several programs of the Environmental Protection Agency of interest and concern to conservation districts. Although the overall FY81 Budget Request shows a modest increase, we are concerned about several individual programs, as follows:

Section 208, Water Quality Planning, is a continuing planning process, but is proposed for a decrease in funding of $3.5 million. NACD believes this decrease is unwise, in light of the continuing need for control of non-point sources of pollution from urban and agricultural areas, as well as the increasing need for protection of groundwater.

Section 314, Clean Lakes Program, is designed to control pollution of fresh-water lakes, including land treatment of upland areas. The 208 planning process has identified many areas where the Section 314 program is applicable. The proposed $2.6 million cut in the funding of this program is, in our opinion, unwise, now that solvable problems have been identified. NACD recommends that this program be funded at a level at least equal to FY80 levels.

Section 106, State Program Grants, are used for the support of overall management of state water quality programs. NACD recommends that this program be funded at FY80 levels.

Renewable Resources (R&D) research supporting evaluation and analysis of best management practice alternatives for agricultural activities contributing to non-point source pollution. The experimental Rural Clean Water Program (RCWP) in the Department of Agriculture was funded in 1980 at $50,000,000. Thirteen RCWP projects have been approved. The FY 1981 budget designates $20,000,000 for additional RCWP projects. R&D funding and manpower in EPA is essential to providing cooperative support to USDA in monitoring and analyzing effectiveness of BMP's in RCWP, Clean Lakes, and other water quality efforts in agricultural areas.

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Statement
of
Neil Sampson, Executive Vice President, NACD
to the
HUD - Independent Agencies Subcommittee
of the
House Committee on Appropriations
May 7, 1980

Mr. Chairman. Members of the Subcommittee.

I am Neil Sampson, Executive Vice President of the National Association of Conservation Districts (NACD). The National Association of Conservation Districts is the national spokesman for the nation's 2,950 conservation districts. Conservation districts are established under state law in every state, Puerto Rico and the Virgin Islands. They are charged to carry out programs for the conservation of soil, water, and related resources at the local level.

Our testimony will focus on several programs of the Environmental Protection Agency that are of interest and concern to conservation districts. Although the overall FY81 budget request for EPA shows a modest increase, we are concerned about several individual programs that are not receiving the priority attention they deserve.

Section 208, Water Quality Planning, is a continuing planning process, but the 1981 budget proposes a decrease in funding of 3.5 million. NACD believes this decrease is unwise, in light of the increasing need for prevention of nonpoint sources of pollution. Section 208 was envisioned by the Congress as a process to identify all sources of point and nonpoint source pollution, assess their significance and develop a plan for solving them. Many state and areawide water quality management plans are completed or nearly so. Characteristically, those plans are very general in nature and do not

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include the specific elements or arrangements needed to assure their implementation. If 208 plans are to serve the purpose for which they were intended, a significant amount of work is still necessary. Many institutional arrangements and strategies must still be worked out at federal, state, and local levels before significant implementation can result.

Conservation districts, for example, have been designated in most statewide agricultural nonpoint source plans as the management agency responsible for implementing that portion of the plan, but the plans stop short of integrating conservation district programs and authorities with the water quality plan that the districts are designated to carry out. This is a crucial link that must be added through the continuing planning process. Similar institutional problems can be identified for all the agencies designated in the plans to implement various control programs.

NACD believes that the costs associated with integrating state and local programs into the federally-mandated 208 planning and implementation process should be borne by the federal government. We therefore request that the 208 program be funded at 40 million in FY 1981 rather than the 34 million proposed in the President's budget. This represents a 3.5 million increase over 1980.

We are convinced that the credibility of this entire program hinges on how well the arrangements are made and carried out to implement the plans. There is a tremendous investment of money, time and energy in this 208 planning process, and we must not falter or lose our sense of purpose as we approach the final, and most critical, stage. Congress initiated the task, and state and local governments, as well as private citizens, have responded admirably. We must not now send the signal that all that effort has been in vain and that the resolve of the Congress is weakening.

Once the institutional arrangements have all been made and the implementation of the 208 plans is under way, reductions in the federal level of support for the planning process will be in order.

NACD has recently developed a paper entitled "Roles, Responsibilities, and Opportunities for Management Agencies in Rural Nonpoint Program Implementation" which addresses in detail many of the points we have highlighted in our testimony. It is appended to our statement and we would ask that it be included in the record.

Section 314, the Clean Lakes Program, is designed to control pollution of our freshwater lakes, including land treatment of upland areas that drain into them. The 208 planning has created increased awareness of the Clean Lakes Program, as the 208 plans identify many areas where this program is applicable. Requests for funds under the Clean Lakes Program are at an all time high.

If the Congress is intent on meeting the goals of the Clean Water Act, it is untimely to reduce the programs that can play a significant role in meeting those goals. NACD recommends that this program be funded at the FY80 level of 15.6 million.

Section 106, State Program Grants, are used for the support of overall management of state water quality programs. Until recently 106 funds were used entirely to support administration of point source programs. Now, states are also using a portion of this fund to support nonpoint source programs as well. NACD recommends that this program be funded at 48.7 million, the same as proposed in the FY81 budget.

Renewable Resources Research and Development (R&D), is needed for research on the evaluation and analysis of best management practice alternatives for agricultural activities. One new demand has been created by The Experimental Rural Clean Water Program in the Department of Agriculture, which was funded at 50 million for FY80.

Thirteen RCWP projects have been initiated in FY80. Another $20 million is proposed in the FY81 budget for RCWP projects. One reason the Rural Clean Water Program is called an "Experimental" program is that we do not have adequate information about the impact of various BMP's on water quality or the cost effectiveness of such a program.

R&D funding and manpower in EPA is essential to provide the cooperative support needed by USDA in monitoring and analyzing the effectiveness of BMP's in RCWP projects and other agricultural areas. We therefore recommend 3 million dollars for that purpose in FY81.

In closing, I want to point out a significant finding that came from a Louis Harris Poll conducted recently as part of USDA's study under the Soil and Water Resource Conservation Act of 1977. According to that poll, 95 percent of the public indicates that they would support increased funding for programs to clean up our nation's waters. All of these programs that we have provided testimony on here today can have a significant impact on that vital national effort.

208 WATER QUALITY MANAGEMENT: ROLES, RESPONSIBILITIES, AND OPPORTUNITIES FOR MANAGEMENT AGENCIES IN RURAL NONPOINT SOURCE PROGRAM IMPLEMENTATION

INTRODUCTION

In an effort to provide a useful reference tool for agencies, organizations and citizens involved in Water Quality Management, the National Association of Conservation Districts has prepared the following information on Roles, Responsibilities, and Opportunities of Nonpoint Source Water Quality Management Agencies in implementing nonpoint source programs. The paper is for general information only and is not intended to be all inclusive. If you have any questions or comments on the document, please forward them to Robert E. Williams, Director of Special Projects, NACD, 1025 Vermont Avenue, NW, Washington, DC 20005.

DESIGNATION

Section 208, subpart (c)(1) of Public Law 92-500, The Clean Water Act, specifies that the Governor of each State shall designate one or more management agencies for each planning area. This shall be done in consultation with the planning agency, at, or prior to, the time the Water Quality Management Plan is certified by the Governor and submitted to the EPA Regional Administrator.

More specifically, rules governing Water Quality Management issued by the Environmental Protection Agency (EPA) on May 23, 1979 in the Federal Register, Subpart G, Section 35.1521-3, "Plan Development Requirements" states that "the plan shall identify a specific management agency to implement each of the plan's programs". Thus, a plan might designate a different management agency to implement a program for controlling each nonpoint source category such as agriculture, silviculture, mining, construction, stormwater management, etc. or a single management agency might be designated to implement programs for two or more nonpoint source categories.

When there is more than one agency designated to implement the various nonpoint source catagories, there must be one agency with overall management

authority and responsibility. (See typical management scheme, Attachment 1) The reason for having one agency with overall authority is obvious -- someone must initiate the action, coordinate the various activities between the management agencies and, most importantly, provide the leadership that results in implementation of the total plan. In most cases, the lead management agency will be the state water quality agency since it is ultimately responsible for the program.

In many 208 Water Quality Management Plans the agencies that are delegated responsibility for implementing specific nonpoint source categories, but which are working under the authority of an overall management agency, will be referred to as facilitating or implementing agencies rather than management agencies.

The EPA regulations also provide, under section 35.1527, "Evaluation of Management Agency Performance," that if the EPA Regional Administrator determines, after consultation with the appropriate planning agency, that the management agency(s) are not meeting their responsibilities effectively and on time, he or she may withdraw acceptance of the management agency(s) and request the Governor to take corrective action including designation of a new management agency(s).

ACCEPTANCE

Section 35.1521-3 (c)(2) states that "each major management agency, in cooperation with the planning agency, should forward to the Governor and the EPA Regional Administrator with the plan a letter of commitment which will acknowledge the management agency's acceptance of the responsibilities and time schedules assigned to the management agency by the plan. Other indications of commitment to fulfill assigned responsibilities (e.g. State law, regulations, or Executive Order) may be accepted in lieu of the letter."

CAPABILITIES AND AUTHORITIES (EPA Program Guidance Memorandum: SAM-30, August 23, 1977)

According to EPA's Program Guidance Memorandum No. 30 for State and Areawide Water Quality Management, management agency designation will be fully approved by EPA only when the proposed management agency has the

legal, financial, managerial, and institutional capability to carry out its assigned responsibilities. Where any of these capabilities is in doubt, the Regional Administrator may either refuse to accept the designation or accept it with conditions.

An individual management agency is not required to have all of the authorities listed in the Act and regulations, as long as it has authority to carry out its responsibilities under the plan, and the proposed management agencies in the aggregate have all of the authorities.

Each agency's authority should be evaluated in relation to its assigned responsibility. For example: an agency charged with oversight of a program with regulatory authority does need authorities of a regulatory nature for purposes of water quality management designation approval,while an agency charged with implementation of a non-regulatory program does not need regulatory authority.

RESPONSIBILITIES FOR IMPLEMENTATION (SAM-30)

The plan's listing of mangement agency responsibilities may be presented by means of an implementation statement (strategy) for each management agency.

Since water quality plans will likely be somewhat more general than plans needed for management of a specific program, each management agency will need to develop a more detailed "Implementation Program." The "Implementation Program" (plan) should be highlighted by the management agency's proposed implementation statement(s). The statement(s) should include responsibilities, plans and schedules for action, existing authorities and any needed additional authorities, physical and financal resources needed, and plans for evalution of progress.

IMPLEMENTATION PROGRAM

In developing the Implementation Program a comprehensive analysis of the following points will need to be addressed:

- What are the rural nonpoint source problems of concern? What level of reduction is desired (or necessary)?
- Where are the critical areas or sources to be treated?
- How will the implementation be accomplished?

- Who will be responsibile for what?
- When will it begin, and when will it be completed?

The lead or overall management agency should see that this comprehensive analysis is completed and as a result that a Comprehensive Implementation Program is developed.

DEVELOPMENT OF THE COMPREHENSIVE IMPLEMENTATION PROGRAM (plan)

Each of the previous points will need to be greatly expanded upon in the Comprehensive Implementation Program (plan). The plan should include comprehensive information on:

The Nonpoint Source Problems To Be Treated

- A description of the nonpoint source activities which are generating the pollutants of concern. They could include, but are not limited to agriculture, silviculture, construction, and mining activities,as well as, private sewage disposal.
- A listing of the nonpoint source pollutants that are presently degrading water quality from these activities. These could include, but are not limited to, pesticides and other toxic substances, nutrients, pathogens and other bacteria from animal and domestic wastes, salinity and sediment.

Identification Of Critical Areas And/Or Sources (location)

- A map illustrating the location and extent of the critical areas or sources. For example, an illustration of the location of the critical erosion areas or sources such as animal waste sites within the jurisidiction covered by the mangement agency.

Best Management Practices (BMP's) Needed

- A refinement of the list of Best Management Practices found in the approved 208 plan that would include only those BMP's for the particular areas or sources being covered and suited to site specific conditions. A general estimate of the amount and unit cost of each BMP could be prepared (to the extent feasible). The exact BMP including extent and cost will, of course, depend on the specific conditions found "on location" when the field technician works with the landuser.

Plan of Action

- A description of the procedure for planning, designing, and installing BMP's. This should highlight the importance of site specific determination of BMP needs and acceptance by the land user.
- Identify the existing programs and resources to be obtained and used from local, state, and federal resources, both public and private. This would include manpower and financial assistance from existing as well as proposed new programs.
- A brief discussion on how each of these programs and resources will be used to help implementation. Could include a statement on each program relative to its strengths, limitations, and the kinds of changes that may be necessary to maximize the utilization of each.
- New innovative and alternative programs that may not yet have been utilized or even tested could be included. For example, several of the alternative strategies being considered in the draft Resources Conservation Act Program Report could be tested as vehicles to help implement nonpoint source programs.
- Statement(s) as to the priorities the management agency(s) has established for program actions.
- A brief description of the proposed information and education activities. Identify who is responsibile, what resources will be used and how it will be approached.
- Plans for coordination with other management agencies, local units of government, other state and federal agencies and private citizens.
- Plans for public participation, including specific efforts planned and scheduled to assure public involvement.

Schedules For Implementation Activities

- Time schedules for beginning implementation efforts. Progressive goals for accomplishments, and expected completion dates. This could be accomplished by establishing yearly goals in terms of areas to be treated and water quality improvement expected to be accomplished.

Program Results - Evaluation

- A monitoring plan to determine program results may be established and implemented or a predictive model may be used to simulate measure of results from other areas. A detailed monitoring program on each project would not be economically feasible.
- A method for determining implementation accomplishments needs to be prescribed, both in terms of BMP's installed and their relationship to water quality improvements achieved.

Program Evaluation and Revision (Continuous Planning Process)

- Based on the results obtained from implementation after a prescribed length of time (jointly determined by the 208 agency and each management agency) an evaluation of the effectiveness needs to be instituted.
- An identification of additional program authorities that may be needed such as:
  - state and/or local cost share programs
  - regulations
  - resources (manpower, equipment, etc.)
  - other economic incentives or penalties
  - a statement about when the program will be evaluated and revised if needed (annually, bi-annually, or other period of time)

OPPORTUNITIES FOR ASSISTANCE IN IMPLEMENTATION OF RURAL NONPOINT SOURCE PROGRAMS

Many existing agencies and programs administered by agencies at the federal, state, and local level can contribute significantly to water quality implementation efforts. The following information provides a brief review of potential program opportunities and is not intended to be all inclusive. In addition, it is not intended (by listing the potential program opportunities) to imply that there is unlimited assistance available or that the programs listed will be adequate to solve all the nonpoint source problems. It's very important to note that many of these programs are grossly underfunded and therefore, their limitation in money, manpower, and authority may very seriously limit their impact of nonpoint source

program(s) implementation. Local management agencies must initiate application for program participation based on the prescribed procedures for each program.

FEDERAL

U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA)

The Federal Water Pollution Control Act of 1972 (PL 92-500) was amended by the Clean Water Act of 1977 (PL 95-217). Several sections of that Act, as amended have provisions to help implement nonpoint source pollution control programs.

Section 106 - Grants for Administration of Pollution Control Programs

Section 106 of the Clean Water Act provides for annual grants to state water pollution control agencies and to certain interstate commissions to assist them in administering programs for the prevention, reduction, and elimination of pollution. 106 funds are used for operations and implementation activities, such as monitoring, evaluation, enforcement and administration.

Section 108 - Pollution Control in Watersheds of the Great Lakes

Section 108 authorizes grants to any states, political subdivisions, interstate agencies, or other public agencies to carry out projects to demonstrate methods and techniques for the elimination or control of pollution in watersheds of the Great Lakes. The purpose of the program is to demonstrate the engineering and economic feasibility of preventing pollutants from entering into the Great Lakes. Sponsoring agencies shall pay not less than 25 percent of the actual project costs which may be in any form, including, but not limited to, land or interests therein, personal property or services.

Section 201 - Construction Grants

Section 201 of the Federal Water Pollution Control Act, as amended in 1977 (PL 95-217), includes provisions for providing grants for the purpose of installing privately owned treatment works serving one or more principal residences or small commercial establishments. The grants include funds for cost sharing up to 85% of the total cost of replacing privately owned polluting systems installed prior to December 27, 1977 with new innovative

and/or alternative systems. The innovative and alternative systems incude but are not limited to; septic tanks with dual subsurface disposal systems, mounds, aeration and chlorination systems, waterless toilets, pressure and vacuum sewers, and systems utilizing land disposal. Management agencies need to work closely with the states to identify areas where this alternative could be used. They need to become familiar with the procedures for obtaining these grants.

Section 208 Water Quality Management Program

Section 208 provides grants to state and local agencies to encourage and facilitate the development and implementation of water quality management programs. The primary emphasis and use of 208 funds prior to 1980 was for developing State and Areawide Water Quality Management Plans. This activity has essentially been completed. From now until 1984 when Section 208 funding is scheduled to be discontinued the primary emphasis for use of 208 grants are:

1. to develop and implement specific projects to solve national high priority water quality problems
2. to establish cause-effect technical data
3. to transfer technical data gathered from specific projects to other areas to avoid duplication of monitoring efforts.

Section 314 - Clean Lakes Program

Section 314 of the Act provides matching grants to States for the operation of the Clean Lakes program. The objective of the Clean Lakes program is to restore and protect water quality in publicly-owned fresh-water lakes. A majority of the efforts are for restoring lake quality, with added provisions to share in the cost of designing and installing best management practices designed to prevent water quality problems from recurring.

Eligible agencies may apply for two types of grants under section 314. Phase I grants support diagnostic feasibility studies to evaluate lake characteristics and develop plans for restoration and preservation. Phase I grants are 70 percent Federal-share matching grants, with a limit of

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$100,000. Phase II grants fund implementation of pollution control or restoration. They are 50 percent Federal-share grants.

All applications for Clean Lakes grants as well as other EPA grants must be consistent with State/EPA Agreements and applicable WQM plans.

The State/EPA Agreements (SEA) are developed each year through a process which pulls State Pollution Control Agency and EPA Regional office decision makers together for the purpose of establishing priorities on the environmental problems within each individual state and a developing funding strategy to help solve those problems.

Joint EPA-USDA Effort

Model Implementation Projects (MIP's)

The Model Implementation Program (MIP) is a cooperative effort of USDA and EPA that combined existing programs and resources to accelerate the installation of measures to reduce agricultural and silvicultural nonpoint sources of water pollution in selected project areas throughout the Nation. MIP projects are located in South Carolina, South Dakota, Indiana, Nebraska, New York, Oklahoma, and Washington. The Agricultural Stabilization and Conservation Service (ASCS) invested 1.5 million in 1978 and 1.6 million in 1979 to provide cost-sharing funds to the MIP's. the Environmental Protection Agency has invested over 1 million for monitoring efforts in the MIP's. The Soil Conservation Service (SCS) and the Cooperative Extension Services (SEAES) have provided additional technical assistance to the MIP's. The MIP's will be continued for several more years.

No additional MIP projects (as such) are planned. However, several of the existing projects will likely be extended. In addition, projects of the same prototype will likely be funded from other sources.

USDA

There are many programs administered by several USDA agencies that may be helpful in nonpoint source implementation.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICES (ASCS)

Agricultural Conservation Program (ACP)

The Agricultural Conservation Program (ACP) provides cost-sharing assistance to farmers and ranchers for carrying out conservation measures on

their land. These measures include: practices to help control erosion and sedimentation from agricultural land; practices to control pollution from animal wastes; practices to conserve wildlife habitat. The program contributes to the national objective of assuring a continuous supply of food and fiber. It also encourages voluntary compliance by agricultural producers with federal and state requirements to control point and nonpoint sources of pollution to improve water quality.

The ACP is administered by Agricultural Stabilization and Conservation State, County, and Community Farmer Committees, working under the general direction of the Agricultural Stablization and Conservation Service (ASCS) of the U.S Department of Agriculture. The Soil Conservation Service (SCS), Forest Service (FS), and SEA-Extension Service of the Department of Agriculture provide program guidance to ASC committees as well as technical assistance to farmers in carrying out conservation practices. Funds for the program are provided annually through the regular appropriation process.

Special Water Quality Projects

$4.3 million of the $190 million appropriated for the Agricultural Conservation Program in 1979 was used at the national level to fund 21 Special Water Quality Projects. These special projects were submitted by various State and County (ASC) Committees. The special project funds are being administered using the on-going ACP procedures. In FY80 an additional $3.6 million was provided to these 21 projects for the purpose of installing conservation and pollution control practices to improve water quality. These projects are expected to be continued at least one more year.

Experimental Rural Clean Water Program

Congress approved $50 million dollars in FY80 to fund an Experimental Rural Clean Water Program. The program will be administered by ASCS. The experimental program is a voluntary program providing financial and technical assistance to private landowners having control of rural land. This assistance is provided through long term contracts of 3 to 10 years to install Best Management Practices (BMPs) in approved project areas which

have critical water quality problems resulting from agricultural activities. The project areas selected for Rural Clean Water Program funding will reflect the water quality priority concerns developed through the water quality management process. In the first year of the program, FY 1980, the bulk of the projects will be selected from the pool of 64 applications from 31 states submitted to USDA in 1979. A few of the project areas will be selected for intensive monitoring and evaluation to measure the impact on water quality improvement.

Forestry Incentives Program (FIP)

The Forestry Incentives Program (FIP) was authorized by Congress in 1973 to share the cost of tree planting and timber stand improvement with private landowners. The Federal share of these costs ranges from 50 to 75 percent, depending upon the cost-share rate set by the Agricultural Stablization and Conservation (ASC) county committees, the administering agency.

The Forestry Incentives Program is available in counties designated, on the basis of a Forest Service survey, to have eligible private timber acreage and acreage potentially suitable for production of timber products.

Water Bank Program

The program is authorized by the Water Bank Act (Public Law 91-559 (84 Stat. 1468, 16 U.S.C. 1301) approved by Congress on December 19, 1970.

Agricultural Stabilization and Conservation committees administer the program. Planning and technical services are provided by the Soil Conservation Service to the landowner for the management, protection, and development of wetland habitat. A Water Bank Agreement between USDA and the landowner is for 10 years and stipulates that certain conservation measures will be carried out during the life of the agreement. An annual payment is made for each acre of wetland and adjacent land in the agreement.

SOIL CONSERVATION SERVICE (SCS)

Technical Assistance

The Soil Conservation Service (SCS) provides technical assistance through conservation districts to individuals, groups, organizations, cities

and towns, as well as to county and state governments in reducing the waste of land and water resources and in putting to good use these national assets. The objective is use and conservation treatment of natural resources in harmony with their capability and needs.

SCS technical staff analyze resource problems and suggest safe use and treatment of natural resources. The technical staff includes soil conservationists; soil scientists; economists; agricultural, irrigation, hydraulic, drainage, civil, and cartographic engineers; agronomists; biologists; foresters; plant materials specialists; range conservationists; geologists; landscape architects; and resource planning specialists.

Landusers avail themselves of this technical assistance in helping them plan how to use their natural resources to meet their own needs within the framework of the SCS mission. That mission is the conservation, development, and productive use of soil, water, and natural resources.

Great Plains Conservation Program (GPCP)

The Great Plains Conservation Program (GPCP) provides technical and financial assistance through long-term contracts with landusers in the Great Plains area. Cost-share funds are available only for enduring conservation measures needed to stabilize and protect agricultural lands against climatic and erosion hazards.

Controlling erosion to reduce the amount of sediment and other pollutants from entering our nation's waters results in improved water quality. At the option of the landuser, other agriculture-related pollution abatement practices such as animal waste management systems may be a part of GPCP contracts. The Great Plains Conservation Program is presently in operation in 469 counties of the 10 Great Plains states.

Resource Conservation and Development Program (RC&D)

The RC&D Program may provide assistance for implementing Section 208 (nonpoint) plans under its authority to provide technical and financial assistance for the purposes of soil and water management for agriculture-related pollution control and for water quality management. Under the two

purposes, cost sharing may be provided for: (1) The installation of measures or practices for reducing agriculture-related pollution that adversely affects the general public and (2) measures for solving community water quality problems by reducing pollution from soil sediment and associated nutrients and pesticides and from other rural sources of pollution such as irrigation return flows and areas of concentrated livestock and poultry. RC&D assistance is available only within authorized RC&D areas and only to eligible sponsors (units of government, etc.). Cost-sharing assistance is not available to private individuals.

Rural Abandoned Mine Program (RAMP)

Many abandoned coal mine sites are critical nonpoint sources of pollution. Most sites are characterized by very high erosion rates, in excess of 80 tons per acre per year. In addition, some sites produce toxic drainage or sewage that degrades water quality. Under the Rural Abandoned Mine Program (RAMP) SCS can provide technical and financial assistance to conservation districts and State water quality agencies to reduce these critical sources of nonpoint pollution in accord with priorities established by law. At the present time, only sites that are an extreme danger to life or property or that adversely affect public health and safety are being considered for funding.

Watershed Protection Program (PL-566)

The Watershed Protection Program provides SCS technical and financial assistance to eligible project sponsors for accelerated land treatment that reduces erosion or sediment problems, improves water quality, and produces other environmental quality benefits.

SCS plans to accelerate cost-share assistance for land treatment to landusers in new watershed projects. Landusers in many of these projects may be eligible to enter into long-term cost-share contracts to accelerate land treatment while structural measures for flood prevention, municipal and industrial water supply, recreation, etc., are being planned.

SCIENCE AND EDUCATION ADMINISTRATION - EXTENSION SERVICE (SEA-ES)

Information and Education Materials

The Extension Service of SEA is developing educational programs and materials related to nonpoint source pollution control for dissemination to

the public through the respective State Cooperative Extension Services. They are also encouraging the State Cooperative Extension Services to distribute their pubications on the subject to state and areawide water quality planning and management agencies.

Technical Assistance

SEA-Extension Service is strongly encouraging the State Cooperative Extension Services to provide technical assistance to water quality management agencies in efforts to implement their nonpoint source pollution control programs.

In addition SEA-Extension Service is encouraging State Cooperative Extension Services to provide onsite technical assistance directly to landusers to help them use pesticides, fertilizers, and other farm chemcials properly to reduce nonpoint source water pollution.

SCIENCE AND EDUCATION ADMINISTRATION - COOPERATIVE RESEARCH (SEA-CR)

Cooperative Research

Cooperative Research administers regional research involved in the study of plant nutrients and their management to protect water quality. Technical committees for research on nutrient flows have been active in the Northeastern Region and the North Central Region. The scientists making up these committees represent the Agricultural Experiment Stations of their respective states. These scientists are uniquely experienced in evaluating the efforts of fertilizer applications on water resources and understand the management of nitrogen to avoid pollution. For this reason these projects can, to some extent, serve as technical reference points for program agencies and farmers in their regions by advice on methods to protect and improve water quality.

SCIENCE AND EDUCATION ADMINISTRATION - AGRICULTURE RESEARCH (SEA-AR)

The Agricultural Research Service is a research organization that has as part of its mission the development and evaluation of soil and water management practices that conserve our resources, enhance crop production, and protect the quality of our environment. The impact of various practices on water quality is evaluated through the integration of factors relating to

hydrology, erosion-sedimentation, and the fate of agricultural chemicals. Data is obtained from a range of sources, from field plots to fully instrumented research watersheds.

Specific guidance has been provided to 208 planners in the past through the publication entitled "Control of Water Pollution from Cropland". The Universal Soil Loss Equation (USLE) has also been used widely by agricultural planners in estimating soil erosion rates, which, when coupled with sediment delivery ratios, enable them to estimate sediment production from various land use management activities. More recently, SEA-AR scientists have developed a field scale model for Chemical Runoff and Erosion from Agricultural Management Systems (CREAMS). A user's manual for this model will be available in early 1980 and should be a useful tool in predicting the effect of management practices on loss of pollutants from a field.

SEA-AR scientists can provide assistance through interpretation of research findings and guidance in the planning and evaluation of wateshed monitoring programs.

ECONOMICS, STATISTICS, AND COOPERATIVES SERVICES (ESCS)

The Economics, Statistics and Cooperatives Service conducts a national program of economic research and planning assistance related to food and fiber production, rural development and natural resources. The agency conducts economic analyses of agricultural and other rural sources of pollution that are of concern in 208 water quality management and evaluates the national and regional impacts of programs, incentive measures and institutional arrangements for the implementation of land and water policy. Economic studies related to water quality are carried out in three major areas -- economic impacts, economic feasibility of BMP's, and the role of institutional factors. National and regional analyses evaluate the impacts of alternative land and water programs and regulations on production costs, farm income and consumer prices. ESCS provides economic projections and modeling and maintains an analytical capability and a nationally consistent resource data base for use in program planning and evaluation. Economic models are linked with physical models of watersheds to determine the economic feasibility of conservation and pollution control practices.

ESCS assists in cooperative river basin studies by developing resource planning procedures and methods and by analyzing the economic consequences of alternative river basin plans. The Agency assists in the development of the Water Resources Council's Principles and Standards and aids in the evaluation of the demands for land and water resources for food and fiber production.

Research is designed to provide economic information for use in the formulation of water quality policies and programs at the Federal and State levels. Methods are developed to evaluate the benefits and costs of water use and water quality programs, projects and practices. The sensitivity of farm operators and owners to economic incentives, regulations, and systems of management are examined in order to structure programs to economically and efficiently achieve land and water use and water quality goals.

FOREST SERVICE (FS)

Management

The Forest Service is responsible for the management of all Federal Forest lands. They are currently working with the states to develop Memorandums of Understanding to specify the respective responsibilities between the Forest Service and the various states.

Techncial Assistance

On National Forest System Lands the Forest Service:

- Coordinates with States in development of Best Management Practices (BMP's) for silviculture, range, recreation, fire management, and fish and wildlife habitat improvement as those activities relate to water quality.
- Conducts program evaluations related to water quality on National Forest lands.

On State and Private Forest Lands the Forest Service:

- Assists in development of 208 plans and BMP's through participation on technical committees.
- Assists in program evaluation following implementation of plans.
- Will participate with ASCS in implementing Rural Clean Water Program.
- Assists state forestry agencies as requested.

Research

Development and evaluation of cause and effect relationship between forest practices and water quality to assist in identification of Best Management Practices.

Other

In cooperation with EPA, the Forest Service will develop training packets for use by water quality management agencies in recognition of the relationship between forest practices and water quality.

FARMERS HOME ADMINISTRATION (FmHA)

The Farmers Home Administration administers the following loan and grant programs that could help 208 implementation efforts.

Farm Ownership Loans

Guaranteed/insured loans to enlarge, improve, and buy family farms; refinance debts, provide necessary water and waste facilities; provide basic soil treatment and land conservation measures; construct and improve buildings; finance nonfarm enterprises; finance pollution abatement and control facilities.

Grazing Association Loans

Loans may be made to associations of family farmers and ranchers to acquire and develop grazing land to provide seasonal grazing for livestock belonging to association members. Assistance is limited to farmers and ranchers. Loan funds can also be used for irrigation, drainage, or other soil conservation measures.

Irrigation, Drainage and Other Soil and Water Conservation Loans

Loans are made to public or quasi-public bodies and corporations not operated for profit which will serve open country and rural towns and villages up to 10,000 population.

Loan funds may be used for irrigation, drainage, or other soil conservation measures. The services or facilities must primarily serve farmers or rural residents.

Resource Conservation and Development Loans (RC&D)

Public agencies and local nonprofit corporations in authorized RC&D areas may be eligible for loan assistance provided they sponsor the RC&D

measure for which a loan is requested and which is included in the RC&D project plan. Loan funds may be used for rural community public outdoor-oriented, water-based recreational facilities, soil and water, development, conservation, control and use facilities, shift in land use facilities, community water storage facilities, and special purpose equipment to carry out the above programs.

Soil and Water Loans

Loans are available to eligible farming partnerships, cooperative or domestic corporations as well as individual farm owners or tenants.

Funds may be used to level land, carry out basic land treatment practices, including liming, fertilizing and seeding, establish permanent pastures and farm forests, establish forestry practices, improve irrigation, develop water supplies for home use and livestock, purchase pumps, sprinkler systems and other irrigation equipment, acquire water rights, restore and repair ponds and tanks, ditches and canals for irrigation, dig ditches and install tile to drain farmland, develop ponds and water control structures for the production of fish under controlled conditions, and carry out pollution control and abatement on farms.

Water and Waste Disposal Systems for Rural Communities

Loans and grants are available to provide financial assistance to rural public and private nonprofit organizations for modifying, repairing, improving, and extending central water systems, central sewer systems, sanitary land fills, and storm sewers in areas of under 10,000 population. Grants may not exceed 75 percent of the total eligible project cost.

Business and Industrial Loans

Guaranteed/insured loans are made to assist public, private or cooperative organizations organized for profit or nonprofit, Indian tribes or individuals in rural areas to develop or finance business, industry and improve economic and environmental climate, including pollution abatement and control, conservation, development, and utilization of water for aquaculture purposes.

Watershed Protection and Flood Prevention Loans

Guaranteed/insured loans to sponsoring local organizations in authorized watershed areas for share of cost for works of improvement.

Loan funds may be used to help local sponsors provide the local share of the cost of watershed works of improvement for flood prevention, irrigation, drainage, water quality management, sedimentation control, fish and wildlife development, public water-based recreation and water storage and related costs.

Industrial Development Grants

Grant funds to facilitate the development of business, industry and related employment for improving the economy in rural communities.

Grant funds may be used to finance industrial sites in rural areas including the acquisition and development of land and the construction, conversion, enlargement, repair or modernization of buildings, plants, machinery, equipment, access streets and roads, parking areas, transporation serving the site, utility extensions, necessary water supply and waste disposal facilities, pollution control and abatement incidental to site development, fees and refinancing.

PUBLIC EMPLOYMENT PROGRAMS

Public employment programs are operating in almost all parts of the country and can supply much needed manpower. Most of these employees can be provided at little or no cost to the management agency. Two of the most useful are CETA and Green Thumb, Inc.

Comprehensive Employment and Training Act (CETA)

CETA is administered by the Department of Labor. This program provides job training and employment opportunities for the economically disadvantaged, unemployed and underemployed people across the country. To utilize the program management agencies should:

a. Determine who are the prime sponsors in your area.

b. Meet with the CETA planner.

c. Familiarize yourself with CETA in your state.

d. Determine the application process.

Green Thumb, Inc.

Title V of the Older American Community Service Act of 1978 reauthorized the Senior Community Service Employment Program (SCSEP). This program provides useful part-time employment activities for economically

disadvantaged people 55 years of age or older. Its purpose is to provide additional income to help elderly people to become involved in community life and to accomplish worthwhile services. Participants are paid near the Federal minimum hourly wage generally for 20 hour work weeks. They can work a maximum of 1300 hours per year although they can continue in the program as long as they desire. The main source of enrollees under this program is through Green Thumb, Inc. which operates the program in rural areas and pays all salaries of the enrollees. This is an excellent source of personnel. The address of the Green Thumb State unit to be used in requesting enrollees can be secured by writing to the national headquarters of Green Thumb, Inc. at 1012 14th St., NW, Washington, DC 20005.

STATE AND LOCAL

Since there are so many state and local agencies and programs that may help to implement nonpoint source programs, and since these agencies and programs vary so much by state and local area -- to list them all would be impossible. However, a general listing of the kinds of assistance available at the state and local level would include the following:

State Programs may provide:

- Administrative assistance, financial assistance
- Regulatory and enforcement authority
- State cost-sharing programs (ex. Iowa, Ohio, Nebraska, Minnesota, Wisconsin)
- State grants
- Other economic incentives (ex. state tax incentives)
- Monitoring assistance
- Technical assistance

LOCAL PROGRAMS

Local Programs may provide:

- Administrative assistance, financial assistance
- Technical assistance
- Regulation and enforcement authority
- County cost-sharing programs (ex. Nebraska, Wisconsin, Iowa)

- Local government grants
- Other economic incentives (ex. local tax incentives)
- Monitoring assistance

FUTURE IMPLEMENTATION ACTIVITIES (CONTINUING PLANNING PROCESS)

Program Changes

After implementation programs are initiated, needs for changes, additions or deletions in program components may become evident. Such proposed changes should be worked out in consultation with the WQM planning agency as part of the continuing planning process. Approval by the EPA Regional Administrator should only be necessary when changes are significant and constitute major deviations in program direction.

Coordination

Designated management agency activities should be coordinated with the Water Quality Management Planning Agency and potentially affected agencies and their programs. Affected agencies may include units of local governments, proposed and designated planning agencies, and other affected State and Federal Agencies.

ATTACHMENT

TYPICAL 208 MANAGEMENT
SCHEME
FOR RURAL NONPOINT SOURCE PROGRAM

OVERALL MANAGEMENT AGENCY

/State W/Q Mgt. Agency/

(Administration, Coordination, Priorities)

Designated Management Agencies

/Conservation Districts/----------

- Agricultural Runoff
- sediment
- nutrients
- pesticides
- salinity
- animal waste

(technical liaison with city, county, forestry and mining agencies)

/City and County Government/---------

- construction activities
- private disposal systems
- solid waste disposal

/State Department of Forestry/-------

Silvicultural Runoff

- Sediment
- Nutrients
- Presticides

/State Dept. of Mining & Reclamation/

Mining activities

- sediment
- nutrients

Monitoring Agencies

----/Fed., State, Loc. Gov. Agencies/

- in stream sampling
- data collection
- data analysis

Implementation Agencies

----/Fed. & State Government/

- legislative
- regulations
- technical assistance
- cost sharing
- research
- info and education

----/City and County Government/

- permits
- ordinances
- inspection
- enforcement

----/Conservation Districts/

- information
- technical assistance
- cost sharing

Mr. TRAXLER. We thank you for your appearance this afternoon and bringing this to our attention. We are very grateful.

Mr. COUGHLIN. We appreciate your bringing this to our attention and your summary of it.

Thank you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

EVERETT S. THOMPSON, AMERICAN CONSULTING ENGINEERS COUNCIL
LAURENCE D. BORY, GOVERNMENTAL AFFAIRS LIAISON, ACEC
RICHARD L. CORRIGAN, DIRECTOR, GOVERNMENT AFFAIRS, ACEC

Mr. TRAXLER. We want to welcome Mr. Everett S. Thompson, American Consulting Engineers Council of Grand Rapids, Michigan. You may present your statement.

Mr. THOMPSON. My name is Everett S. Thompson. I am President of Williams & Works, Inc., of Grand Rapids, Michigan, and President-Elect of the American Consulting Engineers Council (ACEC).

With me are Mr. Larry Bory and Dick Corrigan of the ACEC staff here in Washington.

ACEC is an organization of 3,700 engineering firms in private practice. These firms employ 100,000 engineers, scientists, technicians and support personnel. Approximately 1,200 of these firms perform planning, design and construction management services for localities under EPA grants. We estimate that ACEC members have done, or are now doing, approximately 90 percent of the EPA-funded wastewater treatment projects in the United States.

ACEC supports the President's budget request for the construction grants program and urges the subcommittee to approve $3.7 billion for the fiscal year 1981 appropriation for that program. We also support the funding for the other authorizations in the Clean Water Act at the requested levels.

There are many lessons we have learned in the development of the Clean Water Program. Conduct of this program—the second-largest construction-related program in the history of this country—with the highway construction program starting back in the late 1950's which has been the largest—has not always been smooth. From its inception it has been a critical test of the federal system. The interaction and cooperation with EPA, the states, local grantees, grantee contractors and independent supplies has also been sorely tested, with stability and predictability of funding for the construction grants program is averaging five to seven years.

In fact, some larger projects have already been in development for a longer period. What makes this significant is that actual cost of these projects at completion is often double the initial estimate. If states and localities are to have the confidence to continue the process to build waste treatment facilities and clean up the nation's waters, they must have stable and adequate federal appropriations. We believe that $3.7 billion is the minimum level for fiscal year 1981 needed to maintain that confidence.

We must take note of an additional unusual factor in consideration of this appropriation request. We refer, of course, to the recent

deferral of $480 million from EPA's fiscal year 1980 appropriation. We urge this subcommittee, at the same time it is considering the appropriation request, to recognize the impact the President's deferral actions will have upon consistent and stable funding, particularly in the 14 states which have obligated or will shortly have obligated all of their fiscal 1979 money.

These states can only maintain their programs by utilizing their fiscal year 1980 allotment to fund projects through the remainder of the fiscal year. For many local public officials, engineers, contractors or suppliers, work that was anticipated and ready to proceed will now be delayed at least four months.

For some companies, that may constitute a financial crisis from which they may not recover. In the case of consulting engineering firms, projects which were scheduled to go into design, or to be approved for construction, are now on indefinite hold. These firms face the difficult decision of finding other assignments for wastewater specialists or terminating these highly qualified engineers. Believe me, with interest rates being at 18 percent, they simply cannot afford to pay staff to remain idle.

Actually, the deferral would not be interrupting the wastewater program in the 14 states had the Cleveland-Wright bill, that is, H.R. 4113, been approved by the Senate and signed into law. This bill, the so-called 2-tier funding plan, would have corrected much of the difficulties among states to obligate funds and move projects through the three-step process. States able to move their projects efficiently would be rewarded instead of penalized, as they are by the deferral.

Instead, this bill languishes in the Senate Environmental Pollution Subcommittee, where it has been classified as a band-aid approach not worthy of further consideration.

We believe there are many states and communities honestly trying to keep faith with their citizens at the EPA. They have proceeded down the complex, prescribed path of regulations to achieve construction of an adequate wastewater treatment system. Now they discover that expected federal assistance is not available. We suggest that the subcommittee consider and approve a revision to the deferral message to instruct EPA to release a portion of the $400 million in June 1980. A significant portion of these funds should be allocated to the 14 states.

One result of spreading the $400 million out over several months will be to keep enough money in circulation to prevent firms engaged in this program from losing their staffs or totally going under.

Spreading the money out, moreover, will permit EPA and the states to continue to fund planning and design projects—Steps One and Two. This will keep the "pipeline" filled with projects which, in case of an overly severe recession, can be quickly put to bid to provide jobs in construction.

This interruption of the program comes at a most unfortunate time. We have observed an increased capacity and a clearer intention by EPA and the states to move the program. While many regulatory and administrative bottlenecks still exist, the agency is attempting to implement directives made last fall by the Committee on Public Works and Transportation's Subcommittee on Over-

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sight. These directives, as pointed out earlier by Mr. Carson, were to reduce project completion time by 25 percent, eliminate retroactive application of regulations—I might add here that nine months after EPA's promise to come up with a policy to eliminate retroactive regulations, we still do not see anything on this.

EPA was also directed to develop incentives to expand costs in energy savings through stimulating innovative and alternative technology. The agency has indicated its plans to use experienced project managers from consulting firms who have planned, designed and managed the construction of wastewater projects, to review the current regulations and procedures.

Engineering firms from across the country have responded enthusiastically to this request. Working in teams with agency officials, they will determine how delays and redundant reviews can be eliminated while improving accountability and productivity of resources.

Our organization is committed to work with EPA and Congress to assist in this streamlining process. But it is absolutely essential that during this period of review, there be a consistency and predictability of the continued federal resources.

In summary, the American Consulting Engineers Council supports the $3.7 billion request for fiscal year 1981 for the construction grants program. ACEC also supports the presidential request for appropriations to fund other authorizations under the Clean Water Act.

We also request the Subcommittee to reduce the impact of deferral of fiscal year 1980 funds by further instructing the agency to begin the release of $400 million to the states which have obligated all of their fiscal year 1979 funds to keep the program moving.

I appreciate this opportunity to testify and would be most pleased to answer any questions you might have.

Mr. TRAXLER. It is an excellent statement and we are very appreciative of your appearance here on behalf of the Council. There is not a great deal of sympathy on this committee for the President's deferral request. It does present some procedural problems for us and some other considerations. You may be sure we will be very careful to work with your staff to see what we can do to alleviate what we consider to be a wrong decision. I want to congratulate you on your new responsibilities, and we look forward to working with you in the coming years.

Mr. THOMPSON. Thank you very much.

Mr. TRAXLER. These are very fine people who are on the scene here, and we have enjoyed our relationship with them.

Mr. THOMPSON. We think so too. Thank you very much.

Environmental Protection Agency

WITNESS

ROBERT L. EISENBACK, FIRST VICE PRESIDENT, AIR POLLUTION CONTROL ASSOCIATION

Mr. Traxler. We welcome Mr. Robert Eisenback, Air Pollution Control Association, on the EPA appropriations. We will make your statement a part of the record, Mr. Eisenback.

Mr. Eisenback. What I propose to do is just read the statement.

Mr. Traxler. Fine.

Mr. Eisenback. Mr. Chairman and members of the committee, my name is Robert Eisenback, First Vice President of the Air Pollution Control Association. The Air Pollution Control Association is a voluntary non-profit technical and educational organization dedicated to advancing the art and science of air pollution control. Our membership is balanced among industrial, government, scientific and educational sectors and includes engineers and scientists of many disciplines as well as control agency officials. It is governed by a 17-member board of directors that is elected by the membership.

At the Board of Directors meeting on March 25, 1980, the following resolution relative to Federal Support for Air Pollution Manpower Development was passed unanimously—and I read:

Resolution: A Position on Federal Support for Air Pollution Manpower Development

[Adopted by the Board of Directors on March 25, 1980]

Whereas, the Air Pollution Control Association (APCA) is a nonprofit technical and educational organization dedicated to advancing the science and art of air pollution control, and

Whereas, members of APCA, nearly 8,000, include engineers, scientists, pollution abatement enforcement officials, industrial organizations, manufacturers of control equipment and instrumentation, scientific and educational institutions and consultants, and

Whereas, the Board of Directors, since June 11, 1974, has consistently supported continuation of funding for select advanced degree programs offering air pollution control training, and

Whereas, for the fourth year EPA's budget request (fiscal year 1981) contains no recommendation for academic training funds:

Now Therefore, be it

Resolved, That the APCA Board of Directors—

1. reaffirms its 1974 position on Federal support for Air Pollution Manpower Development;
2. strongly urges the Administrator of EPA to take the leading role in formulating manpower development policy; and
3. strongly urges the Administrator of EPA and Congress to reestablish funding to universities offering air and water pollution training programs and to graduate students.

The Air Pollution Control Association believes that failure of the EPA and the Congress to support the training of specialists will adversely affect our nation's ability to deal with the complex problems of air pollution control.

We appreciate being given this opportunity to present this testimony. Thank you.

Mr. Sabo. Thank you. Let me just ask a question.

Mr. Eisenback. All right, I will try and answer.

Mr. SABO. You are our third or fourth witness on this question. What is your background?

Mr. EISENBACK. I am from the industrial sector. I am the President-Elect, my second job.

Mr. SABO. How many people are involved from educational organizations in your group?

Mr. EISENBACK. Of the 8,000 I can't give you an exact number, but I would hazard in the range of about four or five hundred probably, in the research and training, both, in educational institutions.

Mr. SABO. I guess I am fundamentally bothered by what I hear from everyone. What I hear may be a problem with EPA, but I keep thinking it is more an indictment of higher education in this country than it is of EPA.

If there is this very large substantial need of a certain type of academic background in our society, in terms clearly of a large and emerging field in a whole area of specific background and training in environmental administration, it just seems to me that it shouldn't be the administrator of EPA that should be taking the leading role. It seems to me it should be the presidents and the boards of regents in higher education through the country. I just find it a terrible indictment.

Mr. EISENBACK. I can't defend that.

Mr. SABO. A terrible indictment of higher education. Are they just totally irresponsible? This program has been going on since when, 1974?

Mr. EISENBACK. Well, no, actually probably before that.

Mr. SABO. Before that. I can understand the case for the Federal government nudging to begin with, but this is beyond a beginning nudge. We heard somebody else saying today because there weren't adequate federal funds, total programs had disappeared from the curriculum of universities that relate to training people.

Mr. EISENBACK. Not being from the academic sector, I hestitate to really comment on that. I will say, though, that a lot of the research programs are funded industrially. I know that for a fact, and these provide the support for graduate-level studies, but I think what we are dealing with here primarily is training the specialists that are to be used by the Environmental Protection Agency.

Mr. SABO. But, clearly, the market is there, from what everybody says, and I am not opposed to a continuing federal role. But when I hear the accusation that this is not happening because of the Federal government, I think the indictment is in the wrong place. I think the responsibility should rest on the educational institutions of the country.

Mr. EISENBACK. As I say, I cannot comment on it.

Mr. SABO. I hope you will lobby them.

Mr. EISENBACK. We are not a lobbying organization, but we can certainly try and lean on our own membership.

Mr. SABO. Education.

Mr. EISENBACK. Educate the educators.

Mr. SABO. Educate them a little bit, because part of what higher education is about is trying to evolve to meet changing demands in our society, and clearly that requires continued change. This, clear-

ly, has been an emerging field for a number of years. While the Federal government may have a role to play, in my judgment the primary responsibility rests elsewhere.

Mr. EISENBACK. There may be a very good defense for that, too, and I am just not prepared to offer it. I would like to reserve the right to let someone who is in our association submit that piece of evidence to your committee.

Mr. SABO. Mr. Coughlin do you have any questions?

Mr. COUGHLIN. No questions at this time.

Mr. SABO. Thank you.

Mr. EISENBACK. Thank you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

RICHARD L. HANNEMAN, DIRECTOR, GOVERNMENT AND PUBLIC AFFAIRS, NATIONAL SOLID WASTE MANAGEMENT ASSOCIATION

Mr. SABO. Our text witness is Richard Hanneman, Director, Government and Public Affairs, National Solid Waste Management Association.

Mr. Hanneman, welcome to the committee.

Mr. HANNEMAN. Thank you.

Mr. Chairman and Members of the Committee, my name is Richard L. Hanneman. I am Director of Government and Public Affairs for the National Solid Wastes Management Association. NSWMA represents more than 2,000 private companies engaged in all aspects of waste management, including refuse collection, processing, resource recovery, disposal, and proper management of hazardous industrial wastes and the manufacture and distribution of waste service equipment. We are the national voice of the waste service industry.

We are grateful for the opportunity to appear before you today. We support the adminsitration's proposed budget allocations for the solid and hazardous waste management programs of the U.S. Environmental Protection Agency. We would also share with you our perspective in priorities of government spending in the EPA budget as it affects the solid waste service industry.

However, we recognize that the resources are somewhat limited and would share now with you our perspective if you do decide the EPA budget must be reduced in the area of solid waste management.

We feel that top priority should be accorded to the regulatory activities of the solid waste program, including completion of the rulemaking for hazardous waste regulation. The legislation has been much delayed, and we feel it has to go forward and would not warrant the lack of appropriations to be responsible for it.

Our Association was engaged in litigation with EPA to try to get them to keep the congressionally-mandated schedule. We feel very strongly that the development of quality regulations is essential to the program, and even though the regulations are on our activities as an industry, we are very supportive of efforts to develop those regulations as quickly as possible.

Also, in top priority should be the completion of the national survey of the solid waste disposal facilities designed originally to enclose the open dumps. This survey has lagged, and this survey was not completed this year. We fear if funds are phased out as EPA plans to do, that this will result in the inventory not being completed which means that only those facilities that were previously recognized as solid waste facilities, only those facilities will be identified and subjected to the regulations, whereas those facilities such as the surface impoundments in lagoons which have caused a lot of problems would be exempted. We hope that this effort won't be phased out in 1980 or beyond 1980.

The final top priority concerns enforcement. We fear that the enforcement may not be fully funded enough to the point that it will be done on a full and equitable basis. Our member companies are ready to invest tens of millions of dollars to build the facilities necessary, particularly in the hazardous waste area, but if there is no enforcement of regulations, there is no market for their services, and in years past they have invested and lost money in building facilities that in 1977, for example, were only 50 percent utilized. We can't recover that investment unless we have enforcement of the regulations, so we would hope that the resources would be available to EPA for that.

The second group of programs that we feel are deserving of support but of a somewhat lesser priority are grants to programs to investigate the feasiblity of resource recovery projects for the conversion of garbage to energy and recover secondary materials.

This has been something that many communities get into, and we fear that sometimes they get ahead of themselves because they get large federal support, but there is a role for federal support to those communities that would not otherwise be able to investigate the feasibility of such projects.

As you get into the project, we think the community's only resources in the way of construction should be available to support that project.

The funding should also be available to EPA for its research and development. Particularly in hazardous waste, we have some real areas that we need to develop technology for today, but there are such things and other new technologies that are coming on that we could use EPA's research capacity to assist in bringing onboard sooner.

Also, there has been a recent question as to the safety of organic emissions from resource recovery plants, and EPA should very quickly turn its research arm on that project because resource recovery will not attract investment dollars until those questions are put to bed.

The final program worth continuing is the technical assistance program of EPA wherein EPA has contracted certain interest groups, ourselves not included, and has also retained consultants so that communities around the country can come to EPA and draw on that as a resource to get advice on how to solve waste needs.

There are a couple of programs we feel are not cost effective and we recommend this committee look at very closely as far as the 1981 budget allocation.

First, the Noise Office has behaved generally like the classic bureaucracy trying to invent problems to justify its existence and its budget. As Senator William Proxmire rightly observed when EPA presented its budget to your counterpart committee in the other House, legitimate questions have been raised concerning the cost effectiveness of EPA's regulation of noise from garbage trucks. Not only have these regulations drawn the angry fire of all the public agencies and private companies involved in refuse collection as unworkable and wildly inflationary, but EPA has gone beyond that to recommend even more potentially disastrous model legislation for municipal noise control.

The National League of Cities has informed us that due to the problems associated with the model as published, it is withdrawing its endorsement of the model despite NLC's continued strong endorsement for control of noise pollution. We would recommend that this committee as well question the need and effectiveness of funds allocated to the EPA Noise Office.

We recommend this committee look at the EPA Noise Office budget with an eye towards possible make-work projects being put into their agenda.

We are aware that the Drinking Water Office of EPA is embarking on a program to design a national strategy for protection of groundwaters. We feel protection of groundwaters must be an important priority concern of EPA, but we do feel this is already being done under existing programs, including the hazardous waste programs under the Resource and Conservation Recovery Act, and this program by the Drinking Water Office would appear to duplicate that and we would not think that this should be funded as a high priority.

Congress on both sides is considering creation of a post-closure liability fund to pay damages from closed RCRA permitted facilities. This fund should have no budgetary impact. It should be created with disposal fees and not with taxpayer dollars. This is making its way through the Congress, and it will not, in our judgment, have any impact on the budget.

Finally, there are just a couple principles that govern our approach to budgetary allocations for EPA.

Equity must characterize the regulatory process, particularly in the enforcement of environmental standards and completion of the landfill inventory.

Second, we are committed to funding sufficient to administer these programs in a quality manner so as to enhance their credibility and public confidence in the sufficiency of the environmental regulations to protect the public interest. Unless the government is believed by the people, the people are not going to believe our operators, that their facilities are meeting the standards, so we want the standards to be high in effectiveness. We believe this federal program to regulate solid and hazardous waste is entirely dependent for its success on the participation of qualified state environmental agencies.

To that end, we encourage states to participate in the program by providing them with the resources to do the job right and in terms of equitable application of environmental standards and

building of public confidence in the actions and decisions of state environmental agencies.

We appreciate this opportunity to be here.

Mr. SABO. Thank you for a very thoughtful presentation. The State of Minnesota this year passed very extensive hazardous waste legislation and is planning new programs. Have you had a chance to look at that?

Mr. HANNEMAN. Yes, we worked closely with them. It has an innovative thing, including a siting board. It has been tried in the State of Michigan and the idea here is that local governments frequently don't want to have these facilities but they are necessary.

Mr. SABO. It has been a long, difficult problem. I know a person who worked on developing that legislation four or five years.

Mr. Coughlin, do you have any questions?

Mr. COUGHLIN. I particularly appreciate the fact in your testimony you do rank priorities because I think that that is one of the very difficult tasks that this subcommittee faces. I also appreciate the fact that where you see programs that you don't think are being conducted effectively, you bring them to our attention.

I think that is also very important.

Thank you, Mr. Chairman.

Mr. SABO. Thank you. We appreciate your being here.

Mr. HANNEMAN. Thank you, Mr. Chairman.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

J. ROBERT NICHOLSON, CHAIRMAN, PUBLIC AFFAIRS COMMITTEE, WATER & WASTEWATER EQUIPMENT MANUFACTURERS ASSOCIATION, INC.,

ROBERT D. OLT, VICE PRESIDENT, WWEMA,

JOHN M. SCHEER, EXECUTIVE DIRECTOR, WWEMA

Mr. SABO. Our next witness is Mr. J. Robert Nicholson, Chairman of the Public Affairs Committee, Waste and Wastewater Equipment Manufacturers Association, Inc.

Welcome to the committee.

Mr. NICHOLSON. Nice to be here.

Mr. SABO. Your full statement will be entered in the record.

Mr. NICHOLSON. Mr. Bob Olt of Union Carbide Corporation, Vice President of WWEMA, and John M. Scheer, WWEMA's Executive Director, are accompanying me.

We appreciate the opportunity to testify. We won't read from the statement, but we have some comments on it.

WWEMA consists of about 250 corporations engaged in the manufacture, design and installation of process equipment in the water and wastewater field. We employ about 25,000 employees collectively, and to give you some rule of thumb, about 18 percent of the waste treatment plant expenditure, about 18 percent of that goes to equipment and new construction.

Our industry did respond to the 1972 and 1977 Clean Water Act as these acts provided sufficient incentive for our collective man-

agement to allocate resources to the water pollution control industry.

We have responded to what we think is the best tradition of free enterprise to meet the congressional mandate of 1972 and 1977.

Today, years later after the start of the program, we believe that the momentum of the program is lost, particularly in the public sector as in contrast to the industrial sector.

Industry, it is about 90 percent in compliance to the 1977 best practical technology deadline. However, the municipalities are only in compliance about 40 percent and it is doubtful whether the larger communities will be in compliance by the 1983 deadline.

We sense a deterioration of the construction grants program due to the 1977 amendments, causing some delays and the uncertainty of funding. We feel that Congress did its job in 1972 in providing funding. However, the construction grants program did suffer some interruptions in funding. The impoundment of the funds in 1973 and 1976 provided some unobligated balances when it was released.

In 1977 the good legislative corrections that were passed caused, rightfully caused, them delays and created some unobligated balances in construction grant funds. I cannot blame your committee for looking at these balances with kind of a squinty eye. However, I think the EPA did testify, and we are glad to report that these balances are in the trend of being reduced.

We see that by the end of 1981 these balances will be in the tune of $2.3 billion. To gain a momentum on the program, it would help to recognize that there is a need for an unobligated balance at the end of the fiscal period. We recommend a $2 to $2½ billion projected unobligated balance be appropriate, and secondly, the certainty of funding is as important as the level of funding.

Since 1977, it has been very difficult for WWEMA members and other participants in the construction grants portions of the Act to predict a potential market. But based on that, we have listed in our written testimony eight recommended needs. I would like to touch on a few.

One, that Congress appropriate the $3.7 billion for fiscal 1981, and that is for the construction grants program in that it be obligated in a 24-month period. It would also be helpful if you get an early commitment in 1980 for those funds so we can plan in the future for the available market.

We ask Congress also to direct the EPA to limit the current 1980 funding deferral for the construction grants to Step III. Deferred funding on Step I and II grants would cause a major delay in the total clean water program with only minor budget improvements in the order of about 10 percent.

At such time as any state exhausts prior-year funding during that deferral period, 1980 deferred monies need to be used to fund Step I and II grants. This reduces future delays and also allows the states that have obligated all their fiscal year money, 1979, to continue the clean water program. The State of Wisconsin is the one directly affected by this.

In talking to the chairman of DNR, he is out of money and he would like to continue on Step I and Step II so that you can build up a backlog once this money is released. Non-deferral of Step I

and Step II projects build up a backlog that could help stimulate the economy.

We would like the Congress to direct the EPA to disaggregate grant obligations to help to segregate it into large treatment plants, small treatment plants, and sewers by dollars and numbers of projects. This should help you, the EPA and ourselves and our participants, to monitor the progress of funding in the pipeline.

We also recommend that funding for sewers be set at a set percentage, and the choice of the location be left up to the States or the municipalities, that there be a set percentage of the construction grants funded, and the rest of it to sewerage treatment plants.

We further recommend that Congress recommit to an annual $5 billion appropriation, correctable for inflation, beginning in 1982.

We find that the Innovative Alternative Technology Program that has been funded for the last three years has been slow but it is in place right now, and we are beginning to reap some of it, or obtain some of the benefits from the program. And we encourage this committee to provide the funding for the Innovative Alternative Programs, and further when it is up before Congress for your authorization, this organization, WWEMA, would support a long-term commitment innovative alternative so that manufacturers can commit R&D dollars to develop some processes and projects to help move the program along.

In closing, major municipal wastewater treatment facilities are not being completed as the law requires on a timely basis. The contributing factors are all correctable and within the current capability of the EPA, State agencies, municipalities, and the industry, like WWEMA, to solve without any fundamental changes in the program.

You will note that attached there is an Appendix A with additional comments on four EPA procedures that will reduce regulatory delays, land treatment, Innovative/Alternative Technology, Advanced Waste Treatment and the Needs Survey.

That concludes the comments on our formal testimony and my associates and I stand ready to answer any questions that you may have.

[The statement follows:]

STATEMENT BY

THE WATER AND WASTEWATER
EQUIPMENT MANUFACTURERS ASSOCIATION

TO THE HOUSE SUBCOMMITTEE ON HUD
AND INDEPENDENT AGENCIES

May 7, 1980

Mr. Chairman and members of the subcommittee, my name is J. Robert Nicholson of Zimpro, Inc. and the Chairman of Water and Wastewater Equipment Manufacturers Association, Inc.'s (hereinafter - WWEMA) Public Affairs Committee. Accompanying myself is Robert D. Olt of Union Carbide Corporation, Vice-President of WWEMA and John M. Scheer, WWEMA's Executive Director. I am pleased to be here today to discuss the views of WWEMA concerning appropriations for the (FY) 1981 Clean Water budget and the Construction Grants Program. WWEMA is an association of over 250 corporations that develop technology, manufacture and supply equipment, materials and services to the water and wastewater industry. Our plants, in nearly every state of the union, employ over 25,000 people and account for about 18% of the expenditure for new treatment facilities, or about $0.7 billion annually.

The equipment part of the wastewater treatment plant is critical to proper performance and depends on technologies and people that are a critical resource throughout industry. The passage of the Clean Water Act in 1972 provided an incentive for industry to allocate more resources to the pollution abatement industry and the financial community responded. Corporations combined technical expertise to provide a new synergy for cleanup of water. Traditional suppliers of wastewater equipment invested in new and enlarged manufacturing facilities. New, more cost-effective technology has become available. In short, our industry and investors responded in the best tradition of free enterprise to fulfill laws established by Congress.

Today, only seven years after the start of the Clean Water Program, momentum has been lost by the public sector. Over 90% of industry complied with secondary treatment by 1977, but today fewer than 40% of the municipalities meet the same secondary treatment laws three years later. Evidence builds that many large cities may fail to meet the 1983 mandate of at least secondary treatment. Congressional leadership is waning with less than one-half of the public sector work completed. The Clean Water Program has deteriorated due to excessive regulation and lost its problem-solving emphasis.

Market predictability has deteriorated causing withdrawal of resources by manufacturers, contractors and consulting engineers. Three major suppliers and over forty companies in WWEMA have withdrawn since 1977. Program regulations inacted in 1977 delay major treatment projects. This discourages technical innovation, equipment quality and operability, and inflates costs to cities. Congressional funding certainty is as important as the level of dollars appropriated.

There is a Congressional mis-perception of appropriation excess in the Program. Appropriations over the last two years has been below the levels Congress authorized in 1977. Timing of appropriation approval is being delayed later in the budget process contributing to program uncertainty.

Specifically, WWEMA recommends the following:

1. Congress appropriate $3.7 billion for FY 1981 to be obligated to municipal projects over a period not longer than twenty-four months. Further WWEMA urges this committee to work for an early budget commitment in 1980 for FY 1981 that will put an end to uncertainty.
2. WWEMA urges passage of two-tier funding legislation as passed in the House(HR4113) and now pending before the Senate(S3128). "Two-tier" encourages state and local efficiency in the Clean Water

Program. Without enactment of two-tier funding legislation, at least twelve states will be completely out of funds and an additional ten to twenty states will be severely curtailed in the projects they can fund. This will penalize the efficient law-abiding states and detract from Congressional credibility.

3. WWEMA asks Congress to direct the EPA to not defer funding of any Step I (plans) and Step II (design) grants. These grants involve less than 10% of the total appropriations but represent a major part of the four to nine year project. Deferred funding of Steps I and II grants causes a major delay in the total Clean Water Program with only minor budget improvements. At such time as any state exhausts prior year funding, during the deferral period, 1980 deferred moneys need to be used to fund Step I and Step II grants. This reduces future delays and also allows states that have obligated all of their fiscal year 1979 money to continue some Clean Water progress. EPA is also asked to report Steps I and II progress quarterly on projects serving more than 50,000 population equivalent. Non-deferral of Steps I and II projects builds a backlog of construction opportunity if needed to stimulate the economy.

4. WWEMA asks this committee to direct EPA to disaggregate grant obligations into large treatment plants, small treatment plants, and sewer categories. The disaggregated statistics should enable Congress, the EPA and others to monitor EPA priorities and progress on the projects most important to the 1983 mandated goals and to correct delays. Sewer related funds should be budgeted at a percentage of annual obligations, with choice of sewers delegated to state and local government to meet their permit standards.

5. WWEMA urges this committee to recognize the excellent EPA progress in reducing the unobligated funds, and asks the committee to recommit to yearly appropriations of $5 billion, escalated for inflation starting with FY 1982. EPA data show FY 1979 obligations of $3.9 billion and unobligated balances of $3.9 billion. Before the President's deferral of FY 1980 funds, EPA projected unobligated balances at the end of FY 1980 of $2.8 billion and $2.3 billion at the end of FY 1981. Even with the deferral of FY 1980 money, the balance of $2.3 billion at the end of FY 1981 is realistic. Projected EPA obligation rates will exceed Congressional appropriation rates through FY 1981.
6. WWEMA believes the Municipal Loan Guarantee Amendment (S3894), signed by President Ford in 1976, should be revitalized. We urge this committee to determine that loan guarantees are being utilized for local-share costs by financially distressed cities to avoid delays of major treatment projects.
7. WWEMA wants Congress to recognize that the Innovative and Alternative technology program is declining because of lack of a renewed Congressional commitment. WWEMA believes that EPA is doing a reasonable job. Congress and appropriation uncertainties have contributed to a shift away from problem solving towards excessive regulations. EPA has maintained open communications and cooperated in analysis of the basic clean water priorities for large treatment plants. Appropriation reduction will result in reduced construction that solves the clean water problem. Additional regulations cannot clean up water.
8. Major municipal wastewater treatment facilities are not being completed as the law requires on a timely basis. The contributing factors are

all correctable and within the current capability of the Environmental Protection Agency, the state agencies, municipalities and we in industry to solve, without any fundamental changes in the program. Congress needs to abide by its funding commitment of 1972 and 1977, and EPA needs to assure secondary treatment priorities.

WWEMA has attached additional comments on four EPA procedures that will reduce regulatory delays (Annex A). These relate to:

a) Land treatment

b) Innovative/Alternative technology

c) Advanced waste treatment

d) Needs survey

In conclusion, Mr. Chairman, WWEMA reminds Congress of eight needs necessary to maintain clean water momentum and quality:

1. Appropriation of $3.7 billion to the Construction Grants Program for FY 1981, with budget commitment early in 1980;
2. Passage of "Two-tier" funding legislation in 1980;
3. Full funding of Steps I and II grants, within the budget deferral program;
4. Status reporting by EPA for projects Steps I and II categories to reduce delays, and disaggregation of grant statistics to monitor priorities;
5. Support of a $5 billion budget appropriation for fiscal year 1982;
6. Implementation of the municipal loan guarantee amendment of 1976;
7. Renew innovative and alternative technology incentives; and
8. Reduce delays and increase large plant secondary treatment priorities.

Thank you for the opportunity to present WWEMA's position.

ANNEX A

ATTACHMENT TO WWEMA TESTIMONY

It is clear that amendments to the Clean Water Act in 1977, created regulations that have resulted in a delay of work. Three requirements in the 1977 amendments are central to these delays: 1) Land treatment bias: project proposals that do not utilize land treatment must include proof that land treatment techniques are not applicable. In fact, there is no basis in statute or legislative's history to support this administrative emphasis on nature intensive processes to the exclusion of other technology. For projects of 5 MGD or larger, EPA should waive the requirements of PRM 79-5 that grant applicants "be required to provide complete justification for the rejection of land treatment". 2) Innovative/Alternative technology: another problem derives from a rider Congress attached to the Clean Water Act which requires EPA to press for use of alternative or innovative technology in new sewage plant designs. The monetary incentive was added increasing the federal share of qualifying projects to 85%. The intent of Congress was to stimulate designs that would reduce costs, conserve energy, and improve reliability. It is fundamental to the consulting engineers proposals to weigh these factors preparing construction designs. However, the EPA frequently subjects engineering plans to unnecessarily lengthy investigations to make certain that adequate consideration has been given to innovative or alternative design.

For projects of 5 MGD or larger, EPA should waive I/A reviews unless requested by the municipality as a part of a submittal to qualify for 85% federal funding. 3) Advance waste treatment: grant funding for projects more stringent than secondary levels are currently subjected to the intensive review at the regional level, if the additional cost for treatment beyond secondary is under $3 million, and at the national level for projects whose additional costs is over $3 million.

PRM 79-7 setting forth policy and procedures on this matter, specifically states that beginning in fiscal year 1980, the project reviews conducted by headquarters will be delegated to regional offices demonstrating capability. We urge that this administrative step be taken to reduce delays. We further urge that EPA procedures for these reviews be standardized to meet a completion date within 45 working days.

We have taken the time of the committee today to review three EPA procedures, with one primary purpose in mind. An overall review of time requirements exacted by program policy and procedures is badly needed to introduce time management as a significant cost control in the Construction Grants Program.

4) Needs survey: inflationary growth in costs, currently running at an annual 14% rate, is a function of time. In the formulation of the total of 1978 program requirement memorandum, no consideration could be given to the impact of time required to fulfill the required treatment. Today EPA possesses actual experience from which to judge the cost of time and to effectively manage those costs. We urge this committee to urge the EPA to evaluate its time and escalation in their estimates of secondary and advanced secondary treatments needs. Other multi-purpose programs need to be delayed until the basic level of treatment is substantially achieved.

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Mr. SABO. Thank you.

I have had complaints from people that they incur problems with what they perceive to be continually changing regulations by EPA. Do you share that judgment?

Mr. NICHOLSON. Yes, it is a moving target. Some of it is based on the 1977 legislation, and so there was some problems with project initiation after 1977. I couldn't get a handle on it, the restudy and re-evaluation. I guess that is understandable. But since that time there are numerous PRMs that come out that sometimes are hard to realize the meaning of them.

I spend my full time for our company in government affairs, and it was created since 1977, so based on that, I guess it takes a full-time man to keep track of what you are commenting on.

Mr. OLT. Let me add one comment. I don't believe that we need new legislation from Congress to reduce the regulations. I think just a colloquy or a support of Congressman Mineta's original request of the EPA to show a 25 percent improvement in the major project schedules would be enough. EPA knows how to get around a lot of the regulations that they have.

Mr. SABO. What is happening with the two-tier funding legislation?

Mr. NICHOLSON. Of course, it passed the House and it is sitting in the——

Mr. SCHEER. Excuse me. At the present time it is sitting before Senator Muskie's Subcommittee on Water Pollution and has been there since it passed the House last December, I think, with no indication to act upon it as far as I know.

Mr. COUGHLIN. The man in the State of Maine is not up against his limit.

Mr. OLT. That is right. And one other important area, it could have proven embarrassing to the State of New York. We understand Senator Moynihan, he is a key member of that committee.

Mr. NICHOLSON. WWEMA is in support of that particular legislation.

Mr. COUGHLIN. I did inquire earlier about any opinion of anyone else about the legality of overriding the deferral of Step I and Step II funding, and I don't know whether you have looked into that question. I don't know whether that can be done.

Mr. NICHOLSON. A line deferral?

Mr. COUGHLIN. The deferral sent down by the President requires action by Congress, you override on the deferral.

Mr. OLT. Our understanding is that the deferral was a certain dollar target. And since 90 percent of the dollars are Step III and represent construction in a relatively short period of the total project life, we feel that is the place to take the dollars.

The two-thirds of the project life is in Step I and II, but that only involves 10 percent of the grant funds, and so you can reduce future delays by full funding of Step I and II and not impact Step III construction.

I might point out that WWEMA members, that would be contrary to what you would think WWEMA members would support. We provide the equipment in Step III, but we are saying to prevent future delays we are willing to give up another 10 percent of the

core of our business so that projects are at least ready to go, particularly if it can help stimulate the economy.

Mr. SCHEER. I may add concerning the deferral, it is my understanding that the laws set up by the Congress, a definition of a deferral is that the Congress has until the end of the session to act upon it. If that is true, then the deferral period would be over for EPA because it is set for the end of September.

However, rescission again, the Congress has to act within 45 days and there is some misconception as far as the terminology as to what is required in this specific case.

Mr. COUGHLIN. This is a deferral, not a rescission.

Mr. SCHEER. I still hear where the Congress has to act within 45 days, but if it is a deferral, the Congress has to the end of the session, if I am not mistaken.

Mr. OLT. The attorneys were not involved in the EPA deferral action, were they?

Mr. SULLIVAN. The attorneys were not involved.

Mr. COUGHLIN. I would hope that the Nelson deferral doesn't pass the Senate. Then at least we might take a look at at least lifting the deferral on the Step I and II funds.

Mr. NICHOLSON. Senator Nelson from Wisconsin?

Mr. COUGHLIN. Right.

Mr. NICHOLSON. I didn't know that he was working on the deferral.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. SABO. Thank you, Mr. Coughlin. Thank you for being here.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

IRVING GOTTLIEB, LONZA, INC.
MICHAEL D. LARIO, PRODUCT MANAGER

Mr. SABO. Our next witness is Irving Gottlieb, from Lonza, Inc. Welcome, and you have been waiting patiently. We will enter your prepared statement for the record.

Mr. GOTTLIEB. Mr. Chairman, this is Mike Lario, Product Manager.

Mr. Chairman, my name is Irving Gottlieb and I represent Lonza, Inc. Lonza manufactures basic antimicrobial raw material chemicals, formulates such chemicals into end-use products, and distributes these products in commerce.

I want to express my appreciation for this opportunity to testify about three major problems concerning the EPA's implementation of FIFRA which we believe results in substantial regulatory inefficiency and significant waste of EPA's resources.

I have a detailed prepared statement which I would like to submit for the record, 50 copies of which were delivered to the Committee, and devote my time today to giving you concrete examples of just how serious these three problems really are.

First, with respect to EPA's Pesticide Registration Procedures under FIFRA, the cite-all problem. In my prepared statement I set forth the detailed legal and other reasons why cite-all is illegal and

inefficient and describe the way we have proposed to correct the problem.

Appendix A of Lonza's prepared statement shows that the EPA has made some progress in reducing the cost and trouble imposed on formulators of end-use products, but EPA has indicated that it still intends to impose mandatory cite-all on manufacturing-use products.

Therefore, I would like to point out what, in my judgment, is the most damaging aspect of cite-all. By imposing mandatory cite-all on manufacturers, EPA refuses to allow manufacturers of basic pesticide chemicals to rely solely on their own scientific data to support registration of a new product.

Instead, it requires manufacturers to adopt EPA's "cite-all" approach and thus rely upon all pertinent data submitted to the EPA after the end of 1969.

I respectfully submit that EPA's "cite-all" policy therefore discourages manufacturers of basic chemicals from generating the best and latest scientific data and, instead compels them to cite possibly obsolete data generated by outmoded testing procedures and which are therefore of doubtful validity.

Mr. Chairman, I think this situation requires correction. During the interval until the law is amended to correct "cite-all," I would hope this committee would direct that no appropriated funds be used by EPA to enforce mandatory "cite-all" on basic chemical manufacturers.

My second example relates to the EPA misinterpretation of Section 3(C)(2)(A) of the Act, which is discussed in detail in my prepared statement. The practical effect of the EPA policy is that a company that desires to develop a new product cannot know in advance all of the data requirements EPA will require for registration of the product. At present, the EPA enforces a hodgepodge of data requirements derived from their 1975 guidelines, from various provisions in their proposed guidelines, and even requirements that appear only in draft guidelines that have not even been published in the Federal Register.

As a practical matter, Mr. Chairman, and I speak from actual experience, many valuable products were not developed or are being delayed, because a manufacturer such as Lonza cannot forecast development costs adequately.

This happens because EPA changes the rules of the game so frequently in the course of processing a registration application that it is impossible to forecast what data requirements will ultimately be imposed on new products. Lonza actually delayed developing its improved Bardac line of antimicrobial manufacturing-use products for several years because we could not be sure what the data requirements would be and hence what they would cost.

What I mean is, a product that we would make and sell to a formulator which he would formulate or dilute and sell to the end user. We delayed this for several years because we could not be sure what the data requirements would be and hence what the costs would be.

Ironically, this new line of products we feel is far better than existing products from an environmental and public health point of view. This EPA policy is bad for the industry, bad for the economy

and bad for the environment. We believe that the plain meaning of Section 3(C)(2)(A) is that the data requirements to support a registration are those in force on the day the application is filed.

If, during the processing period, the EPA decides to change data requirements, it cannot impose the new requirements on pending applications, but rather must obtain the new data under Section 3(C)(2)(B) I.E. as data necessary to support the registration.

We believe this is the procedure Congress clearly intended and hope this committee will direct EPA to abandon its current practice of frequent erratic rule changes, which is costly and time consuming to both the agency and the industry.

Finally, my prepared statement explains the adverse consequences of EPA's handling of the so-called inert "active" ingredient problem. This relates to substances which are used as solvents, builders or chelating agents in pesticide products, but which are not themselves pesticides and no pesticidal claim is being made or intended concerning them. EPA nonetheless treats them as if they were active ingredients in a pesticide even though as a scientific matter they are pesticidally inert. My prepared statement challenges the validity of this EPA practice and details the hardship it causes.

EPA knows that this is a problem. They have had a committee working on this on and off for the last two years. Lonza has submitted petitions. We have spoken directly to Mr. Johnson about it. He agrees it is a problem, but as was stated in the meeting, he didn't know how to go about getting these products out from under the act of classification.

But, Mr. Chairman, the most objectionable aspect of this practice is that it is a flagrant case of double regulation. The EPA has clearly stated it regulates these substances under the Toxic Substances Control Act, yet it continues to regulate them under FIFRA. We respectfully urge that this committee direct that no funds appropriated for FIFRA shall be used to regulate these inert "active" ingredients and that such substances be regulated under TSCA.

Mr. Chairman, each of these problems contributes substantially to delay, higher regulatory compliance costs, but also waste of EPA's resources which could be better applied to other valid activities. We are attempting to correct these problems by legislative amendments, but that is a long and uncertain process. We believe that this committee can cope with the problem now by considering the suggestions that I have made.

Thank you.

[The statement follows:]

Mr. Chairman, my name is Irving Gottlieb. I am the spokesman for LONZA, Inc. whose address is 22-10 Route 208, Fair Lawn, New Jersey 07410. LONZA manufactures basic antimicrobial raw material chemicals, formulates such chemicals into end-use products and distributes these antimicrobial products in commerce. I appreciate this opportunity to appear before this Committee to testify concerning certain major problems we are having with EPA's administration of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) as amended in 1978. These are problems which we believe are closely related to EPA's appropriations and their utilization of agency resources.

Mr. Chairman, we have three basic problems with the EPA's implementation of FIFRA:

1. "Cite-all". The first problem is one which I am sure you have heard about from virtually every sector of the pesticide industry. I have reference to the "cite-all" problem. I am sure that you are all acquainted with EPA's "cite-all" policy. The EPA has clearly declared its intention to continue to impose "cite-all" on the registration of manufacturing use products. (44 F.R. 27935, May 1, 1979.) I will discuss "cite-all" as it effects registration of end-use products in a moment.

LONZA objects to "cite-all" for the following reasons:

A. "Cite-all" is illegal. Section 3(C)(1)(D) clearly provides that applicants may support a registration by "...a full description of the tests made and the results thereof upon which the claims are based, or alternatively a citation to data that appears in the public literature or that previously had been submitted to the Administrator...". EPA is clearly exceeding the powers delegated by Congress when it refuses to accept the applicant's own data as the sole method of supporting his registration for a manufacturing use chemical and imposes mandatory "cite-all".

B. "Cite-all" precludes use of the latest and best scientific data in the registration process. If manufacturers of basic pesticide chemicals were allowed to generate and rely on their own data, this testing would employ the latest and most sophisticated protocols and would produce the best available scientific data upon which the EPA could base its registration program. Instead, imposition of "cite-all" means that much of the data cited was developed by obsolescent methodology which does not represent the best data the state of the art can provide. The crowning irony, Mr. Chairman, is the fact that EPA acknowledges it is not going to consider and evaluate the cited data anyway. (44 F.R. 27934, May 11, 1979.) We submit this subverts the clear purpose of FIFRA that EPA use the best available scientific data in its registration program.

C. "Cite-all" interferes with innovative competition by penalizing firms that seek to introduce new products. "Cite-all" not only requires citing all references to active ingredients in

a new product but also requires notification and offers to compensate all those who have referenced these substances in prior registrations. Given the chronic delay in the EPA registration process, this puts competitors on early notice that you are about to introduce a new and improved product. The competitive edge that comes from product innovation is the chief incentive to develop and introduce new and better products. If that competitive edge is destroyed by premature disclosure of the manufacturer's intent to introduce a new product, you have created a major deterent to product innovation. LONZA submits this is against the public interest.

D. "Cite-all" imposes unnecessary transaction costs on the pesticide industry, especially on end-use products. Last year LONZA submitted as Appendix A to its testimony an exhibit which demonstrated that an applicant for registration of a commonly marketed disinfectant/sanitizer cleaner would have to send 1,166 notices and offers to compensate to all those who had referenced any of the listed ingredients. EPA acknowledged that this entailed excessive transaction costs and undertook two measures to improve the situation. First, for a time EPA allowed manufacturers of end-use products to use the so-called "alternative method", i.e. to develop and use their own efficacy and toxicity data or to cite a specific set of data pertaining to an identical formulation. After a few months, EPA discontinued allowing the use of the "alternative method" except in cases of formulations utilizing a registered active ingredient and inert ingredients. In cases where the formulator uses substances which are scientifically inert (such as chelating agents, solvents and detergent builders) EPA treats certain of these substances as active ingredients for regulatory purposes and does not allow use of the so-called "alternative method". This latter category encompasses a majority of the one-step cleaner/antimicrobial products. Secondly, EPA, through much diligence and hard work, has revised the original "Submitters list" to eliminate patently inappropriate references. LONZA has updated its Appendix A, which is appended to this statement, and today an application for registration of the subject product would entail notice and offers to compensate somewhat more than 200 submitters instead of 1,166. This is undeniably progress in terms of reducing transaction costs but the "cite-all" system still involves substantail waste.

In addition, "cite-all" exposes the applicant to contingent liability to compensate all those to whom an offer to compensate is sent. This system opens the door to spurious claims for compensation by submitters who are not the original data submitters. Section 3(C)(1)(D)(ii) clearly creates a legal duty to compensate only "original data submitters". The problem is that under the EPA system there is no indexing system to identify who the original data submitters are. The EPA formerly resolved this problem by publishing in the Federal Register applications for registration listing the active ingredients contained in the product. This method was declared unlawful by a Federal Court which construed FIFRA as requiring direct, personal notification

and negotiation with the original data submitter. The court acknowledged that this interpretation created a "catch 22" situation inasmuch as there is no way to identify original data submitters, but indicated that it is up to EPA or the Congress to correct the situation.

Mr. Chairman, LONZA has presented a simple solution to this problem to the appropriate legislative Committees. This amendment is set forth in Appendix B of this testimony and I am hopeful that it will be enacted. Until it is enacted we believe that EPA's imposition of mandatory "cite-all" is both illegal and wasteful of agency as well as industry resources. We urge this Committee to direct that EPA not use appropriated funds to enforce "cite-all".

II. Data Requirements for Registration. Our second major problem with the EPA is the manner in which it enforces Section 3(C)(2)(A) of FIFRA, which provides that the Administrator publish guidelines specifying the kinds of information which will be required to support a registration and to revise such guidelines from time to time to keep them abreast of scientific and technical progress. The present guidelines were made final on July 3, 1975 and are set forth in 40 CFR Part 162, Subpart A. However, in the period since these guidelines were made final, EPA has published several proposed revisions in the Federal Register and has informally released draft guidelines that presumably will be published in the Federal Register at some future date. None of these proposed or draft guidelines have been made final. However, the EPA frequently requires applicants, as a condition precedent to registration, to supply data and undertake testing that is listed in the proposed and draft guidelines. LONZA believes that this practice is contrary to law. LONZA acknowledges that the EPA is entitled to new data not required in the final guidelines, but only under the terms of Section 3(C)(2)(B) which provides that if the Administrator determines that additional data (i.e. data additional to that required by its final guidelines) are required, that he is empowered to require such data to support an existing registration. In other words, we believe the law provides that if an applicant for registration satisfies the data requirements specified in the final guidelines, he is entitled to registration subject to supplying subsequent new and additional data to support the registration. In practice, EPA withholds registration until not only the final guidelines are satisfied, but the new requirements contained in the proposed and draft guidelines are also satisfied. As a result, the pesticide industry is faced with confusing and constantly changing data requirements which frustrate orderly product development planning and result in unnecessary delay and cost.

I want to emphasize that LONZA is willing to provide any data reasonably necessary for EPA's regulatory purposes, but we believe that the law provides a system whereby we can know what the data requirements for registration will be. If the EPA wants data additional to that contained in the final guidelines, it can

obtain that data under the authority of 3(C)(2)(B) as data necessary to support an existing registration rather than impose the requirement as a condition precedent to granting a registration.

LONZA believes that the present law upholds our position, but to date EPA continues to require any data it feels may have some justification regardless of what the final guidelines provide and withholds registration until such data is supplied. To clarify this situation, we have proposed a brief one sentence amendment in Appendix B to this testimony. Once again, until this amendment is enacted we would hope that this Committee would exercise its authority to direct usage of appropriate funds and direct that EPA correct the above situation.

III. The Inert "Active" Ingredient Problem. The pesticide industry commonly uses certain substances such as isopropol alcohol, ethanol, sodium metasilicate, sodium carbonate, tetrasodium EDTA, etc in antimicrobial products to function as a solvent, builder or a chelating agent. No pesticidal claim is either made or intended with respect to these substances. Scientifically speaking these substances are inert.

Nevertheless, the EPA treats these substances as if they were in fact active ingredients. The consequences of this regulatory policy are two-fold: (1) it increases the number of required notices and offers to compensate that an applicant must send under EPA's "cite-all" policy; and (2) it increases the data requirements that must be satisfied under EPA's current guidelines. Thus, this policy of treating inert ingredients as active ingredients results in substantial unnecessary cost and effort.

LONZA contends that because these ingredients are not represented or intended to be pesticides, that EPA cannot lawfully impose regulatory requirements upon the use of these ingredients under FIFRA. Moreover, as the following Federal Register publication notes, EPA itself formally acknowledged that these substances are more appropriately regulated (and are in fact already regulated) under the Toxic Substances Control Act (TSCA) of 1976.

> "The Administrator agrees that raw materials, intermediates and inert ingredients produced or used in the manufacture of a pesticide are substances or mixtures which can be regulated under TSCA. In order to be considered a pesticide, a substance must be intended for use as a pesticide. Raw materials, intermediates and ingredients produced or used in the manufacture of pesticides are not themselves regulated under FIFRA (unless they happen to be pesticides themselves) and therefore are subject to TSCA." (42 F.R. 64586, Dec. 23, 1977.)

Accordingly, LONZA respectfully requests that this Committee

direct the EPA to discontinue its present practice of double regulation and indicate that regulation of these substances under FIFRA is unlawful.

Once again, Mr. Chairman, I appreciate this opportunity to present these problems to the Committee and respectfully request that the Committee take the actions I have heretofore discussed.

APPENDIX A
(updated)

Conditional Registration for a Disinfectant/Sanitizer Cleaner based on EPA PR Notice 78.5 - Option 3

Component	Data Submitters (First Edition)[1]	(Third Edition)
Antimicrobial	204	46
* Tetra sodium ethylene diamine tetraacetate	280	51
* Sodium carbonate	233	38
* Sodium metasilicate	158	25
Isopropyl alcohol	291	55
	1,166	215

* detergent builders

[1] This would require that 1,166 offers to pay compensation letters be written by a formulator at a cost of approximately $ 10.oo per letter : $ 11,660.oo

APPENDIX B

To effect the "Cite-all" correction:

In Sec. 3(C)(1)(D)(i) insert before the final "Provided," the following:

a period (.) after "pesticides" and add the language:

For purposes of this paragraph the Administrator shall publish registration applications in the Federal Register disclosing the active ingredients contained in the product for which registration is sought, and such publication shall be legal notice to the original data submitter who shall verify his status as original data submitter or waive his rights to requirement of written permission under this section.

In Sec. 3(C)(1)(D)(ii) insert after the first sentence (ending with the word "offer".) the following:

For purposes of this paragraph the Administrator shall publish registration applications in the Federal Register disclosing the active ingredients contained in the product for which registration is sought, and such publication shall be legal notice to the original data submitter who shall verify his status as original data submitter or waive his rights to compensation for use of said data.

To solve the "open-ended data requirements" problem:

Insert after the first sentence in Sec. 3(C)(2)(A), (ending with the word "time") the following sentence:

Applicants for registration of pesticide products shall supply only such data as specified in guidelines in force and effect on the date said application is filed with the Administrator.

Mr. SABO. Thank you. We appreciate having you with us and hearing from you today.

I believe that concludes our hearing this afternoon. The Committee stands adjourned.

TUESDAY, MAY 13, 1980.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

HON. BO GINN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. BOLAND. The Committee will come to order.

We are delighted to have with us this morning our distinguished and able colleague from the State of Georgia, the Honorable Bo Ginn.

He served, as all of us know, on the Transportation and Public Works Committee, and specifically Chaired the Oversight Subcommittee that dealt with the Construction Grant Program, didn't you?

Mr. GINN. Yes.

Mr. BOLAND. I remember when we had an investigative report, a recommendation was made not to appropriate any funds for fiscal year 1980. In addition your committee and our committee, had several discussions over trying to set up a two-tier program for this.

The House favorably passed legislation, H.R. 4113, to set up a two-tier program but I understand that it is still in the Senate.

We are delighted to have you. I am sure you have as much knowledge about this program as anyone. The State of Georgia is concerned about the fact that if the recommendations are implemented, it would mean that Georgia would be one of the 40 States that would suffer a delay as a result.

We can understand your concern and we are delighted to have you with us and you may proceed as you wish.

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

Mr. Chairman, please know that I appreciate the opportunity to appear before you this morning to discuss funding for EPA's construction grants program which, to my mind, is vital if we are to meet the clean water goals for this country which were enacted by Congress in 1977.

As a footnote, permit me to say that it is a greater pleasure to be able to discuss this important program with you and the Subcommittee rather than down the hall in Full Committee, as we were forced to do last year. That exchange, though, I believe, was educational for all of us.

At the outset, Mr. Chairman, let me say that while I am disturbed over the action taken by the Administration with respect to the deferral of $3.28 billion in fiscal year 1980 funds, I recognize that outlays must be reduced in the Federal budget if we are to achieve a balanced budget in 1981.

The intended result of a $102 million reduction in cash flow will be achieved without extending the freeze to September 1, and I would request that the Subcommittee, if it feels as well that the $102 million savings can be achieved at that point, urge the release of funds by August 1.

In addition, I would urge you to consider retaining the $3.7 billion requested in the President's January budget, rather than reducing it to the $3.3 billion level targeted in the First Budget Resolution. As you well know, this program was cut $400 million last year in a budget reduction exercise, and further cuts this year could seriously impair the efficiency and effectiveness of this critical program by damaging its momentum.

As we discussed last year, the problems in this program have been monumental. Neither EPA, the various States, nor the local communities were able to meet the unrealistic deadlines set in the law or to sift through, with any degree of efficiency, the myriad of laws, regulations, and other requirements which are institutionally a part of this program.

The inability of Congress to provide a consistent level of funding has also been a major factor in the confusion surrounding the initiation of this program.

The result, as you so effectively pointed out last year, Mr. Chairman, was the carrying of heavy unobligated balances. While much of those unobligated balances are due to the fact that the program is a three-step function with 80 percent of the obligations coming in the third step, some of it could be attributed to a slow start in the program.

Nevertheless, much progress has been made this year in cutting into those unobligated balances, and a significant amount should be obligated in 1981 if the slowdown presently imposed does not have a serious deleterious effect on the program.

It is on this point that I have great concern, for now that we seem to be breaking out of the problems that have plagued us in the past, it would be counterproductive to slow up the program again at this time. The clean water goals we have set for this country are much too important to allow them to slip any more than they already have.

In addition, this program has been subject to more than its share of budget sacrifices, and I hope the subcommittee will consider that fact in marking up this year's bill.

Let me be specific. At the end of fiscal year 1979, the unobligated balances stood at nearly $4 billion, and the expected carryover of unobligated balances at the end of this fiscal year is expected to be near $2.9 billion.

If the Administration had not put a freeze on obligations that figure would be closer to $2.4 billion. If funds were released earlier than September, we could possibly approach that $2.4 billion figure in unobligated balances for fiscal year 1980.

In any event, the projects which would have been obligated without the freeze are still ongoing, and the frozen funds will have to be applied to them next year. Thus in order to fund additional projects, the $3.7 billion must still be made available.

EPA has estimated that there are 4,000 Step-2 projects in the system now, and that translates into over $4 billion worth of funding at the Step-3 level.

In addition, Mr. Chairman, other obligational demands are increasing as the overall program begins to function properly. This is especially true in those States where the most persistent problems have occurred because more communities are now beginning to submit project applications.

That momentum must be maintained, for I believe that we are at the stage now that we can see this program produce the benefits which were envisioned by the Congress when it passed the Clean Water Act Amendments in 1977.

We also have an obligation to fulfill our expressed commitments to the local communities throughout the country which we have told to proceed in accordance with the requirements of the law.

Mr. Chairman and Members of the Subcommittee, I urge this Subcommittee's most serious consideration of the needs of this program and request that the $3.7 billion recommended in January be appropriated so that the past delays we have suffered are not compounded.

Thank you.

Mr. BOLAND. Thank you very much, Congressman Ginn.

As you have indicated and as we know, the Administration's objective in the construction grant program with respect to deferral, is to reduce the 1980 outlays by $95 million.

The Agency originally intended to obligate one billion of the $3.4 billion fiscal 1980 appropriations in 1980. Through February EPA had obligated approximately $120 million of the unobligated funds.

The remaining intended for obligation was comprised of two parts: $480 million would be deferred until fiscal 1981, and $400 million would be deferred until September of 1980. Your statement indicates on the second paragraph on page 2 that if funds were released earlier than September we would approach that $2.4 billion figure in fiscal year 1980.

When the Full Appropriations Committee met we indicated we were taking no position on the deferral. When a deferral resolution was filed that we would take a look at this particular problem down the road a bit, but we did indicate that the $400 million ought to be made available before September, and that we suggested it be made available in August.

That takes care of some of the problems; of course, not all of them. So we appreciate very much your thoughts on this program.

There are few in the Congress who have a deeper or fuller knowledge of the program itself, having been familiar with it on the subcommittee as the Subcommittee Chairman on the Public Works Committee.

I thank you for coming here.

Mr. COUGHLIN. I just want to ask about one alternative that is proposed on the question of the deferral. Was the possibility of not deferring Step-1 and Step-2 funds considered?

That would be a possible alternative to what you are suggesting?

Mr. GINN. Possibly so. Of course, I support the two-tier proposal which, as the Chairman pointed out earlier, has passed the House but not the Senate. This would not necessarily help my State,

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because my State moves quickly to obligate, but I think it would in the final analysis help the States.

Mr. COUGHLIN. I support your proposal not to defer the Step-1 and Step-2 funds. Didn't we discuss that? That is the planning fund?

Mr. GINN. Oh, I see what you are saying, that would let some new projects.

Mr. COUGHLIN. Let the planning funding.

Mr. GINN. But not construction on projects that we are already in. I would have no problems with that.

I think, though, in the final analysis we have got to finish some of these that we started. What did I say earlier, there is some $400,000 in the Step-2 in the pipeline now? I think we could live with what you are suggesting, but I think it would be a better way to go, to go the other way.

Mr. BOLAND. It certainly is not the purpose of this Committee to slow this program down. We have figures here indicating that some 40 States would be affected by the recommendations with respect to the 1980 budget, and that is too many.

We also have information which indicates that about 16 States would be out of funds by the end of March, and that some of those within the 16 States would have less than 5 percent as of March 31 of 1980.

It's a matter that we will be looking at closely.

Mr. GINN. I know you will. All of us appreciate the interest that you and your subcommittee have.

Mr. BOLAND. Thank you for your help.

ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

HON. THOMAS P. O'NEILL, LIEUTENANT GOVERNOR OF THE STATE OF MASSACHUSETTS

MS. SUZETTE TAPPER, LEGISLATIVE REPRESENTATIVE FOR SOLAR LOBBY

Mr. BOLAND. We will now turn to the witnesses that are concerned with the EPA moneys, and I am delighted to ask the Lieutenant Governor of the State of Massachusetts to come to the table.

I have known him for a few years, and we are delighted to have him.

May I also add that the Lieutenant Governor has indicated a strong feeling for the solar energy programs. As a matter of fact, a number of the programs that Massachusetts has established have come about as a result of seminars and workshops that have been conducted throughout the State by the Lieutenant Governor, and his leadership in this area has been extremely beneficial to the people in our State and the areas that are concerned.

We are delighted to have you, Lieutenant Governor O'Neill. Why don't you proceed as you wish.

Mr. O'NEILL. Thank you very much.

I appreciate the opportunity. I should tell you, I not only speak for the State of Massachusetts, but I have been asked to give testimony today for the Solar Lobby.

It is in that regard that it is a pleasure to come before your Subcommittee.

Suzette Tapper, who is over here to my left, will have an opportunity before too much longer this morning to provide you with some added advice and information about the Solar and Energy Conservation Bank which is before your Subcommittee looking for an appropriation.

I think she also capably demonstrates the Bank's unique approach to stimulating conservation and solar development.

I would like an opportunity to focus on a third matter, perhaps raised by Mrs. Tapper in her testimony, the importance of providing at least $450 million in fiscal year 1981 funds for the Solar and Conservation Bank.

Over the past year I have convened close to 100 gatherings of local officials, community and business leaders, and concerned citizens across the State of Massachusetts. They are all designed to encourage people to undertake conservation and solar home improvements where possible.

As part of this Department of Energy funded initiative, my office has also convened eight regional energy conferences around the State to teach community leaders to try to help their constituents save greater degrees of energy.

I would like to share with you several of the observations growing out of my energy activities which speak directly to the matter which you will have an interest in today.

I strongly believe that conservation and solar power offer the safest, most economic and easily implemented cures for our substantial energy ills. They also represent our region's only hope for energy self-sufficiency.

Faced with the highest energy costs in the Nation, Massachusetts consumers have made impressive progress over the last few years in cutting back their energy usage and, to a lesser extent, installing solar systems. And interest in these energy-saving approaches appears to be growing.

Let me relate some of the things I have found. The response to my office's low-cost conservation workshops was overwhelming, both in terms of participation in the actual conferences and in requests for follow-up assistance.

On the South Shore, 1,600 of 80,000 area residents responded during the first 5 days of a pilot home energy audit program. This success rate is particularly surprising in light of the fact that the sole publicity for the program was a poorly attended press conference.

In Springfield, the local Energy Extension Service reports that it has been besieged by calls for solar and conservation advice. And solar installations in the Connecticut River Valley have nearly doubled every year since 1976.

Finally, last winter statewide consumption of home heating oil was down 25 percent from the preceding year. Close to 20 percent of this reduction was due to conservation and fuel switching.

Despite what I consider to be impressive beginnnings, most homeowners simply cannot afford the sorts of conservation and solar improvements which would dramatically reduce our dependence on conventional fuels.

It is estimated that nearly 1.5 million of the Commonwealth's 2 million housing units require retrofits costing in excess of $3,000 merely to conform to the residential conservation service's efficiency standards, which include only the most rudimentary conservation provisions.

Similarly, recent reports by the New England Congressional Congress and others suggest that solar power's high capital costs are the main deterrent to its widespread application in the region.

Efforts must be made to assist homeowners in making conservation and solar capital investments. Until such a program is implemented, progress towards a renewable energy future will continue to be plodding and incremental.

Judging from our experience in Massachsuetts, I believe the response to a Federal Solar/Conservation Bank will be overwhelming. Even if the bank does not begin operating until the end of the fiscal year, a $450 million appropriation for fiscal year 1981 is fully justified.

The following considerations ought to be made:

The Massachusetts-Based Solar Solutions Firm surveyed homeowners across the Northeast to determine factors which might encourage their installation of solar systems.

They found that solar purchases would increase by an impressive 410 percent across the region in the two years following passage of a solar/conservation bank bill. The next most effective stimulus approach, a commercial tax credit, would yield a far smaller increase of 219 percent.

Convinced that interest subsidies will substantially speed conservation retrofits, the Massachusetts Energy Office has sponsored a 5 percent subsidy measure to piggyback the proposed Federal program. In addition to providing an additional incentive for residents to utilize HUD conservation bank funds, this State measure has already succeeded in focusing considerable public attention on the pending Federal program.

Finally, the overwhelming reaction to our Office's conservation initiative and similar campaigns launched by other public and private groups leads me to believe that a similarly enthusiastic response will greet this new Federal initiative.

I fully expect that, when the Bank officially opens its doors, tens of thousands of Massachusetts citizens will line up to receive assistance. This waiting list will be even longer if the opening occurs during the winter, when homeowners are confronted with the most visible evidence of disabling oil price rises.

I would say while we are feeling the tremendous pinch of inflation nationally, one of the greatest contributors to the rate of inflation in our State and within our region is the cost of fuel.

We think this would go an awful long way to make sure we would have a very worthwhile program put in place, one by the way that everybody across the philosophical spectrum can get their teeth into and agree to.

I thank you for the opportunity to come before your subcommittee to have the opportunity to relate and represent the interests of the Solar Lobby and the State of Massachusetts.

I would hope that your Appropriations Committee would see fit to make sure that the Bank is on its way.

Mr. BOLAND. Thank you, Governor O'Neill.

Suzette, do you want to sit up here? Both of you recognize the fact that the solar and conservation funding for 1981 depends on part on whether the Authorizing Committees will reach agreement before we report this bill.

If there is a conference agreement in place, of course, that would make it more likely that we could take care of some of the problems that you are concerned about here.

Ms. TAPPER. Are you aware, Mr. Chairman, of the events of the last two days, the Great Lakes solar aided events?

Mr. BOLAND. I am not.

Ms. TAPPER. The staffs met yesterday and the House caucused and made an offer to the Senate, and they are hoping that the higher conference continues its work this weekend.

Mr. BOLAND. Of course, with no authorization we can't appropriate any money for it. I hope they can reach an aggreement. I think the statement of the Lieutenant Governor highlights the importance of the Solar Energy Conservation Bank to all sections of the nation.

The cost of energy in New England is higher than in other areas, particularly because the use of our energy is based primarily on the use of imported oil which costs us more in that area than in other areas of the United States.

I want to compliment you on the leadership you have taken in this area and, hopefully, we can look to some solution to it.

The Administration proposals on the Solar Energy and Conservation Bank are disturbing to those who are firm believers in solar energy and that is a matter that we will be considering closely.

Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

I was very interested in the figure that you gave indicating that the consumption of home heating oil was down 25 percent from the preceding year and close to 20 percent of that was due to conservation fuel-switching.

To what was the balance of it due?

Mr. O'NEILL. Some believe it was actually a warmer winter than past winters and that had a very large degree of cutback in consumption of oil and all fossil fuels.

Mr. COUGHLIN. Seventy-five percent was due to the warmer winter and 80 percent as the warm winter, 20 percent was due to conservation.

Mr. KYE. Twenty-five percent was the total reduction.

Mr. O'NEILL. Twenty-five percent down and 20 percent due to energy conservation devices.

Mr. COUGHLIN. Twenty-five percent reduction and a reduction of 20 percent was due to fuel switching; 80 percent of the reduction was due to a warmer winter?

Mr. O'NEILL. Twenty percent was due to the warmer winter, and 80 percent was due to retrofitting or energy conservation modes or

devices for better utilizing heating fuels within a residence or hot water systems, or whatever it might be.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. O'NEILL. I might add one other point to the Chairman's focusing in on the fact that the authorization has yet to be passed. I handled Federal-State relations for the Commonwealth for five years. This is the first time I have been down looking for an appropriation before.

It is a little of the dog's tail getting wagged first.

The point is that it is a very important message. It obviously is something we are all concerned about, something everybody agrees to. It is something that we think across the board works.

We are convinced that some authorization is called for.

Mr. BOLAND. And your persuasiveness, your friendship.

Mr. TRAXLER. I want to welcome the Lieutenant Governor and tell him a number of the delegation of your State are friends of mine, and it is indeed a pleasure to meet you in person.

Everything they have said about you is absolutely false. You are a fine, decent man.

Mr. O'NEILL. You ought to listen to my mother more often.

Mr. BOLAND. Lindy, would you like to add something?

Mrs. BOGGS. I am very pleased to welcome you here. I am sorry I haven't been here for your testimony. I am certain I will find it very edifying when I have an opportunity to review it.

Mr. BOLAND. Suzette, would you like to speak?

Suzette Tapper is the Legislative Representative with the Solar Lobby which is, let me say, a very energetic lobby based in Washington. If there are any highlights in your statement you would like to give us we would be pleased to receive them.

Ms. TAPPER. There is no point in my delivering the entire statement. I make three points in that statement which I think are important for this committee to believe in order to appropriate money for this program.

One of them is that certainly there will be an authorization bill.

Mr. BOLAND. There will be a Bank. You need a Bank.

Ms. TAPPER. We need a Bank, because the Bank can do some things that, for instance, the tax credit cannot do.

There are some very unique abilities of that Bank.

That is my testimony, and I will be glad to respond to any questions about it.

Third, the level of funding needs to be high enough to make it work that first year.

I am prepared both to speak in terms of facts and in terms of rumors, and let me give you the rumor first.

I understand that OMB's reasoning when they made a recommendation, a cut from $450 million that the President had originally asked for for this program, $47.5 million was on the assumption to which we just would not subscribe, that if you operate a program for a quarter of a year you operate it with a fourth as much money.

Both the Lieutenant Governor and I have spoken to the point that we expect a backlog of people waiting at the door when this Bank opens.

If anybody had any doubt about that, the language in the staff agreements made yesterday for that conference on the conservation title is certainly persuasive that unless they do something different about that, the rules will be that any conservation expenditure made which qualifies under this bank, if it is made after January 1, 1980, upon refinancing which must take place within 90 days after the promulgation of final regulations for the bank is eligible for a subsidy from the bank.

That means that the conservation subsidy amendment that we are discussing here, your appropriation for 1981 does not only carry the demand for conservation measures under this bank for the fiscal year of 1981 but for three-quarters of the fiscal year of 1980, which is a substantial load.

[The information follows:]

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May 13, 1980

Testimony of Suzette Tapper

Legislative Representative, Solar Lobby

Before the

Subcommittee on HUD-Independent Agencies of the

House Committee on Appropriations

on

Appropriations for FY-81 for the Solar Energy

and Energy Conservation Development Bank

Mr. Chairman, members of the Committee, ladies and gentlemen: I am Suzette Tapper, a Legislative Representative of Solar Lobby. Accompanying me is Lt. Governor Thomas P. O'Neill of Massachusetts. We are pleased to have the opportunity to appear before this subcommittee.

The Solar Lobby is a research and advocacy group based in Washington, D.C., supported by contributions from over 35,000 members who believe that an expeditious transition to the use of renewable energy resources, combined with aggressive programs of energy efficiency, are the only basis for a sound energy policy.

The Solar Energy and Energy Conservation Bank which will shortly be established within HUD has great potential to speed this transition and make immediate gains in the

adoption of energy-efficient measures. Today I would like to make three points:

First, there is going to be such a Bank.

Second, we need such a Bank, and

Third, the Bank must have adequate funding levels for FY-81. Of course, it is this funding which we are here today to discuss.

We can say with virtual certainty that the Bank will be created because the current synthetic fuels conference will report it out, the House and Senate have displayed sufficient enthusiasm to indicate that they will accept the conference report, and the President will sign it. As you know, it is one of the major measures in the House-Senate conference. The date by which the conference can finish its work is a matter of conjecture. That they will recommend a Bank is not. S. 932, the Senate Bill which the conference is considering, is a massive piece of legislation made up of eleven titles, all of which deal with one aspect or another of possible solutions to the nation's energy crisis. Next to the synfuels program itself, the most interest has centered around the Bank. A specially established "working group" of the conferees has labored long on the Bank and has been able to reach agreement on most major issues. It seems clear that the conference can and will recommend a Bank.

Even stronger evidence exists that the House and Senate will both approve the conference report with alacrity and the President will sign it. The House's enthusiasm is demonstrated by the fact that it has considered Solar Bank legislation for two Congresses, the bills involving over 100 House members as sponsors. This year, versions of a Bank were passed by both the Banking and Commerce Committees by overwhelming votes. In the case of the Senate, they sent a very strong floor-passed

bill to the conference. Their determination to have this Bank can hardly be in doubt. Finally, the President named the Bank as one of his four initiatives for attacking the energy problem in his speech last June. We can certainly expect him to welcome its arrival on his desk!

We need the Bank because it can perform three unique functions not possible with other programs. These are coverage of a number of applications left out of the tax credits, giving a special kind of visibility to solar and conservation solutions, and the exercise of its unique ability to deliver just the right amount of stimulus to the right application to accomplish national goals.

The Bank will be able to focus its resources on those solar applications which have not received significant tax credits. Passive solar buildings are the outstanding example: no builder's credit was approved for this technology, perhaps the most easily implemented solar option. The Bank could provide major assistance to passive solar builders.

Multi-family housing and agricultural buildings were also omitted from the tax credits, and the Bank has a specific mandate to support solar applications in these areas.

The Bank will also provide a greater inducement in two areas which are presently covered by tax credits, but which require additional incentives. The Bank will provide capital to people who could not or would not respond to the $300 conservation tax credit and, in the commercial sector, to those businesses that are unable to respond to the increase from 10 to 15 percent in the energy tax credit.

The special visibility which the Bank can give to conservation and solar through its promotional program is significant indeed. Part of this promotion is directed toward new audiences such as lending

institutions and builders. However, to illustrate the potential effect on the general public, I would like to tell you about an Ohio television show our director appeared on last month. The audience at the beginning of the show reported that 28 percent of them had inquired into the possibility of using solar power. At the show's end, 84 percent said they were more likely to consider using solar than before the show. The promotional program conducted by the Bank seems to have a potential for drama, as the Bank will have money to put where its promotion is.

The last unique feature of the Bank is subtle, but it is that very subtlety which carries so much potential. Because the Bank can vary subsidy levels by application, section of the country, type and cost of fuel replaced, etc., it has the ability to really fine-tune a system of stimuli to be applied to the right place in the right amount at the right time to quite precisely further national goals, while making sure that every federal dollar is well spent.

Finally, and most important, is our concern that the Bank have adequate funding levels for 1981. The President's January budget request for the Bank in 1981 was $150 million for solar and $300 million for conservation. The House first budget resolution, which passed the House last week, responds to that request and subsequent events as follows:

> ...the recommendation for fiscal year 1981 recognizes the important priority that should be given the proposed "Solar Energy and Conservation Bank" to encourage the weatherization of, and use of solar energy in, American homes; this is especially true during times when credit will be difficult to get, thus only moderate reductions from the President's proposed funding levels are anticipated for this program.

The joint staffs of the synfuels conference have agreed on FY-81 funding for the Bank of $100 million for solar and $200 million for conservation. This agreement was achieved with sufficient consultation so

it seems safe to assume that those will be the figures in the conference report.

The suggestion that this program could be substantially cut is based on an assumption that if the Bank only operates for half a fiscal year, it will need only half as much money as for a full year. While this might be true in future years, quite the opposite is likely to be true in the first year. There will be a great deal of pent-up demand when the Bank first begins operations. The Bank becomes effective on date of enactment--which will be sometime this summer. Then will come a period of about six months during which HUD will promulgate regs, but also during which people will be making eligible expenditures. They are not going to go away. They are going to wait, and when the Bank opens for business, they will file applications. We can expect a substantial flood in the early months. (Even more interesting is the fact that people are waiting now -- waiting to install energy conserving measures and equipment for alternative energies. They are using oil while they wait for the Bank. How many of these people there are, nobody knows, but I am beginning to keep notes on the ones who call me. They certainly expect to make eligible expenditures as soon as the Bank is passed. This will add to the initial flood.)

In summation, there is certainly going to be a Solar and Conservation Bank created by this Congress, because both the Congress and the Administration recognize the unique part such a bank can play in a coordinated national energy strategy. We urge you to appropriate the funds specified in the authorizing legislation.

Mr. BOLAND. The original 1981 budget proposal of $150 million would support approximately $1 billion in solar energy systems loans. The revised budget includes an estimate of $47.5 million, of which $10 million would be used for planning, development, implementation of the solar energy systems demonstrations, and $37.5 million in support of loans amounting to $250 million.

On the conservation loan subsidies for 1980, the supplemental appropriation of $100 million was proposed for the support of an estimated $875 million in energy conservation improvement loans.

An additional $300 million was proposed for 1981. The revised 1981 budget includes no appropriation for this program in 1980 or 1981. The request is being deferred for consideration until 1982.

Ms. TAPPER. That is my understanding.

Mr. BOLAND. All right.

Thank you very much.

We will await the action of the conferees and you are almost a conferee yourself.

Mr. COUGHLIN. One quick question:

You cite passive solar buildings as being an example of something that is not applicable. What is a passive solar building?

Ms. TAPPER. That is a building that within its own architecture utilizes the best use of the sun for warmth in the winter and for cooling in the summer. The simplest form of, as I understand and I am not a technical person, you put as many windows as possible in the south side of your house and you put a big overhang over that.

The sun changes the height at which it travels across the sky during the year. During the winter months, it travels rather low across the sky, so it flows through those windows giving the effect of making us feel warm when we are sitting in the sun inside the glass.

It travels higher in the sky, and the overhang protects it from going into the house and keeps the house cool in the summer. That is the simplest biggest piece.

Mr. COUGHLIN. Thank you.

Mrs. BOGGS. I was very interested in your pilot program in the energy audits. TVA was confronted last year with the need for some additional capacity. It was going to be so expensive that they appealed to their customers saying they would train energy auditors to go into their homes. By the time the energy auditors had gone into 100,000 homes, some of the conservation measures installed and some of the policies adhered to, they found they had the equivalent of a whole new generating plant. So they have saved a whole new plant by their conservation measures, and I think that energy auditing is a very innovative and productive effort for you to sponsor.

I hope that it will catch on in many other places.

Mr. O'NEILL. We estimate the State of Massachusetts, as far as energy waste due to lack of energy conservation, if it were to be figured out in an extrapolated manner, you would save somewhere between 30 and 40 percent of our current usage due to energy conservation.

If we are really concerned about getting to a point where we are helping people and their individual pocketbooks, to help balance end-of-month bills, getting less dependent on a foreign fuel source

that we are so dependent on in our region, this is really one of the major emphases that we kind of pick up on, and we are hoping to carry that message through the congressional process.

Mrs. BOGGS. The private audit was so popular that industrial users have now asked for audits. They are willing to pay for themselves so that, even the training of the auditors will be repaid by the sale of their services.

Mr. O'NEILL. I said earlier we have 2 million housing units in the State of Massachusetts. One million and a half of them really do have a severe need for energy conservation at an average cost of somewhere between $3,000 and $3,200, given the mean income. It becomes difficult for people to put up the capital costs for that kind of thing unless it is supported.

We need an incentive, a grid system that works in everybody's best interests.

Mrs. BOGGS. Thank you.

Mr. BOLAND. Thank you very much.

Mr. Traxler?

Mr. TRAXLER. Mrs. Tapper, would you provide me with a list of publications that may be free or inexpensive that deal with the question of passive solar energy, and something that——

Ms. TAPPER. Suitable for your constituents?

Mr. TRAXLER. Thank you.

Mr. COUGHLIN. I would ilke a copy, too.

Mr. BOLAND. Thank you, Tom.

Thank you, Mrs. Tapper.

HOUSING AND URBAN DEVELOPMENT

WITNESSES

HON. CARLTON VIVEIROS, MAYOR OF THE CITY OF FALL RIVER, MASSACHUSETTS, REPRESENTING THE UNITED STATES CONFERENCE OF MAYORS

PAUL POULOS, EXECUTIVE DIRECTOR, COMMUNITY DEVELOPMENT AGENCY

Mr. BOLAND. The Honorable Carlton Viveiros, the Mayor of Fall River, who is here today to represent the United States Conference of Mayors.

I would think you would be interested in just what has been stated here in regard to the HUD Program.

I can never understand why the Conference of Mayors always has somebody come down on this budget. I have met more mayors since I have been sitting here.

The Mayor represents a great city in the State of Massachusetts. We are delighted to have you.

Mr. VIVEIROS. Mr. Chairman, distinguished Members of the Committee, my name is Carlton M. Viveiros, the Mayor of the City of Fall River, Massachusetts.

And I want to thank you for the opportunity to appear today to testify on HUD's fiscal year 1981 appropriations request on behalf of the City of Fall River and on behalf of the U.S. Conference of

Mayors, a membership organization representing the mayors of the Nation's largest cities.

I know you have many witnesses and a busy schedule, so I will keep my remarks as brief as possible.

I do understand my full statement will be included in the record.

Mr. BOLAND. We are delighted to do that.

Mr. VIVEIROS. Thank you, and I would like to submit for the record some additional material, including the fiscal 1981 budget analysis prepared by the U.S. Conference of Mayors' staff and copies of the resolutions as indicated by the Chairman.

Also, I would like to share with you and submit for the record a survey conducted by the U.S. Conference of Mayors and the National League of Cities and the National Community Development Association.

We polled some of our members and asked them what would happen if the Community Development Block Grant Program were reduced across the board by 10 percent.

I won't go into the answers in detail but, overall, they responded that services to low and moderate income residents would be cut, badly needed repairs to aging infrastructure would be put off and homes needing rehabilitation would not be fixed up.

There is no locally generated source of money to make up for any cuts this Congress enacts in the Community Development Block Program.

What is not provided will translate into less services for your constituents and mine. This is why it is so critical for you to approve the Community Development Block Grant appropriations for fiscal year 1981 which are fully up to the authorized levels approved by the Banking Committee.

Mr. Chairman and Members, I would like to share with you this morning an overview of the various HUD programs that have been utilized in a highly coordinated manner in our efforts to carry out a revitalization strategy for the City of Fall River.

The Central Business District Renewal Project serves as a classic example of the importance of several HUD Programs, each essential to the success of the project, each being a vital piece to a puzzle or a card on a house of cards.

Started in 1971 as a conventional urban renewal project, the CBD Project received a major setback a few years later when a private group, without the knowledge of the city or the property owner, placed a building scheduled for demolition on the National Register of Historic Places.

An added problem was that developers would not make binding commitments unless the city guaranteed additional parking in the area, which it could not afford financially.

In the face of these seemingly insurmountable obstacles, the CBD in Fall River today is in the throes of massive redevelopment, scheduled to be completed within a year as a result of utilization of available HUD Programs.

The problems and the programs applied to solve them include:

The Academy Building; the historic structure is presently undergoing adaptive re-use estimated at $4 million utilizing the Section 8 Substantial Rehabilitation Program for 85 units of elderly housing on the upper floors and commercial space on the street level as

well as a $250,000 facade restoration grant from the CDBG Program.

An Urban Development Action Grant project of $1.6 million to provide 414 additional parking spaces in the CBD. This has triggered construction of a 70,000 square foot commercial structure as well as a rehabilitated office structure and a new branch bank in the area.

Also under construction are 261 units of elderly housing under the Section 8 new construction program estimated at $9 million. These units, which basically replace units taken down during the renewal process will assist lower income persons in their housing needs, expand the tax base, and generate human activity within the central business district.

The Section 312 Home Loan Program is being utilized to bring a 30-unit apartment complex into code compliance; public improvements such as new sewer lines, water mains, street repaving, sidewalk improvements, and tree planting will be accomplished under the Community Development Black Grant Program.

It should be noted that our efforts and allocation of resources to the CBD Project have not been to the detriment of low and moderate-income residential neighborhoods. To the contrary, under the CDBG Program, the city has committed itself to revitalization plans for three residential neighborhood strategy areas.

These programs provide a full range of physical improvements such as home rehabilitation and infrastructure upgrading as well as supportive social services. It should be noted that Fall River is meeting its obligations to provide subsidized family housing, primarily through the Section 8 existing housing program.

Additionally, the CDBG Program has become a very valuable tool in our overall economic development strategy for the city. We have been extremely successful in leveraging private sector investments with the use of CDBG funds for projects that generate increased job opportunities for our low and moderate-income residents.

In carrying out all of the activities I have described, we have attempted to meet our objectives as expeditiously as possible as well as attempting to minimize administrative expenses in order that maximum resources be applied to project development.

Along these lines, as Mayor, I am proud to inform you that the City of Fall River, under the CDBG Program, has an expenditure rate of 96 percent and has limited administrative expenses for not only the CDBG Program but the UDAG Program and the Section 312 and Section 8 NSA Programs to 5.8 percent of the CDBG Entitlement Grant.

In closing, Mr. Chairman and Members of the committee, I again wish to thank you for this opportunity to tell The Fall River Story and to underscore the importance that adequately funded HUD programs mean to my city as well as countless other communities across the Nation.

Thank you.

[The statement follows:]

Mr. Chairman, distinguished members of the Committee, my name is Carlton M. Viveiros, the Mayor of Fall River, Massachusetts, and I want to thank you for the opportunity to appear today to testify on HUD's Fiscal Year 1981 Appropriations request on behalf of the City of Fall River and on behalf of the U.S. Conference of Mayors, a membership organization representing the Mayors of the nation's largest cities.

I know you have many witnesses and a busy schedule, so I will keep my remarks as brief as possible. I would like to submit for the record some additional materials, including the FY1981 budget analysis prepared by the U.S. Conference of Mayors staff, and copies of the Resolutions adopted by the U.S. Conference last June at its Annual Meeting. These particular resolutions pertain to HUD's programs in community development and housing.

You are meeting in troubled times. Already this year the HUD budget for Fiscal Year 1981 has been amended at least once by the Administration. House and Senate Budget Committees, and both Houses of Congress, have changed the budget further in developing the First Concurrent Budget Resolution. These changes have pared an already slim budget for urban America down to unacceptably low levels. When the President announced his budget for FY81 in January, we commented that the amount requested for Community Development Block Grants provided only a 4.4 percent increase in funding for this vital program. This slight increase was further weakened by the probable addition of new entitlement jurisdictions during the year, meaning that more cities will be sharing the pot.

Although we were disappointed, we didn't know that worse was yet to come. In March, the revisions to the FY81 budget came down, and again, cities took a disproportionate share of the cuts. Even then, however, the Administration took pains to try to protect the CDBG and UDAG programs. This was done for a number of reasons. First, these programs don't yield high payouts in outlay reductions, since actual obligations lag reservations of funds by some time. Second, the Administration tried to protect those programs which provided a certain level of funding based on objective need to a wide variety of participants, and those which leveraged high amounts of private investment. Deeper cuts were made in programs such as Section 312 Rehabilitation loans, where outlay impact is much more immediate.

Now, however, the House Committee on Banking, Finance and Urban Affairs has acted to take the cuts mandated by the House Budget Committee out of the basic CDBG program. The authorized level for FY81 is only $3.81 billion -- a full $140 million cut from the President's proposed amount.

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This cut means that communities will preserve only a current services level in FY81 under CDBG. Purchasing power will be slashed by inflation, and programming will shrink because the same grant amount in 1981 will not purchase the same amount of goods and services it did in 1980.

The Community Development Block Grant program is based on five major principles:

- Reliable levels of funding based on objective needs;
- Maximum local flexibility within the framework of guiding Congressional policy direction;
- Maximum benefits for low and moderate income persons;
- The linkage of community development and housing programs at the local and federal levels;
- Leverage of private investment dollars with public funds.

Taken together, these principles establish the partnership approach to local development which I believe must remain the cornerstone of our community development policy. By providing an assured, steady flow of funds to communities in need , the CDBG program helps cities across the country meet urgent infrastructure, housing and social needs on a targetted basis.

As an elected official, I know you share my concern about making sure that the tax money we collect is targetted as much as possible to those activities which benefit those who need help most. In these tight budget times, this is more important than ever. The CDBG program is such an activity and the reductions approved by the Banking Committee are a bitter disappointment for the nation's Mayors.

I would like to share with you and submit for the record a survey conducted by the U.S. Conference of Mayors, the National League of Cities, and the National Community Development Association. We polled some of our members and asked them what would happen if the CDBG program were reduced across the board by 10 percent. I won't go into the answers in detail, but overall, they responded that services to low and moderate income residents would be cut, badly needed repairs to aging infrastructure would be put off, and homes needing rehabilitation would not be fixed up. There is no locally generated source of money to make up for any cuts this Congress enacts in the CDBG program. What isn't provided will translate into less services for your constituents and mine.

This is why it is so critical for you to approve CDBG appropriations for FY81 which are fully up to the authorized levels approved by the Banking Committee.

On the housing side, we urge your Committee to carefully examine the program approved by the House Banking Committee. As you know, this authorization contains a new program with contract authority for the reduction of interest rates on multifamily housing designed for rental to persons with incomes up to 150 percent of area median. The funding for this program is taken out of the total HUD request for housing assistance in FY81. The proposal would reduce commitments for new construction and substantial rehabilitation under Section 8 to accomplish this. In addition, the authorization would establish a mix between new construction/substantial rehabilitation and existing housing at variance with the goals contained in approved Housing Assistance Plans prepared by local governments.

The Conference of Mayors recognizes the need for a program like that adopted by the Banking Committee. Affordable rental housing has nearly disappeared in many of our cities. The need for help cannot be denied.

However, the Conference remains strongly opposed to a program which is funded out of the budget and contract authority which President Carter proposed for direct benefit for lower income persons. We are also extremely opposed to the determination of a mix between new construction/substantial rehabilitation and existing housing set in Washington by the Congress without regard for the Housing Assistance Plans developed by local governments.

We urge the Committee to approve a housing appropriation equal to that sought by the Administration in its budget request. This would finance up to 283,000 units of housing for lower income persons in a household and housing type mix determined through the locally-approved HAPs. If the Congress decides a new program to benefit middle income renters is necessary, it should certainly authorize such a program. But it should not try to finance it at the expense of assistance to those least able to compete at all in today's inflationary housing market.

On the other matters, let me summarize our position quickly. Urban Development Action Grants deserve full funding at the $675 million level proposed by the President and endorsed by the Banking Committee. This program provides local governments with the leverage necessary to attract new private investment. UDAG-funded projects help preserve existing infrastructure, encourage energy efficient city development patterns, and offer the best possibility available today to help meet the crying need for employment in central cities.

You are also considering a new program of public housing comprehensive improvement authorized by the Banking Committee last week. This $100 million program is designed to enable local housing authorities to comprehensively improve the physical conditions which ail so many public housing projects. We strongly support this authorization, and hope you will appropriate the full amount necessary to start this program as soon as possible. This program has great potential. Many cities have been plagued by seemingly insurmountable problems in the existing public housing inventory, and been unable to find the resources necessary to repair them. We do have some concern that the authorization places too little emphasis on the role which local government, as distinct from the public housing agencies which manage public housing, can play in assisting in this program. We urge the Committee to take the initiative and direct the Secretary to approve applications for these funds with a preference for those which contain firm evidence of a cooperative working relationship with the local government, and which outline the jurisdiction's approval of the proposed improvement program and a commitment of some resources to complete the work.

Regarding HUD's other program requests in this budget, such as Section 312 Rehabilitation loans, Neighborhood Self-Help Development Grants, authorizations for policy development and research activities, and Section 701 Comprehensive planning grants, we urge the Committee to adopt the fully authorized levels in HR7262, as reported by the House Committee on Banking, Finance and Urban Affairs. As stated earlier, we do not agree with all these levels, and we do not agree with the manner in which the First Concurrent Budget Resolution reduces funding for these vital programs. However, this Committee can ensure that at least within these stringent limitations full funding is achieved.

This ends my formal remarks. I want to thank you again for the opportunity to testify before you today in support of the appropriations for HUD in FY81. I will be happy to answer any questions you may have.

RESOLUTIONS ADOPTED

Forty-Seventh Annual Meeting
Pittsburgh, Pennsylvania
June 9-13, 1979

UNITED STATES
CONFERENCE OF MAYORS

Community Development, Housing and Urban Development

The Community Development Block Grant Program

WHEREAS, the U.S. Conference of Mayors has supported the Community Development Block Grant concept since 1971 and commends the Congress and the Administration on enacting and administering such a comprehensive piece of legislation; and

WHEREAS, cities have developed a capacity to develop and administer these programs in a comprehensive manner; and

WHEREAS, the Community Development Block Grant program and the Urban Development Action Grant program will be before the Congress next year for reauthorization,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors calls upon the Congress to reauthorize the Community Development Block Grant program with the following principles:

- that the CDBG program be authorized for at least three years;
- that the existing dual formula be maintained;
- that the existing eligible activities and flexibility to develop programs be maintained at the local level;
- that the CDBG program principally benefit low- and moderate-income people;
- that the legislation provide for a simplification of paper work in the application and reporting system;
- that the Community Development Block Grant program be adequately funded in every funding category taking into account demographic changes which cause communities to move from one funding category to another; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls upon the Congress to reauthorize for at least an additional three years at the highest possible funding level the Urban Development Action Grant (UDAG) program which has proven to be an excellent tool for leveraging private investment in commercial, industrial and neighborhood development projects; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls upon the Congress to maintain and strengthen the Housing Assistance Plan which has become an essential management tool for cities throughout the country for developing housing assistance programs in our cities, and allow assisted housing allocations to be distributed according to local need as determined by the Housing Assistance Plan.

Urban Development Action Grant

WHEREAS, the Urban Development Action Grant (UDAG) program is designed to assist in the redevelopment of distressed urban areas; and

WHEREAS, these areas are of greatest distress and generate lower private to public leverage ratios than non-distressed areas; and

WHEREAS, neighborhood projects in distressed areas generate still lower private to public leverage ratios; and

WHEREAS, there are many cities which, as a whole, have strong economies and are fiscally sound but have extensive areas within their boundaries which manifest high unemployment, low median income and large portions of the population in poverty,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors recommends as National Urban Policy that UDAG grants be limited to distressed urban communities and pockets of

poverty with deteriorating facilities and chronically high unemployment provided that:

- pockets of poverty projects benefit predominately low- and moderate-income families and that local governments contribute a reasonable cash match to the project; and
- that a reasonable percentage of UDAG funding be available for pockets of poverty, provided that the set-aside for pockets of poverty not affect the $400 million currently available to UDAG eligible cities; and

BE IT FURTHER RESOLVED that special project leverage ratios be established for severely distressed neighborhoods; and

BE IT FURTHER RESOLVED that discount rates on repayment of UDAG loans used to help determine leverage on neighborhood projects are reduced considerably below the rate for downtown and manufacturing projects.

Housing Programs

WHEREAS, the nation today faces a rising crisis in the supply of decent, safe and sanitary housing which is affordable for low- and moderate-income families; and

WHEREAS, inflation continues unabated to eat into every family's budget and decrease the amount of discretionary money available to purchase better housing; and

WHEREAS, the conventional multi-family construction sector continues to lag badly; and

WHEREAS, the Congress passed the Home Mortgage Disclosure Act of 1976 in order to provide local governments, private citizens and other interested parties with a source of information about private investment by federally-regulated institutions in America's cities; and

WHEREAS, this important legislation will expire this year and must be considered for reauthorization by the Congress; and

WHEREAS, the need to develop close cooperative working relationships between public programs and private capital has increased since the Act's passage; and

WHEREAS, federal, state and city standards and requirements for housing have contributed to the high cost of housing,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors calls on the Congress and the Department of Housing and Urban Development (HUD) to increase the amounts of funding set aside for low- and moderate-income housing subsidies in FY 1980 to at least 400,000 unit reservations, to provide adequate funding for the existing housing subsidy programs at levels commensurate with proven needs; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls on HUD to formulate, in consultation with local elected officials and their representatives, a wide variety of housing assistance programs, including continued funding for the public housing acquisition program, and develop a program for stimulating greater participation by the private sector in the construction, financing and maintenance of market rate apartments, and rental housing for families and individuals needing only a shallow subsidy; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls on all levels of government to review standards and requirements in light of the possibility to relax and lighten them and thus reduce the cost of home ownership; and

BE IT FURTHER RESOLVED by the U.S. Conference of Mayors that the increasing shortages in housing resources and the steady demand for subsidies and improved living conditions should be dealt with systematically and in close coordination with other locally developed community development objectives and programs; that HUD should move to provide greater local control over the allocation and administration of federal housing subsidies in accordance with approved Housing Assistance Plans to facilitate this linkage and coordination and to reflect the housing market conditions and needs which vary greatly among cities; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls on the Congress to reauthorize the Home Mortgage Disclosure Act and urges the President and his Cabinet to actively support its reauthorization before both Houses of Congress.

Section 312
Rehabilitation Loan Program

WHEREAS, the Section 312 rehabilitation loan program was funded at record high levels in FY 1979; and

WHEREAS, the Administration initiated a new allocation system based on formula funding considerations including indicators of distress which provide communities with funding "marks" indicating the minimum and maximum amounts of aid they might expect during a given fiscal year; and

WHEREAS, this new system has had the effect of substantially cutting allocations among many communities which had been very active in the program during previous fiscal years; and

WHEREAS, the rehabilitation of multi-family buildings without causing displacement is a high priority for many cities, and some cities are prohibited from using local funds for multi-family rehabilitation programs; and

WHEREAS, multi-family rehabilitation programs are generally more difficult and costly to carry out than programs to rehabilitate single family homes, but the Section 312 rehabilitation loan program has been demonstrated to be a successful tool for multi-family rehabilitation,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors supports continued funding for the Section 312 rehabilitation loan program and the expanded flexibility to use this program for multi-family rehabilitation; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges HUD to publish for public review and comment the allocation criteria used to determine Section 312 loan fund allocations; and

BE IT FURTHER RESOVED that the U.S. Conference of Mayors urges HUD to review these allocation procedures to ensure that those communities receiving the most funds, or the largest increase in funds, are those which not only show a need based on objective criteria, but can also demonstrate the capacity to administer the program effectively and in concert with the legislative program mandates; and

BE IT FURTHER RESOLVED that where funds cannot be spent during a fiscal year by localities which have been allocated funds, that these funds be reallocated to those communities which have demonstrated an ability to expend their funds and can use extra funding during the current fiscal year, regardless of the maximum mark provided by HUD at the beginning of the funding cycle; and

BE IT FURTHER RESOLVED that where Section 312 rehabilitation loans are sold to secondary market purchasers that HUD do its utmost to ensure that these purchasers adequately service their loans and make all payments, including those for local real estate taxes held in escrow by the mortgagee, promptly when due, and that HUD not penalize communities whose loan default or delinquency rates are higher than normal because of adverse or inadequate servicing practices undertaken by such secondary market purchasers.

Support for
Single Room Occupancy Housing

WHEREAS, many of the nation's poor are single, elderly and non-elderly people; and

WHEREAS, many of these people live by choice or necessity in small housekeeping units, transient hotels or other similar accommodations known commonly as single room occupancy housing; and

WHEREAS, such facilities are primarily located in the downtown areas of most American cities and are frequently in poor condition or have been vacated; and

WHEREAS, single non-elderly persons are currently ineligible for most federal housing assistance programs,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges that eligibility requirements for federal housing assistance programs should be revised to include single, non-elderly persons; and

BE IT FURTHER RESOLVED that federal property rehabilitation standards should be modified to enable and encourage the rehabilitation of buildings as single room occupancy housing; and

BE IT FURTHER RESOLVED that the Department of Housing and Urban Development should encourage, through demonstration or other programs, the feasibility of rehabilitation and new construction of single room occupancy housing.

Revitalization of Urban Neighborhoods Without Displacement of Existing Residents

WHEREAS, changing demography, family patterns and energy concerns are encouraging a needed middle-class return to city neighborhoods; and

WHEREAS, studies by the Department of Housing and Urban Development conclude:

- in 1976, four percent of household moves were displacement moves;
- displacement as a direct result of government programs represents less than one-fifth of all displacement reported in the Annual Housing Survey;
- several recent studies have indicated that housing abandonment and disinvestment account for a significantly greater proportion of displacement than that occasioned by neighborhood reinvestment;
- the population and economic trends represented by revitalization in urban areas are far too small to slow significantly or to reverse the movement to the suburbs and the loss of economic activity by central cities; and
- not enough is known about displaced households after their move to determine whether the majority are adversely affected by the change in housing location, or whether they move to better units; and

WHEREAS, the President's Budget for Fiscal Year 1980 states as a national need: "Encourage the return of middle-income families to central cities to aid urban revitalization efforts"; and

WHEREAS, in sum, urban revitalization offers a hope of countering market forces which have segregated housing by race, age and class,

NOW, THEREFORE, BE IT RESOLVED by the U.S. Conference of Mayors that the primary role of public policy toward housing and revitalization is to build neighborhood stability by ensuring housing opportunity for all races, ages and income groups in the neighborhood of their choice; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges its members, the Congress, and HUD to recognize that displacement is primarily a phenomenon of market forces rather than government policy, and that the extent and nature of displacement vary greatly from area to area; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors urges its members to promote policies which discourage displacement of all types and promote maximum freedom of choice in housing, including production and maintenance of an adequate supply of housing; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors opposes further federal legislation or regulation regarding displacement until such time as the phenomenon of displacement is better documented and understood and until such time as the clear relationship between federal policies and displacement is understood; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls on HUD to formulate a policy which permits local governments, which face a displacement problem and have developed a strategy for mitigating it, the option to directly administer and allocate within the community federal housing subsidies for the purpose of helping low- and moderate-income families and individuals in revitalizing areas to exercise the greatest possible freedom of choice in housing opportunities.

Department of Commerce
Urban Agenda

WHEREAS, the Secretary of Commerce has expressed an interest in improving the Department's assistance to cities, and the President has assigned the Commerce Department specific responsibilities for carrying out the urban policy; and

WHEREAS, the Department of Commerce has a broad range of informational, financial and technical assistance resources which cities can use in a variety of ways and, in particular, for the promotion of investment and job creation in the private sector; and

WHEREAS, the Department has already undertaken the Commerce Cities program which is directed toward identifying, augmenting and coordinating resources available to cities,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors recommends that the Department institutionalize what has been demonstrated through the Commerce Cities program so that the agencies within the Department can combine their resources into an integrated program which directly addresses the needs of a particular city; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls upon the Department to use the Commerce Cities experience as a guide for directing funds toward urban assistance in the agencies which have been active in the Commerce Cities program, including EDA, the Census Bureau, the Maritime Administration, ITA and OMBE.

Economic Development Administration

WHEREAS, community revitalization cannot proceed without successful economic development; and

WHEREAS, inexpensive labor in other countries is causing severe unemployment problems in certain American urban communities; and

WHEREAS, economic development is not a "single shot" endeavor but must evolve over time and in response to local and national economic trends; and

WHEREAS, all sectors of the economy must be tapped to contribute toward urban revitalization; and

WHEREAS, there are private sector financial institutions ready to commit to medium term non-equity financing; and

WHEREAS, the U.S. Conference of Mayors strongly supports the proposed reauthorization of the Economic Development Administration,

NOW, THEREFORE, BE IT RESOLVED that EDA encourage innovative local priorities such as, without limitation, agribusiness, downtown development and appropriate technology, if these projects create and maintain employment and otherwise fall within the goals of their respective redevelopment areas; and

BE IT FURTHER RESOLVED that EDA should provide a stand-by counter-cyclical public works program to speed up agreed upon projects during economic downturn; and

BE IT FURTHER RESOLVED that EDA be urged to develop and strengthen long-term planning agreements with redevelopment areas; and

BE IT FURTHER RESOLVED that EDA funds be administratively targeted to the country's more distressed areas and designated growth centers; and

BE IT FURTHER RESOLVED that the EDA business assistance programs should address in an innovative fashion such important local needs as equity financing, management assistance and the packaging of development financing arrangements.

City Role in Business Development

WHEREAS, numerous private and public studies have documented the important role of small business in determining the level of employment in the nation in general, and in cities in particular; and

WHEREAS, local governments are assuming an increased responsibility for assisting business development for small business and disadvantaged business people; and

WHEREAS, federal policy and programs such as the Employment Initiatives of the President's Interagency Coordinating Council and the Neighborhood Business Revitalization Program of the Departments of Housing and Urban Development and Commerce along with the Small Business Administration call for local governments to join in an active partnership with federal agencies for local business development; and

WHEREAS, recent federal legislation and Presidential actions have been taken to expand opportunities for disadvantaged business people,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors urges the President and the Congress to recognize the critical role local government can and must play in successful business development; and

BE IT FURTHER RESOLVED that the Administration and the Congress take appropriate actions to simplify the task of integrating at the local level business development, including the necessary special efforts required for small business and disadvantaged business people, and economic development as well as to provide incentives to local governments which assume a strong productive role in business development; and

BE IT FURTHER RESOLVED that the efforts of the federal government in programs such as those in Small Business Administration, the Employment Initiatives and Neighborhood Revitalization Program be continued, expanded, made as efficient as possible and made an integral part of the federal effort to aid cities; and

BE IT FURTHER RESOLVED that special efforts be made by the Administration and the Congress to strengthen the links between the programs of the Small Business Administration and the efforts of local government to assume a stronger role in business development. Consideration should be given to items such as agreements to delegate authority for loan processing, the ratio of direct loans to loan guarantees and policies for targeting of assistance; and

BE IT FURTHER RESOLVED that new financing programs should be developed for distressed areas that would provide equity supplements to entrepreneurs and thus encourage participation from local financial institutions.

Tax-Exempt Mortgage Bonds

WHEREAS, soaring housing costs and high interest rates block many low- and middle-income families from the housing market; and

WHEREAS, many cities are using mortgage bonds as an important tool in local efforts to revitalize and redevelop city neighborhoods and promote home ownership among low- and middle-income families and, therefore, serve an important public purpose; and

WHEREAS, housing bonds for single and multi-family housing constitute an increasing share of the municipal bond market; and

WHEREAS, the proliferation of housing bonds could raise overall interest rates for municipal bond issues; and

WHEREAS, government guaranteed interest subsidy taxable bonds can provide an alternative such as provided in Section 802 taxable bonds to provide low interest mortage funds for housing without diluting the municipal market and at lower cost to Treasury; and

WHEREAS, legislation is pending in the House of Representatives which would, without respect to the public purposes being served, repeal the federal tax exemption for all state and municipal bonds issued for the purpose of providing mortgage assistance for single or multi-family housing,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors calls upon the Congress to reject attempts to repeal the federal tax exemption for housing bonds issued by cities or state housing agencies as an unwarranted intrusion into the municipal bond market, and to provide and fund, which Congress has refused to do, as an additional tool, a taxable bond with federal guarantee and interest subsidy under Section 802, or a similar program, for cities to decrease costs to investors and the Treasury; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors supports the targetting of mortgage revenue bonds to low- and middle-income families throughout a qualifying jurisdiction, and to specified distressed areas, allowing communities to use the bonds in a flexible manner, consistent with local housing plans, to expand local tax bases and attract a range of income groups back to declining and distressed areas; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors strongly supports the continued use of tax-exempt bonds for single and multi-family housing within limits that would not adversely affect the ability of municipalities to issue tax-exempt bonds.

Fair Housing

WHEREAS, discriminatory practices in the sale and rental of housing on the basis of race, sex, age, religion and handicap continue to restrict access to adequate housing for a significant portion of the population; and

WHEREAS, weaknesses in the enforcement scheme of federal, state and local laws have made it difficult to achieve the fair housing goals of Title VIII of the Civil Rights Act of 1968,

NOW, THEREFORE, BE IT RESOLVED by the U.S. Conference of Mayors that the primary role of public policy toward housing and revitalization is to build neighborhood stability by ensuring housing opportunity for all persons, ages and income groups in the neighborhood of their choice; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors supports Congressional action to provide enforcement authority for HUD with respect to asssuring compliance with the provisions of Title VIII of the Civil Rights Act of 1968; and

BE IT FURTHER RESOLVED that the U.S. Conference of Mayors supports additional state and local legislation that would strengthen fair housing enforcement across the country and HUD funding assistance for states with laws that are substantially equivalent to the proposed new federal law.

THE FEDERAL BUDGET AND THE CITIES

A Review of the President's Budget
for Fiscal Year 1981
October 1, 1980 to September 30, 1981

JANUARY 1980

Prepared by
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Washington, D.C. 20006
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Published by the United States Conference of Mayors
1620 Eye Street, N.W., Washington, D.C. 20006

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Additional copies of this publication may be obtained from the Office of Information and Member Communications, United States Conference of Mayors, 1620 Eye Street, N.W., Washington, D.C. 20006

The price of this publication is $10.00

PREFACE

This report, "The Federal Budget and the Cities," examines the budget from an urban perspective. The first sections offer a general overview of the budget and the implications the budget contains for urban America. These sections also deal with fiscal policy as well as tax policy and the Congressional budget process. Other sections deal with various federal functions, ranging from housing and community development to defense and general revenue sharing.

Too often the public does not pay sufficient attention to the implications contained in the budget. The reasons for this public inattention are clear enough. The budget is not one document but several, with the budget appendix containing more than a thousand pages and literally hundreds of charts with numbers whose meaning is often elusive.

The budget is a political document expressed in accounting terms. It is the single most important federal document published each year. It is the vehicle for the most significant and comprehensive collection of priority decisions that the United States government makes in the course of a year.

The FY81 budget comes at a time of intense national concern with inflation. Mayors share this concern. It also comes at a time when many cities continue to experience severe economic and fiscal hardships.

This study is the ninth of an annual series. It is prepared by the staff of the United States Conference of Mayors. The Conference, founded in 1933, represents the largest cities in America; that is, those cities with a population of 30,000 or more. Judgments made in this document are based on policies adopted by the Mayors.

John J. Gunther
Executive Director
United States Conference of Mayors

January 30, 1980

OVERVIEW

The FY81 budget, described by Administration officials as "austere and restrained," continues the trend of declining growth in federal spending. While total federal outlays are $3.8 billion above current services levels, the amount of spending needed to keep pace with inflation, the increase is due almost entirely to the escalation in military spending.

Compared to FY80 spending, the FY81 budget proposes an increase of $52 billion. However, this increase is fully accounted for by defense spending ($18 billion) and increases in uncontrollable spending -- Social Security, Medicaid, Medicare, interest on the public debt, etc. ($34 billion).

Other domestic spending will be held to the same dollar level as in FY80, with few increments to compensate for inflation. What this means is that increased spending in some areas, as for the new youth initiative, is offset by corresponding reductions in other areas. Given the 13 percent inflation rate, domestic programs and service levels in the FY81 budget would be cut significantly in real terms.

Federal grants-in-aid to local and state governments (excluding payments to individuals) also remain at roughly the same dollar levels, rising from $54.7 billion to $58.5 billion. In FY79, these grants totaled $54.1 billion, so the growth in this area has been less than impressive. Moreover, due to inflation, these grants to state and local governments will lose over $10 billion in purchasing power during FY80 and FY81.

While local governments fall behind in the race against inflation, the Defense Department will realize an increase of 14 percent in budget authority and 12 percent in outlays, on top of a substantial increase in FY80.

In contrast to the FY80 budget, however, there is much that is positive about the FY81 budget. We are especially pleased that the Administration has included funds for revenue sharing and countercyclical assistance in the FY81 budget, and announced a major new youth initiative.

- General revenue sharing would be continued at the current $6.9 billion level, including the one-third state share. However, this program has been held at the same dollar level since 1976, resulting in a significant loss (over 50 percent) in the value of these funds after inflation.

- The FY81 budget includes $1 billion in funds for a countercyclical fiscal assistance program, which would be triggered in a recession.

- Altogether, there is $1.2 billion in additional FY81 budget authority for youth employment and education programs. We are not certain as to what amount of this will be spent in FY81, but we are heartened by the President's attention to the employment needs of young people.

- The budget includes a sizeable increase for subsidized housing programs, which are scheduled to increase from $26.7 billion to $31.9 billion, sufficient to finance an estimated 300,000 units of assisted housing in FY81.

- The President will seek renewal of the $3.8 billion Community Development Block Grant program, with a small $150 million increment in funding.

- The President proposes renewal of the Urban Development Action Grant program at its current $675 million level.

- We are pleased that the Administration is planning to spend more than $1 billion in new funds in both FY80 and FY81 from the windfall tax for public transportation programs. However, we are extremely concerned that the budget does not include a supplemental request for FY80 or a budget request for FY81.

- The Summer Youth Jobs program will be increased substantially, to an estimated level of nearly one million jobs.

- We are pleased with the President's $566.8 million FY80 supplemental budget request to fund the Economic Development Administration's expanded programs, and the high $1.17 billion level requested for this program in FY81.

The U.S. Conference of Mayors is supportive of the President's efforts to fight inflation. However, we believe the balance between fighting inflation and fighting unemployment should be redefined. While unemployment would rise under the Administration's program of budget restraint, inflation would be affected only marginally. Many economists hold that inflation is effectively countered through targeted efforts to reduce price increases in food, energy, health and housing costs rather than through cuts in spending. In this regard, we are pleased that the Administration is continuing its efforts on behalf of hospital cost containment.

We are also pleased with the President's efforts to target federal funds more efficiently. If proposals to target education, health and public transportation funds are approved, and if programs of countercyclical and targeted fiscal assistance are adopted, proposed real reductions in federal grants-in-aid will be partially offset for many cities. The U.S. Conference of Mayors has long believed that the targeting of federal funds is a more efficient use of scarce budget resources and is of potentially significant benefit to central cities.

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As a result of the tight budget and restrictive economic policies being pursued by the Administration, the Administration projects that the unemployment rate will rise to 7.5 percent by the end of 1980 and will remain at high levels throughout 1981. Unemployment of this magnitude will impose substantial economic and social burdens on many cities around the country which have still not recovered from the last recession. However, there are no additional stimulus proposals outlined in the budget to deal with this rising unemployment.

Moreover, the rise in unemployment represents a significant retreat from the principles of the Full Employment and Balanced Growth Act (Humphrey-Hawkins) which was supported by the Carter Administration and U.S. Conference of Mayors, and set the goal of four percent unemployment to be attained by the federal government in 1981.

Fortunately, the President in his Budget Message promises to monitor economic conditions carefully and to propose tax cuts and targeted spending measures, if they prove necessary.

Despite the Administration's tight budget and the rise in unemployment, the Administration predicts little moderation of inflation. The current 13.3 percent inflation rate is expected to decline to 10.4 percent in 1980, still in the double-digit range. This continuing high inflation threatens to impose significant burdens on local governments. Yet, despite persistently high inflation, federal grants-in-aid to local and state governments will continue to decline as a proportion of the budget. The FY80 and FY81 budgets, by failing to keep federal grants-in-aid even with inflation, will result in lower service levels for many urban programs and jeopardize the ability of many cities to meet the needs of their citizens.

In the FY81 budget, the Office of Management and Budget proposes some new program consolidations -- for youth employment and training programs, and health programs. Yet, while the budget details federal efforts to simplify and streamline federal grants, those local programs which are most flexible and allow local governments the greatest discretion -- including general revenue sharing, Community Development Block Grants, the Urban Development Action Grant program and Economic Development Administration assistance -- are declining as a proportion of total federal grants.

Other administrative "improvements" threaten to impose financial burdens on local government (as they have already, in some cases), including the speedup of all types of payments made to the federal government. State and local deposits of social security taxes have already been accelerated. At the same time, the flow of federal funds to local governments shows no signs of being hastened.

The President's FY81 budget proposes direct controls over nearly all federal credit programs. In most cases, this would be accomplished through limits to be written into appropriations bills on federal loans and loan guarantees. While we support the President's efforts to list these credit programs in the budget and analyze their impact, we are concerned that the new controls not be so tight as to restrict in future years important housing programs and other credit activities central to urban development efforts.

We are disappointed that many important urban programs will receive no funds or inadequate funds in the FY81 budget.

- The budget continues the Administration's steadfast opposition to a standby public works program to be triggered in the event of recession. U.S. Conference of Mayors policy calls for a labor-intensive public works program.

- The budget proposes an insignificant expenditure for local energy conservation efforts. The proposed Energy Management Partnership Act, which is state-oriented, would include only $50 million in order for local governments to effectively implement energy conservation programs within their cities.

- On the receipts side, the Administration proposes to eliminate the tax exemption for mortgage revenue bonds for single-family housing -- a significant loss for local governments which have been using these bonds.

- We are concerned that the Administration has failed to include an FY80 supplemental and FY81 budget request for public transportation from the windfall tax, thereby jeopardizing timely action on the President's transportation energy initiative.

- The Administration has made no proposals to help cities cope with the severe shortage in unsubsidized rental housing.

- The budget proposes no funding for the Livable Cities Program, which was part of the urban policy.

The U.S. Conference of Mayors recognizes the seriousness of the nation's inflation problem. We bore a heavy burden last year because of inflation. At the same time city budgets were escalating because of inflation, we were asked to absorb heavy cuts in federal programs. While the FY81 budget represents an improvement over FY80, we are concerned that we not be asked to assume more than our equal share of the federal government's economic policies and problems.

In this regard, the U.S. Conference of Mayors is troubled by the projected increase in the unemployment rate to 7.5 percent, a rate expected to persist for over a year. This will translate into one and a half million more unemployed persons in urban areas. The Administration does not include in its budget any major new stimulus initiatives to combat this projected rise in unemployment, with the exception of standby countercyclical assistance. We are hopeful that the Administration will move quickly to formulate a stimulus package which can be enacted should the economic situation worsen. We pledge our best efforts to work with the Administration to design appropriate programs to generate increased investment and productivity, which would provide needed jobs and services.

COMMUNITY DEVELOPMENT AND HOUSING

COMMUNITY DEVELOPMENT

Community Development Block Grants

The Department of Housing and Urban Development (HUD) has requested an appropriation level of $3.95 billion for the Community Development Block Grant(CDBG) program in FY81, a four percent increase over FY80. All but $109.9 million of this, the amount set aside for the Secretary's discretionary fund, will be distributed through the dual formula established in 1977. Eighty percent of the funds will be made available in metropolitan areas as entitlement or discretionary grants, while the remaining 20 percent will be distributed on a discretionary basis in nonmetropolitan areas. The Department needs new authorizing language to permit the program to continue, since the current authorization runs out in October 1980. The Department has not proposed any further extension of the $100 million financial settlement fund for urban renewal projects.

Urban Development Action Grants

The Urban Development Action Grant (UDAG) program would be funded at $675 million in FY81. This is the same level as maintained in FY80. The Department anticipates being able to make 350 grants with this total. Up to 20 percent of the funds can be made available for projects in "pockets of poverty" in otherwise healthy cities.

Congress will be asked to reauthorize UDAG in tandem with the Community Development Block Grant program for an additional three years.

Section 701 Planning Grants

The Section 701 Comprehensive Planning Grant program fund request for FY81 is $40 million, down $2.5 million from the FY80 appropriation. The Department intends to propose new legislation for the Section 701 program during FY81, but does not anticipate changing its current prohibition against metropolitan cities participating as direct grantees.

Section 312 Rehabilitation Loans

A new appropriation of $188 million is sought for the popular Section 312 Rehabilitation Loan program. Combined with carryover authority from FY80 and paybacks from outstanding loans, HUD expects to maintain a program level of $240 million in loans in FY81. This would be an increase from the FY80 level of $215 million. The Department estimates that a total of 13,200 units in 1-4 family structures and 6,000 units in multifamily buildings will be assisted with this loan level. An additional 70 nonresidential loans are expected to be made. Of the total loans to be made in the program, about $20 million is earmarked for use in the Urban Homesteading program.

Urban Homesteading

No new funding is requested for the Urban Homesteading program, but a program level of 1,500 units is anticipated in FY81, using existing contract authority. The program uses federal funds to transfer properties owned by HUD-Federal Housing Administration (FHA) to local governments for use in Urban Homesteading programs. The FY80 level was substantially below that anticipated in last year's budget--1,500 units as opposed to the projected 3,200--and this accounts for the Department's ability to maintain the program without new funding. A total of $20 million in Section 312 rehabilitation loan funds is set aside for use by families and individuals participating in local Urban Homesteading programs.

Section 108 Loan Guarantees

Under the new federal credit control program, HUD will be seeking appropriations language limiting its obligations under the Section 108 Loan Guarantee program to no more than $200 million (an estimated 42 loan commitments) in FY80, and no more than $300 million (an estimated 63 loan guarantees) in FY81. Actual activity in the program for FY79 was only 10 loan guarantees, for a total obligation of $31.3 million.

Under the Section 108 program, HUD guarantees loans from the Federal Financing Bank (FFB) to local governments for land acquisition and rehabilitation of publicly-owned real property. The guarantee covers obligations of up to six years, and local governments must pledge current and future block grant amounts equal to the guaranteed amount as security.

Comment

Although modest increases are requested in some community development programs, HUD's FY81 budget is in fact less than a status quo request. The Community Development Block Grant program is increased by $150 million in direct grants, but this is offset by the elimination of the $100 million financial settlement fund for outstanding urban renewal obligations. Those communities which must still retire these obligations will have to do so using CDBG funds, and thus may not realize any gains from the increased budget request. In any event, the $150 million requested is only a four percent increase over FY80 levels, not nearly in keeping with the CPI inflation index of 13.3 percent. The shortfall is aggravated by the fact that new Standard Metropolitan Statistical Areas (SMSAs) have been designated during the last year, increasing the number of eligible communities in the entitlement program. Thus, more communities will be applying for fewer funds in FY81.

The modest increase requested in the Section 312 Rehabilitation Loan program may prove insufficient to support adequate levels of support in communities with long experience in the program. HUD has greatly expanded participation in the program since FY79, but the projected FY81 level is only slightly above that for FY79, even without taking inflation into account. In fact, the actual number of loans anticipated under the FY81 levels is almost 2,000 below that reached in FY79.

Maintenance of the UDAG program at a $675 million level should ensure steady participation and continue high leverage of private investment in distressed cities, or in pockets of poverty within otherwise healthy cities.

HIGHLIGHTS OF COMMUNITY DEVELOPMENT PROGRAMS
(dollars in millions)

	FY79	FY80	FY89
Community Development Block Grants			
Appropriations	$3,750.0	$3,900.0	$3,950.0
Obligations	4,321.5	4,027.5	3,940.0
Community Development Grants	4,181.5	3,899.8	3,940.0
Categorical Program Financial Settlement Fund	140.0	127.7	- -
Number of Entitlement Communities	646	658	662
Section 108 (CDBG Loan Guarantees)			
Number of Loans Guaranteed	10	42	63
Amount (Obligations)	$31.3	$200.0	$300.0
Urban Development Action Grants			
Announcements:			
Number	302	318	350
Amount	$518.5	$633.1	$675.0
Obligation	615.1	740.5	675.0
Section 701 (Grant Reservations)	54.0	44.7	40.0
Section 312			
Loan Reservations (Net)	233.9	215.0	240.0
Single Family	174.6	154.0	170.0
Multifamily & Nonresidential	59.3	61.0	70.0
Urban Homesteading			
Properties Conveyed	950	1,500	1,500
Localities with Programs	72	85	85
Obligations	$7.2	$11.6	$12.6

Source: "U.S. Department of Housing and Urban Development Budget Briefing," January 26, 1980.

HOUSING

Housing Assistance Payments Program

HUD is requesting a total of $31.94 billion in new budget authority to finance the new construction, substantial or moderate rehabilitation, and subsidization of 300,000 units of housing in FY81. This is a jump of $5.2 billion, or 19 percent over FY80 levels. Of the total units projected for assistance with these funds, 42,000 would be new or rehabilitated under the low rent public housing program (4,000 of these for Indian housing); 114,200 newly constructed under the Section 8 program; 23,300 substantially rehabilitated under Section 8; 40,000 moderately rehabilitated under Section 8; and 80,000 subsidized under the Section 8 Existing Housing program, which provides rent supplements for existing, standard units occupied by qualified tenants. The funds will be distributed overall on the basis of a 60 percent new and substantial rehabilitation/40 percent existing ratio, which is what the Department expects to be requested on a national, aggregated basis through local Housing Assistance Plans. This is a slight shift from the 63 percent/37 percent ratio in FY80. A total of 30,000 units in the new construction and substantial rehab totals will be set aside for State Housing Finance Agencies.

The HUD figures for total numbers of units were developed using a 9.9 percent inflation factor, which may be low; this was further reduced in computing program costs by two percent to account for projected savings on per-unit costs through program efficiencies and cost-containment measures.

Low Rent Public Housing

The Department is proposing two major changes in the conventional low rent public housing program in the FY81 budget. The first is a Comprehensive Modernization Program, under which local public housing authorities, in cooperation with local governments, would have the option of using up to 50 percent of the budget authority distributed to a locality during FY81 for either new construction or substantial rehabilitation of existing public housing units. In the past, this authority could be used only for new construction. The Department expects some localities with severely deteriorated public housing to use this program to rehabilitate such units. HUD has proposed an amendment to its FY80 appropriation to permit it to alter this option in FY80 as well.

Also, the Department is proposing to use up to $1.25 billion in budget authority in FY81 to finance the sale of local public housing bond issues to the Federal Financing Bank. This amount would cover the difference between the interest rate offered by the FFB in its bond sales of taxable obligations and that of the tax-exempt levels anticipated by public housing agencies when budgeting reservations of subsidy funds for new public housing construction. HUD's supplemental budget request for FY80 will include a request to transfer $1.99 billion in current unobligated authority to the FFB this year. This program should not affect the operation of the public housing program at the local level since it represents primarily an accounting procedure at the federal level.

Moderate Rehabilitation

HUD is proposing to fund the Section 8 Moderate Rehabilitation program for the third year at a constant level of 40,000 units, 10,000 of which would be set aside for use in the Department's own disposition program for the sale of HUD-owned subsidized housing projects, leaving 30,000 to be distributed for use in local communities.

Public Housing Operating Subsidies

HUD is requesting a total of $862 million in operating subsidies for public housing agencies, for distribution through its Performance Funding System. This is a 16 percent jump over FY80. In addition, the Department is proposing a $52.6 million supplemental appropriation for FY80 to provide a limited number of public housing agencies additional one-time payments to supplement operating reserve accounts which have been depleted because of inadequate levels of operating income.

Section 202 Housing for the Elderly

New loan authority of $830 million -- the same level as FY80 -- is proposed for the Section 202 Loan Program for Housing for the Elderly, or enough to finance the construction of 18,800 units of housing in FY81. All the units so financed will be subsidized with Section 8 aid under the new construction program. The agency is requesting $780 million in new budget authority for Section 202, the remaining $50 million to be provided through repayments and carry-over authority. Approximately 1,132 of the units financed through the program will be reserved for the non-elderly handicapped.

Public Housing Modernization

Budget authority totaling $1 billion is requested for the public housing modernization program, enough to finance $545.5 million in repairs, with the remainder allocated to interest costs over 20 years. This level is equal to FY80's.

Section 235 Homeownership Program

HUD is proposing to operate the Section 235 homeownership assistance program at a 25,000 unit level in FY81, the same as in FY80. No new authority is necessary, since HUD has considerable carry-over contract authority. In FY81, HUD will continue its special set-aside of 7,000 units for assisting new construction or substantial rehabilitation for families and individuals in rapidly revitalizing areas threatened with displacement. Mortgages on homes assisted under this set-aside can have maximum mortgages 20 percent over those established for the normal program by Congress. In addition, another 5,000 units are set aside for use in the existing housing portion of the Section 235 program to finance mortgages for tenants threatened with displacement because of condominium or cooperative conversions. No other units will be financed in the existing housing program, which has been discontinued since 1973.

Government National Mortgage Association Tandem Program

HUD is proposing a new $2 billion in mortgage purchase authority for the Government National Mortgage Association (GNMA). Up to $1.5 billion would be available for purchase of mortgages on new or substantially rehabilitated Section 8 projects. Another $300 million would be available for purchases under the Targeted Tandem program for mortgages on market rate apartments in distressed communities or within locally-designated community development Neighborhood Strategy Areas. The final $200 million would be used in an experimental demonstration program to provide front-end payments to lenders to reduce the interest costs on mortgages, eliminating the need for GNMA to purchase and later sell the whole mortgage. The so-called Mortgage Assistance Grant program would need Congressional authorization to proceed.

Actual outlays under the GNMA program are considerably less than the totals listed here. The larger amounts represent the total amount of mortgages the agency may purchase. These are later sold, and the difference between what GNMA receives on the sale and what it paid for the mortgage represents the actual expenditure. For budget authority purposes, however, the larger amounts are always used.

Emergency Mortgage Purchase Authority

HUD has not requested any additional authority under its Emergency Purchase program, a standby authority for use in severe housing recessions to purchase single-family mortgages at low interest rates. The agency will seek a supplemental appropriation if it determines the program is necessary later on in the fiscal year.

Temporary Mortgage Assistance Payments Program

HUD is again proposing a program of short-term payments to homeowners with FHA-insurance mortgages to tide them over periods of financial difficulty as an alternative to accepting assignments of the mortgages from lenders and, therefore, having to pay out the entire outstanding balance of the loan. Congress would have to authorize the program; no budget estimates accompany the proposal.

Housing Counseling

A total of $10 million, a $1 million increase over FY80, is proposed for HUD's Office of Neighborhoods, Voluntary Associations, and Consumer Protection for comprehensive housing counseling programs through certified local agencies.

Flexible Subsidies for Troubled Projects

HUD is seeking to extend this program of one-time capital grants to financially troubled HUD-FHA insured and subsidized housing projects an additional year, with $41.1 million in new funds. Together with carry-over authority, this program would be operated at a $109 million level in FY81 under the budget request. Congress would have to authorize the program's operation for an additional year.

Neighborhood Reinvestment Corporation

The Administration is seeking $13.4 million for the Neighborhood Reinvestment Corporation, an increase over the $12 million FY80 appropriations level. This independent agency fosters the development of Neighborhood Housing Services programs, and funds other innovative partnership approaches to community and neighborhood revitalization.

Comment

HUD's budget levels for subsidized housing are substantially increased over FY80 levels, and the anticipated level of assistance for actual housing units is projected at a major increase, up to 300,000 units from only 240,000 estimated in FY80. While these increases are critically important for cities, it should be noted that they bring the housing budget up to levels which are still below those reached in FY79. While budget authority totals are way up, cost increases in the subsidy programs have meant that the actual numbers of units subsidized are less. HUD's minimal budget request in FY80 set back the Department's progress in meeting national housing needs very substantially; the FY81 budget represents the minimum necessary to reestablish momentum. Also, the proposed levels of inflation -- 9.9 percent -- and HUD's anticipated cost savings could be inaccurate. If the actual inflation rate in housing costs is higher than anticipated in the budget, the budget authority requested will finance fewer units. Local housing needs will again suffer.

HUD's comprehensive modernization initiative to permit local housing authorities and local governments to choose between new construction and substantial rehabilitation for at least a portion of the new budget authority for public housing is a welcome step. It should increase the attractiveness of the public housing program locally and should also contribute to bringing back into the housing stream currently vacant housing units which have become a blight in many cities.

The FY81 budget does not contain any new initiatives to help local governments cope with the rising shortage of affordable rental housing for all income groups.

HIGHLIGHTS OF SUBSIDIZED HOUSING PROGRAMS
(dollars in millions)

	FY79	FY80	FY81
Unit Reservations			
Section 8 and Public Housing New Construction:			
Section 8	111,692	89,505	114,700
Public Housing	50,233	31,172	35,900
Total, New	161,925	120,677	150,600
Substantial Rehabilitation			
Section 8	33,346	25,693	23,300
Public Housing	4,681	7,000	6,100
Total, Rehabilitation	38,027	32,693	29,400
Moderate Rehabilitation	34,294	40,000	40,000
Existing:			
Section 8	90,375	47,022	80,000
Public Housing	454	--	--
Total, Existing	90,829	47,022	80,000
Total Annual Contributions	325,075	240,392	300,000
Section 235	14,471	25,000	25,000
Section 236	-85	1,500	--
Total Reservations	339,461	266,892	325,000
Section 202 Loan Commitments (net)	$815.3	$839.0	$830.0
Number of units approved	22,525	20,440	18,300
Assisted Housing Starts			
Section 8	153,251	140,000	121,000
Public Housing	21,868	40,000	55,000
Subtotal	175,119	180,000	176,000
Section 235	8,489	17,500	17,500
Section 236	710	2,100	--
Total	184,318	199,500	193,500

Source: "U.S. Department of Housing and Urban Development Budget Briefing," January 26, 1980.

PROBABLE IMPACTS OF REDUCTIONS IN FUNDING FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

A Survey Conducted by NLC, USCM and NCDA

The following comments represent a summary of responses to a survey conducted by the National League of Cities (NLC), the U.S Conference of Mayors (USCM), and the National Community Development Association (NCDA) concerning the potential impact of budget cuts on the Community Development Block Grant Program (CDBG).

1. If the block grant entitlement program was cut by 10 percent across the board, how much funding would your community lose?

HUNTSVILLE, ALABAMA	$210,000
MINNEAPOLIS, MINNESOTA	$1,800,000
BOULDER, COLORADO	$120,000
ALBEQUERQUE, NEW MEXICO	$500,000
FALL RIVER, MASSACHUSETTS	$338,000
HOLYOKE, MASSACHUSETTS	$214,000
KNOXVILLE, TENNESSEE	$402,700
METRO DADE COUNTY - FLORIDA	$1,400,000

2. What would be the program impact of such a cut? What programs would have to be ended or cut back?

HUNTSVILLE, ALABAMA

-would probably cause the elimination of all public service activities such as services for the elderly, local Head Start and youth services programs in Neighborhood Strategy Areas except Housing Counseling

MINNEAPOLIS, MINNESOTA

-substantial reduction in housing and economic development projects

BOULDER, COLORADO

-would cut by 10 percent those projects related to housing either in land banking, modernization or rehabilitation

ALBEQUERQUE, NEW MEXICO

-a cut back in social services such as child day care, senior citizen services, juvenile delinquency programs and infrastructure maintenance such as street paving, water and sewer replacement and some housing rehabilitation

FALL RIVER, MASSACHUSETTS

-would cause the reduction of a number of supportive services including child care, services for the elderly and the Neighborhood Strategy Area would be dramatically reduced or eliminated

HOLYOKE, MASSACHUSETTS

-would have a devastating result on the majority of the city's capital development programs and public services would be almost totally eliminated

KNOXVILLE, TENNESSEE

-would cut current programs in code enforcement and housing rehabilitation and delay initiation of planned public improvements

3. Would the cut backs cause reductions in promised services or activities?

4. Would the city have to use tax revenues to pick up these programs or would they be ended?

5. How much longer would the completion of projects be extended?

HUNTSVILLE, ALABAMA

-cuts in public services would result in the loss of services for approximately 1,100 individuals, the city would lose $379,000 of federal funds used by the public service projects, the city does not have enough tax revenues to continue the programs, the program in all probability would end(day care, elderly, recreational services)

MINNEAPOLIS, MINNESOTA

-activities would be reduced requiring the raising of additional revenue through the raising of property taxes, extending completio of projects 3-5 years

BOULDER, COLORADO

-services would be reduced with some programs ended, most programs could not be extended because we are dealing with immediate needs, extension would simply increase the amount necessary to pick up the programs in later years

ALBEQUERQUE, NEW MEXICO

-reduction in the 3-year plan for social services based on citizen support and housing rehabilitation

FALL RIVER, MASSACHUSETTS

-reduction in social services, the city is in no position to to rely on tax revenues to continue these activities if CDBG funding is significantly reduced, because the city has a 90% draw-down rate, it is not feasible to the years of the projects by any great degree

HOLYOKE, MASSACHUSETTS

-because CD funds are used to leverage other state and local funds, the real cost of a 10 percent across the board cut would be equal to a $500,000-$750,000 reduction in program funds, the city would be unable to meet long range commitments made to neighborhood groups and civic organizations to address urgent community development needs

KNOXVILLE, TENNESSEE

-the city would probably pick up a few of the public improvements, funding them through future bond programs out of the general tax revenues, housing rehabilitation programs would have to be eliminated, because the city's public improvements are scheduled over a three year period, delays would be cumulative, a three year, 10 percent cut would require an additional two-five year extension of the current three plan

METRO DADE COUNTY--FLORIDA

-services and programs would be reduced or terminated, the city would not be able to replace cuts in funding, completion of projects would have to be extended a year and one half and costs

Mr. BOLAND. Thank you very much.

What you say is, of course, absolutely true. Without the assistance of the Federal government the revitalization, not only of the core city but also the neighborhoods of these programs are vitally important to the economic survival of the communities.

One of the areas you mentioned was the Facade Grant Program. I presume those funds come out of the Community Development Block Grant Program, do they not?

Mr. VIVEIROS. Yes.

Mr. BOLAND. Are they made to private owners of buildings within the downtown area?

Mr. VIVEIROS. In this particular case it was made to the building.

Mr. POULOS. That is correct.

Mr. BOLAND. Who owns the building?

Mr. VIVEIROS. The building initially was owned by the Redevelopment Authority and the grant was provided as incentive for proposals that went out to developers.

Mr. BOLAND. Why doesn't the developer pay for the facade? First of all, let me say the Facade grants cause me a problem.

I presume the Facade grants under the Community Development Grant Program are made in many cities throughout the United States. It occurs to me that this is a particular expense that ought to be handled by the developer and not dip into the Community Block Grant Program to pay for Facade grants. Because I think the developer would improve the building anyhow.

He is putting his money in there. He wants to get a building that is going to be entombed with the development of the area itself. I don't know how much the City of Fall River has paid out of the Facade grants.

Do you have any idea?

Mr. POULOS. This is the extent of it.

Mr. BOLAND. Is that the only one?

Mr. POULOS. Yes.

Mr. BOLAND. It disturbs me that we take Community Block Grant for Facade grants, when I think the money could be better used in other areas under the Community Development Block Grant Program.

It is a problem that is common to all cities that use CDBG funds for Facade grants. I have considerable misgivings about granting moneys for Facade grants to developers who would, in any event, improve their building.

Mr. VIVEIROS. I generally agree with you in regard to your concern. I can speak with regard to what we experience in our downtown area.

When I became Mayor, we had a downtown that was barren, without any buildings going up, nothing happening at all, and it was as a result of putting, utilizing the HUD programs to the maximum that it allowed for us to begin the revitalization program, and within a year know that the downtown area will truly be alive and well again and this Facade Grant was part of that total package which allowed for the development to come in.

In the past they had come in and they fell by the wayside so in this particular case it really allowed Fall River to get the central business district booming again and revitalized.

Mr. BOLAND. How much was the grant?

Mr. VIVEIROS. It was $250,000.

Mr. BOLAND. That is a lot of money, but when you look at the improvements that have been made in Fall River in the past. I drove through there a year ago and it is a community that is exciting, the downtown area, and we want to compliment you on your job.

Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman.

I appreciate your very excellent statement. I guess I only have one concern, and that is in the area of philosophy. It is one about which we have all got to think because it affects you down the road.

You indicated on the first page of your written statement that pains were taken to try and protect the CBDG and UDAG programs, and they don't yield high payouts in outlay reductions. One of the ways we got ourselves in the pickle we are in is just this thing of having something we do this year that loads up the program down the line.

We are not only looking for outlay reductions this year, but we are looking for ways we won't be getting ourselves into larger and larger commitment in the out years, and unbalancing the budget again.

We are looking at whatever we can do to produce outlays for one year and loading it up in the outgoing years.

Mr. TRAXLER. Thank you for your appearance.

Mr. BOLAND. Thank you very much.

HOUSING AND URBAN DEVELOPMENT

WITNESSES

MARION P. SMITH, REPRESENTING CONSORTIUM CONCERNED WITH THE DEVELOPMENTALLY DISABLED

MS. MYRL WEINBERG, ASSISTANT DIRECTOR, GOVERNMENTAL AFFAIRS OFFICE

Mr. BOLAND. We turn to Marion P. Smith, Representative of the Consortium Concerned with the Developmentally Disabled.

We are pleased to have you, and you are accompanied by whom?

Mr. SMITH. I am accompanied by Mrs. Myrl Weinberg.

Mr. BOLAND. We are delighted to have you, and this is a Consortium and you have a number of concerns with the same problems.

We will put your statement in total as you have given it to us.

Mr. SMITH. It is a pleasure to be here today.

Marion Smith is my name, of Clearwater, Florida.

I am speaking in behalf of the agencies listed therein. I am the past national president of the Association for Retarded Citizens and currently as a volunteer I am the Chairman of our Governmental Affairs Committee.

I am pleased to speak on behalf of the agencies listed who represent over 3,000 local agencies across the country serving developmentally disabled persons.

I will summarize some of the key issues we want to bring before you.

I would like to mention to you in opening, Mr. Chairman, that many of you have read in the last few days of the disaster of Sunshine Skyway, the giant bridge over Tampa Bay, which was struck by a freighter.

My wife and I drive over that bridge regularly all during the year. We do that to drive the 145 miles necessary to visit the institution in which our severely retarded son is housed, and we must drive that distance because there are no facilities sufficient for severely and profoundly retarded persons on the West Coast of Florida.

It is with first hand knowledge of the problem of institutions versus community residences that I speak to you.

I would like to add that our organization has a committee dealing solely with residential and community services, and in recognition of what is happening in America today, last year we combined two committees of our organization, the Residential Services Committee and the Community Services Committee, because there is a coming together, a need for one to be supported by the other.

Miss Charlotte Legume of Boston, Massachusetts, is the Chairman of this committee. We are extremely concerned over the action recently taken to rescind $5 million of the $10 million from the Congregate Housing Services Program.

The organizations that I represent are sensitive to the financial problem which our Nation and which the Congress faces.

Partially as a result of that, Mr. Chairman, we are not recommending as noted in our testimony increases in three of the five programs on which we are commenting today.

We feel that the Section 8 Rent Subsidy program, the Community Development Block Grant Program and the Section 106 (b) seed money program may be sufficiently funded in the light of circumstances today.

The two issues on which we wish to focus are the 202 Direct Loan Program and the Congregate Housing Services Program.

I think we all recognize that historically institutions have come to be the place to serve mentally retarded and other developmentally disabled people.

However, Mr. Chairman, I think all of us recognize also that a change is taking place in our society, and we point out that this is a worldwide change, one which the courts have emphasized in our country, and in Pennsylvania and other States for admissions to institutions have been halted.

While I know in the country we are not always happy with the actions of the Judiciary, we do see movements to the community as a result of judicial actions.

Here the fine concept clashes with reality, because across our land community services are simply not available to provide basic needs of mentally disabled and other mentally developmentally handicapped, to other facilities.

Last year 80,000 mentally retarded people were in nursing homes. They are inappropriately and over-expensively served. It has been demonstrated that the cost comparison, as noted in our testimony, is a fact of life. It is uneconomic, five times as much, to

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serve a person under certain programs in nursing homes as compared to apartments or group homes or community facilities.

We think that you would agree with us that this doesn't make sense either in the short or long term, therefore, not to provide adequate funding for Congregate Housing Services, the necessary adjunct to the roof and the shelter in the community.

Now, on the 202 Program in fiscal year 1979 there were twice the number of applications as there were loan awards made available. It appears that Congress is foresighted in laying out a program needed by the country, a need not yet fulfilled.

We, therefore, are recommending $900 million versus the $830 million that the Administration has recommended for the 202 loan program to help meet some of these needs expressed in communities around the country.

With regard to the Congregate Housing Services Program, existing community services are inadequate or inappropriate or else too expensive. Society has not provided enough money for food and shelter.

Medicaid funded facilities such as ICF, needed care facilities for many retarded are very expensive and inappropriate in many cases for persons who need to either stay in the community or must be moved to the community from institutions.

We, therefore, Mr. Chairman, recommend that the amount authorized in 1980, $25 million, be authorized in 1981 for the Congregate Housing Program to give this essential match-up, basic services at a cost effective cost level to match up with the housing facilities provided.

I would like to point out in closing my verbal summary, Mr. Chairman, that we feel that funds have not been sufficient in the past, because the program, the Congregate Housing Services Program has been approached in a pilot project approach not intended by the Congress.

Public Law 95-557 stated that Congregate Housing Coordinated with the delivery of supported services offers an innovative, proven and cost-effective means of enabling temporarily disabled or handicapped individuals to maintain their dignity and independence and avoid costly and unnecessary institutionalization.

We, therefore, recommend the figures shown in our testimony, Mr. Chairman, of $25 million for the Congregate Housing Services Program.

[The statement follows:]

CONSORTIUM CONCERNED WITH THE DEVELOPMENTALLY DISABLED
HOUSING TASK FORCE

The Task Force on Housing of the Consortium Concerned with the Developmentally Disabled (CCDD) is composed of the following national organizations and representatives:

Association for Retarded Citizens Myrl Weinberg, Assistant Director Governmental Affairs Office	A voluntary health agency representing 1,950 state and local chapters.
Epilepsy Foundation of America Melinda Hatton, Assistant Director Governmental Liaison Unit	A voluntary health agency representing 140 state and local chapters.
National Easter Seal Society Roberta Van Beek, Assistant Director of Governmental Affairs	A voluntary health agency representing 1,124 state and local chapters.
National Association of Private Residential Facilities for the Mentally Retarded Joni Fritz, Executive Director	An association of providers representing 467 residential programs.
National Association of State Mental Retardation Program Directors Robert Gettings, Executive Director	An association of state government directors.
National Society for Austic Children Sandra Warren, Coordinator for National Health Affairs	A voluntary health agency representing 157 state and local chapters.
United Cerebral Palsy Associations, Inc. E. Clarke Ross, Director Governmental Activities Office	A voluntary health agency representing 270 state and local chapters.

SUMMARY OF THE CONSORTIUM CONCERNED
WITH THE DEVELOPMENTALLY DISABLED'S (CCDD)
TASK FORCE ON HOUSING'S RECOMMENDATIONS
FOR FISCAL YEAR 1981 APPROPRIATIONS

Program	Recommendation for Fiscal Year 1981 Appropriations
	(in millions)
Section 202 Direct Loan for Elderly and Handicapped	$900.
Congregate Housing Services	25.
Section 8 Rent Subsidy	24,418.
Section 106(b) Seed Money	2.25
Community Development Block Grant	3,805.

The Task Force on Housing of the Consortium Concerned with the Developmentally Disabled (CCDD) is concerned about funding levels for a number of housing programs which assist people who are disabled. Many of the individual members which make up our organizations have utilized (with varying degrees of success) the Section 8 Rental Assistance program, the Section 202 Direct Loan program, the Congregate Housing Services program, and the Community Development Block Grant program on behalf of their disabled clients.

Recognizing Congress' need to respond to public requests for restraint in federal spending, the CCDD Housing Task Force has not recommended increases beyond those reflected in the President's budget request for the Section 8 Rent Subsidy program, the Community Development Block Grant program or the Section 106(b) Seed Money program. However, we feel strongly that further increases are necessary and justifiable for two programs - the Section 202 Direct Loan program and the Congregate Housing Services program. Both of these programs are targeted toward providing appropriate community residences with corresponding in-home services for elderly and handicapped individuals. The pressure on states to provide appropriate community living arrangements for these two populations is increasing daily, and total applications for Section 202 loans and Congregate Housing Services have far exceeded the available resources.

"The thrust to return mentally impaired persons from institutions to their family or community is a world-wide phenomenon." *

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* Mellody, James F., and White, Joseph G.
"Summary of Service Delivery Assessment of Boarding Homes,"
HEW Study for HEW Secretary Joseph A. Califano, Jr.

In our country, courts are mandating that states stop admissions to institutions and move or retain disabled individuals in the community.

The idea is that a continuum of care should be available so that each disabled individual can be served in the least restrictive setting which will allow him/her to maximize skills for self-sufficient, independent living. Such an approach is the most cost beneficial in every sense of the term.

The reality is that the development of appropriate community residences has not kept pace with the movement of persons from institutions to communities. Consequently, disabled and elderly people whose service needs are not primarily medical in nature have been dumped into nursing homes and other totally inappropriate facilities. In 1977, U.S. Department of Health, Education and Welfare statistics showed that 80,000 residents of nursing homes were diagnosed as mentally retarded. (DHEW Publication No. PHS 79-1794.) The cost of placement in a nursing home is often <u>five to five and a half</u> times the amount required for placement in a community home or apartment. In addition, appropriate developmental services for non-elderly disabled persons are almost non-existent in nursing homes.

To date, public funding for the "system" of care for disabled people in the United States has focussed primarily on insitutional settings. Because of this, community-based residences and services have been seriously under-funded and therefore under-developed.

Programs such as the Department of Housing and Urban Development's

Section 202 Direct Loan and Congregate Housing Services programs can provide the basis for a more appropriate, less-expensive system of residential living arrangements for the elderly and disabled in America. To establish such a system will require a growing commitment by Congress to these programs. Without the necessary commitment, housing and services dollars for community residences will continue to be inadequate, and disabled persons will continue to be served in inappropriate, expensive institutions and nursing homes.

The number of applications for Section 202 loans for housing for non-elderly handicapped people has grown steadily over the last four years. In addition, the applications for non-elderly handicapped persons represent a higher proportion of the total Section 202 applications each year. The percentage of applications for non-elderly housing compared to total applications has increased from 5% in fiscal year 1977 to 20% in fiscal year 1978 to 26% in fiscal year 1979. The total number of applications for Section 202 loans far exceeds the available resources. In fact, in fiscal year 1979 the number of applicants was more than double the number eventually granted loans, i.e. 745 applicants and 350 loan awards.

Given the increased demand for Section 202 projects, the tremendous growth in applications for the non-elderly handicapped, the need to restrain federal spending and an authroization level of $950 million, the CCDD Task Force on Housing recommends a fiscal year 1981 appropriation of $900 million for the Section 202 program.

In the spring and fall of 1978, the Housing Task Force testified on the overwhelming need for the Congregate Housing Services program. That need has not diminished. It has, in fact, become even more pressing as inflation and spending ceilings cut into available funding for services.

Existing programs administered by the Department of Health and Human Services, such as Title XX Social Services, are severely limited (at times suffering cutbacks) and often not available to people who require residential services. Supplemental Security Income (SSI) is inadequate to even meet the need for food and shelter, for which it is intended. Medicaid is primarily utilized for residents of intermediate care facilities for the mentally retarded (ICF/MR's) who require intensive medical or developmental programming. Home health services under Medicare and Medicaid have eligibility requirements that strictly limit their use. In addition, disabled individuals are not eligible for many programs such as "Meals On Wheels" which are specifically for elderly persons. Staff training funds, available through the Comprehensive Employment and Training Act (CETA), are limited and are being reduced.

Congress itself has declared that the Congregate Housing Services program "offers an innovative, proven and cost-effective means... to maintaining dignity and independence while avoiding institutionalization." Without the Congregate Housing Services program, the inseparable link between shelter and services will continue to be

a programmatic objective recognized by all as desirable but which remains illusive and unfulfilled for many.

Just five housing projects for people who are disabled have been given the opportunity to access some of the $10 million made available for Congregate Housing Services in 1979. Three of these are represented by the associations which comprise the CCDD Task Force on Housing: The Lambs, Inc. in Libertyville, Illinois, the St. Mary's Association for Retarded Citizens in Leonardtown, Maryland and RENEW, Inc. in Sheridan, Wyoming. Without this funding, each of these agencies has expressed concern about their ability to provide residents with an adequate level of services.

A 1977 Congressional Budget Office study, Long-Term Care for the Elderly and Disabled, has estimated that there are between 1.3 and 1.7 million chronically disabled persons in need of congregate housing services. The Social Security Administration has projected that the annual cost of maintaining an individual in a nursing home is 5.5 times greater than the cost of providing social services within congregate housing. If Congregate Housing Services monies were made available to people in all HUD- assisted housing, the overall savings to government would probably be considerable, the enhancement to human life inestimable.

The CCDD Task Force on Housing is recommending that Congress authorize $25 million for Congregate Housing Services in 1981, the same amount that was authorized in 1980. The momentum of these first two years of implementation must be continued so that the efficacy of the program can be more clearly demonstrated. The Congregate Housing Services program will enable HUD to prove that tying services money to housing is not only more effective, but a more economical method for providing disabled individuals an appropriate living arrangement.

Mr. BOLAND. All right. Thank you very much, Mr. Smith.

We appreciate the views of the Consortium concerned with the developmentally disabled.

Mr. Coughlin?

Mr. COUGHLIN. I want to join in commending you on your testimony. I certainly tend to agree with you on the Section 202 program.

Historically, this committee has had some difficulty with the Congregate Housing Section of the program, not in the belief that the services are not necessary, but having HUD deliver the kinds of services that are really the function of the Department of Health, Education and Welfare.

I want to call that to your attention. It is not wanting to eliminate the services, but believing the Department of Housing, Urban Development is not the appropriate vehicle for administering those services.

Mr. SMITH. May I comment on alternate funding sources in response to that?

There are three other potential Federal choices for funding, for example, Daily Living Skills, Training. These are the Title XX Social Services; also the Vocational-Rehabilitation and Comprehensive Services for Independent Living.

The Title XX Program has operated under a ceiling for several years with very new funds for new programs, and was cut back $200 million in fiscal 1980.

The Vocational-Rehabilitation Program is limited to people who have limited capability and the Independent Living Program was only a $15 million program and it has been limited to non-residential, so our constituents are having great difficulty finding the Federal funding stream adequate to support the services that we are advocating here.

Mr. BOLAND. Mr. Traxler?

Mr. TRAXLER. I would like to thank Mr. Smith for his appearance.

Mrs. BOGGS. I was interested in an elderly housing concept involving units for the elderly in the upper levels and a downstairs commercial level. I know that there has been such a proposal made in my own area to include training and job opportunities which can be offered to the people living in those elderly units.

It is intended that the commercial establishments on the ground level can probably compensate for some of the lack that you find in services, and that you feel must be addressed by the Congregate Services Program.

Mr. SMITH. Baton Rouge has told me some of the programs in that city. For family reasons, we have been searching nursing homes in Baton Rouge recently.

I think there are innovative approaches available in the various States, and the several organizations that we represent often band together to try to provide such combination of services, Mrs. Boggs.

Ms. WEINBERG. I would like to respond also to both of you.

A couple of things that we found is that while there may be some service dollars, they are often times very elderly oriented. In other words, many of these places will use Medicare or Medicaid type

services which are really not applicable for non-elderly disabled persons.

There are prior hospitalization requirements, numbers of visits. They have a limitation, so that if you are a handicapped person who needs someone to drop in in the morning and afternoon, you have used up two of your visits.

Many of those things are not, therefore, appropriate. The one thing we found with using HEW, and I certainly understand the argument about HEW being the more appropriate department to fund these services, is that we have tried that recourse for years and years of matching up the two, and we are not able, because of the way the programs are structured in HEW, to get the kind of package deal that you can get with Congregate Housing Services that are tied to the housing dollars.

We have many homes that cannot get off the ground because of trying to go down the HEW funding streams, and those programs you have to pull a little bit from one, and you cannot get multi-year commitments. That is one of the major problems we have.

What Congress is trying to do and what we feel sure will be shown by this program is that if you can avoid all the administrative bureaucracy and the costs involved in putting together this multiple package and trying constantly to secure year after year this funding by having the services dollars tied to the housing dollars, it will be a much better way to go.

Mr. BOLAND. Mr. Sabo?

Mr. SABO. Thank you, Mr. Chairman.

Let me follow up what Mr. Coughlin was talking about earlier.

I happen to be a strong advocate of Title XX. I think it is one of the better programs around, but I am frustrated by the fact that all of the groups that should have some vested interest in Title III funding appear to be grossly ineffective around here. Consequently, the limit stays on, and what happens is every group comes along supporting their favorite small categorical program to take care of one particular problem.

I think that heads us back in the direction, and creates all the problems that Title XX was designed to avoid. For the life of me, I don't understand why all organized groups that spend incredible amounts of energy seeking hosts of small categoricals around here that fit within the overview of Title XX don't get together and have a more concentrated effort to get some decent funding for Title XX.

It seems to me we have senseless policy directions and it is our fault and it is the Administration's fault, but all the organized interest groups should be able to get together and put some pressure on both the Administration and Congress.

Mr. SMITH. My feeling, sir, if I may comment, we feel we have broken our pick on Title XX.

Ms. WEINBERG. I agree with you completely. We all agree with you completely. We have worked year after year and been defeated year after year on this Title XX business. We feel it is the best program.

Mr. SMITH. Absolutely.

Ms. WEINBERG. We have gone the route of working with multiple, multiple organizations. We have worked very closely with state

governors, with mayors, with the League of Cities, and everybody joined forces year after year and have been unable to make any impact.

Mr. SABO. When do you start working? You should be working on the 1982 budget now.

Mr. SMITH. It is year round, sir.

Mr. SABO. My sense, my observation here is that groups start working on trying to mold budget input about a year after they should start.

Ms. WEINBERG. There is a strong feeling in the Senate that this program is not well documented, that there are a lot of welfare loafers on this program, and it is very difficult to get past that particular committee, and that particular attitude to get any increases in Title XX, and believe me, we have tried year after year and we are being forced into the position to go for other programs. Some of them, I believe, like congregate housing, are a very viable option to fill certain gaps. We have, for what other reasons I don't know, not been very effective in all of our work trying to get Title XX increase.

Mr. SABO. So that results in a pile of categoricals, and we are just going to waste incredible amounts of money in the future on little categoricals.

Mr. SMITH. We hope that the warmth of our response indicates we have fought for Title XX, sir, and we accept fully the spirit of your comments.

Mr. BOLAND. Thank you very much. Thank you, Mr. Smith, for your presence here.

NEIGHBORHOOD REINVESTMENT CORPORATION

WITNESSES

CLAUDE BANKS, PRESIDENT, HOUGH AREA DEVELOPMENT CORP., CLEVELAND, OHIO, REPRESENTING THE NATIONAL CONGRESS FOR COMMUNITY ECONOMIC DEVELOPMENT (NCCED).

MICHAEL GONDEK, EXECUTIVE DIRECTOR, NEIGHBORHOOD DEVELOPMENT CORP. OF JAMAICA PLAIN, BOSTON, MASS., NCCED

Mr. BOLAND. We welcome Mr. Gondek and Mr. Banks, representing the National Congress for Community Economic Development. That is a new organization, I take it. When did you organize it, yesterday? I never heard of it before.

Mr. BANKS. It goes back to 1971.

Mr. BOLAND. We are delighted to have you here. You speak for that organization and you are concerned with funding particularly with respect to the neighborhood self-help development program. Why don't you go ahead and handle your statement and your presentation in any way you want.

Mr. BANKS. Mr. Chairman and Members of the Committee, I am Mr. Banks. I would like to beg your indulgence with my laryngitis.

Mr. BOLAND. That is all right, we get that too. Most members of Congress, I wish they had it more often.

Mr. BANKS. We would like to thank you for the opportunity to testify this morning about the Neighborhood Self-Help Develop-

ment Program. My name is Claude Banks and I am the President of the Hough Area Development Corporation, a community-based development organization in Cleveland. With me today is Michael Gondek, Executive Director of the Neighborhood Development Corporation of Jamaica Plain, a community-based development organization in Boston.

We represent the National Congress for Community Economic Development (NCCED), which is the national membership organization of groups such as ours. NCCED's membership includes community-based development organizations throughout the country, in both urban and rural areas. These organizations develop, rehabilitate and manage housing and commercial facilities, operate employment training programs, provide technical and financial assistance to small businesses, strengthen the physical infrastructure needed for economic development and organize cooperative associations, among other activities.

Community-based organizations are often the only developers active in our communities. Too often, private developers bypass our low-income communities for more profitable and less risky investments elsewhere. In response to this problem, residents in our communities have formed their own organizations to create jobs, improve housing, provide shopping facilities and otherwise make our communities better places to live.

Our community-based organizations have shown that it is possible to invest successsfully in low-income communities. These organizations succeed for a variety of reasons.

They are committed to and are accountable to their communities, and in return enjoy community support.

They have the capacity to identify and implement projects as part of an overall development strategy.

They have the ability to coordinate complementary activities—such as housing and employment training—within a single project.

They reinvest project revenues back into their communities.

They combine both private and public investments to benefit our communities.

The Neighborhood Self-Help Development Program is probably the single most promising new public investment program for our organizations that Congress has started in the last decade. The attractions of the program are numerous.

The program responds directly to the most important needs of a community. The program relies entirely on local initiative. Groups must demonstrate direct accountability to their community, and must demonstrate community involvement in all phases of project development. Local government must certify that the project supports and is consistent with its own objectives.

The program requires that projects directly benefit low-income and moderate-income community residents.

The program is flexible enough to address a wide variety of needs. Housing, community development and economic development projects are all eligible for funding. HUD has taken special care to ensure that the program can meet rural needs. This flexibility is essential if local priorities are to be truly addressed.

NSHD is a development program. The program focuses on activities that lead directly to community revitalization. Social services

and public works are not eligible activities unless directly tied to a specific project.

The program efficiently stimulates development. NSHD grants are relatively small—they average about $120,000—but they are designed to link with other investment from both other public and private sources. Such public/private/community partnerships are an important part of President Carter's urban and rural development policies.

Because of all these reasons, the first round of funding attracted an extraordinary 720 applications for project support from organizations all around the nation—more than ten times the number HUD could find.

The applications asked for over $100 million in NSHD funding. This response is extraordinary, and indicates the degree of local initiative within communities throughout the country. This demand is especially remarkable considering the newness of the program. Our experience in community-based development indicates clearly that as the program becomes better established, the number of strong proposals can only increase.

The projects HUD has selected in its first funding round are also impressive. The 70 projects would use $8,608,458 of NHSD funds, an average of $123,000 per project. The projects would leverage additional investment of $135,296,213, which is 16 times the NSHD level.

In this perspective, we urgently request funding for this program at the fully authorized level of $10 million. Even this figure is $5 million, or one-third below the $15 million available to the program this year. This reduction will not appreciably contribute to balancing the budget, but it will reduce a young program that is already demonstrating some of its great potential.

Balancing the budget is largely a macro-economic issue with important implications for small programs. We believe that budget cuts, if they are necessary, should be distributed equitably among programs. We urge this committee to consider the relative capacity of various programs to absorb reductions without serious damage. We also urge this committee to consider the timing of various program reductions, given the state of the economy.

The Neighborhood Self-Help Development Program must already reduce its activities by one-third because only $10 million is authorized for it. Even a small additional reduction in terms of dollars would seriously reduce the scope of the program. We urge that if additional cuts must be made, that larger programs could better absorb the reductions than NSHD. The same absolute reduction would be a smaller share of a larger program.

I thank you for the opportunity to present this, and I would like for Mr. Gondek to talk about specific applications of the program.

Mr. BOLAND. If he does it rapidly, we will permit Mr. Gondek to talk about it.

Mr. GONDEK. I will briefly outline the project which my neighborhood applied for and received Neighborhood Self-Help Development funds. Jamaica Plain is a neighborhood about five miles from downtown Boston, a racially mixed neighborhood which, over the past 10 or 15 years, has had some very adverse impacts due to the scheduled construction of a new expressway through the neighbor-

hood. The land was cleared, housing demolished, and residents displaced, to build the new highway, which was eventually halted. In its place, rapid transportation plans were developed and are now being implemented to build a new mass transit system through that area and hook it up with downtown in a much more efficient, we think, transportation plan.

The fallout in the neighborhood, though, was substantial and is the issue which we are trying to address through our development strategy, which is to redevelop the vacant land which was urgently cleared for the highway to benefit low- and moderate-income residents in our neighborhood through job creation.

The project for which we applied for funding involved the use of former industrial property, its upgrading and tenanting by small industrial firms to provide approximately 350 new jobs within the community. Within that larger context of a local initiative effort, I was in a nonprofit development corporation overseen by a board of directors of local area residents. We feel this project is a very good use of a small amount of Neighborhood Self-Help Development money to fund professional skills that can bootstrap that particular project into one which will create many new opportunities for local residents. I think it is that kind of local initiative and spirit which we think the program has been very successful in.

I would also point out just that the program has become operational very quickly and I think has in a very unprecedented fashion been able to solicit and respond to a number of very legitimate project needs across the country, and get off the ground in about seven months, which is very admirable administrative work within HUD.

Thank you.

Mr. BOLAND. I think one of the important points that Mr. Banks raised is that the average is $120,000 per project and 70 projects would use $8,608,000 of NSHD funds. That would leverage an additional -$135,296,000, which is 16 times higher than the Neighborhood Self-Help Development level.

Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

I am delighted to hear from you. I had not heard of your organization before, either. I am pleased to have you here. I have one question. Do you use any funding from the Neighborhood Reinvestment Corporation? Do you tie into that?

Mr. GONDEK. Another organization in my neighborhood used it when it was the Urban Reinvestment Task Force, innovating homeowner counseling and vacant housing renovation program. We don't currently fund other projects in our neighborhood, but we have had a very successful program which is now in the city of Boston homesteading program.

Mr. COUGHLIN. Is that a good program?

Mr. GONDEK. It is, to my knowledge.

Mr. COUGHLIN. Does that accomplish some of the same things that this program accomplishes? What is the difference?

Mr. GONDEK. The difference, as I understand it—and I am not an expert on Neighborhood Reinvestment Corporation—is that the primary program the NRC operates is the Neighborhood Housing Services program, which provides assistance to homeowners in

doing small-scale housing rehabilitation on individual residences. My sense is that the primary thrust of the Neighborhood Self-Help Development program is to fund larger-scale development projects involving, say, a block of buildings or several blocks of vacant land and/or business development.

The Neighborhood Reinvestment Corporation is oriented simply to housing, and Neighborhood Self-Help Development supports a broader area of activity including commercial and economic development activities, which I think the other did not address.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Traxler?

Mr. TRAXLER. No questions.

Mrs. BOGGS. I know about this organization because when we were trying to fold the categorical programs into the community development block programs, Parren Mitchell heard from them about economic development in the CD program. We are very grateful for the input you have provided for the authorizing legislation.

Mr. BANKS. Thank you.

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESS

THOMAS WHITE, EXECUTIVE VICE PRESIDENT, COUNCIL OF STATE HOUSING AGENCIES

Mr. BOLAND. Mr. Thomas White, representing the Council of State Housing Agencies.

We understand that you are connected with the Michigan State Housing Development Authority and Treasurer of the Council of State Housing Agencies. Do you have any money in the treasury?

Mr. WHITE. No, sir. However, Mr. Helmbrecht from Michigan was going to give the testimony.

Mr. BOLAND. You are Tom White?

Mr. WHITE. Yes, formerly from Michigan.

Mr. BOLAND. Who are you with?

Mr. WHITE. I am the Executive Vice President.

Mr. BOLAND. From where?

Mr. WHITE. Of the Council of State Housing Agencies.

Mr. TRAXLER. Mr. Chairman, we shouldn't go any further. This is going to cost this country a great deal of money. Tom and I served together.

Mr. BOLAND. Let's call the next witness, then.

Mr. TRAXLER. Tom and I served together in the Michigan State Legislature. He was instrumental and one of the prime sponsors of our state housing authority law and, having created the agency, eventually went over and went to work for them, and he has applied his housing knowledge well and he has now, along with Helmbrecht, I see, put together a national association called the Council of State Housing Agencies.

You are the Executive Director of that?

Mr. WHITE. Yes.

Mr. TRAXLER. Congratulations.

Mr. BOLAND. Do you get paid for it?

Mr. WHITE. Yes.

Mrs. BOGGS. Double congratulations.

Mr. BOLAND. In addition to putting together the Council of State Housing Agencies, they put together quite a brief here. You are not going to read this?

Mr. WHITE. No, I am not going to. Let me suggest initially that one of the reasons we put together such a detailed brief was in answer to some of the questions raised by the Surveys and Investigatives Report, and I did not intend to go into that great a detail.

Mr. BOLAND. We are delighted that you commented on the Survey and Investigative Report. We like to get those comments and we appreciate them.

Mr. WHITE. I might say I thought it was a very reasonable report, and it did point out some things that we think need some correction. We would hope that you would take a look at our response to some of those particular points and some of the nuances that we are bringing forward being important ones, but generally we felt that the report was very level and very informative.

Mr. BOLAND. As a matter of fact, we take pride in the reports that are put together by the Committee's Surveys Investigations Staff We think perhaps they are better balanced than a lot of other reports we see, and sometimes better balanced than those that come out of the General Accounting Office, to which Congress attaches so much significance. But in any event, we appreciate your comments on it.

Mr. WHITE. Thank you.

I would like to start off by mentioning that the Council currently has 46 member agencies as well as 150 organizations affiliated with the Council, and that we seem to be in the growth business. I just came back from Texas.

Mr. BOLAND. What are the four you don't have?

Mr. WHITE. There is actually eight that have not had agencies because there is some overlap, but it includes Indiana, Kansas, Washington, Louisiana, although there is an act in process there, Alabama, although there is an act in process. I don't know if I mentioned Florida and Ohio. Both have constitutional amendments going forward this year to establish agencies, and I am sure I have forgotten one. North Dakota does not have one, but I am talking to the Attorney General of that State about establishing one.

We are seeing a continued growth from the state participation in housing. For this presentation I would just like to quickly touch on three points, Mr. Chairman. Besides asking the committee to include language which has been included in the past in the committee report, asking that the Secretary of HUD commensurate with the budget allocate a setaside of Section 8 units for state agencies, we have had this language in the past, in the reports from your committee, recognizing the value of state agencies in the production of Section 8 housing.

I might also suggest that if we do have a new housing, rental housing program this year, which is up for consideration in both

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House and Senate, that we would also like to participate in that program through a setaside process, and I think that we have demonstrated in initiating both the Section 236 program and the Section 8 program that state agencies have helped to get the federal programs off to a very rapid start.

Briefly, then, just touching on three quick points, I am sure you are fairly well aware of the role of the state agencies, but I would like to just mention that again, and that is that state agencies actually finance the housing that they produce, and they were not created under a national federal enabling act such as the public housing authorities, but rather under their own unique state enabling acts. Many of them run programs other than those connected with the actual federal subsidy housing.

In fact, 35 states do run family housing programs connected with the Federal subsidies, and most of those do so with uninsured loans; thus they take the financial risks themselves, which gives them an enormously different perspective on those developments than what is normally the case for a standard mortgagee.

Most mortgagees sell their loans in the secondary market and thus are not around when the going gets tough and there are operating difficulties in the program, and of course that has been where we have really separated out the good decisions from the bad decisions, and that is in the management.

We have a very good homebuilding industry in this country but we still have to work very hard to effectively manage the subsidized housing.

State agencies, by virtue of staying with the loans, by being reachable by the local governments in terms of a quick phone call to the local state center or state representative have been very able to manage subsidy programs.

I might quickly note that about 30 percent of all Section 8 starts thus far have been produced by state financial contributions.

Quickly, also in response to the report, and specifically in terms of the value of the state role—and I think I have actually alluded to this already—multifamily housing is a complicated business. It is not simple to handle, and we think the fact that the states are independent, in that they are actually separate from HUD, is a very positive factor, not a negative factor.

I think that what has occurred thus is we have a separate—almost competitive system—with the retailing and management done by the local area offices of HUD, and this serves as a balance in the federal program, and serves to highlight both the strengths and weaknesses of each system. I know that from my ten years of experience in Michigan that this indeed is a difficult business, and I think that many of the innovations that the state agencies brought to subsidized housing were then later picked up by HUD, and that both HUD and the states benefited. By the same token states benefit also from the expertise that the national HUD office has, because certainly there are many very excellent people within that system who work very diligently with state agencies to perfect their programs.

I would like to commend Secretary Moon Landrieu and Assistant Secretary Larry Simons for recognizing the value of this partnership, if you please, rather than some kind of subordinant-dominant

relationship. They have worked very hard to make sure there are adequate monitoring systems in place, while recognizing the value of the independent response to housing problems.

Mr. BOLAND. I am pleased with that comment about Secretary Landrieu and Secretary Simons. Mr. Simons, who has had considerable experience, now recognizes the importance and value of the State finance agencies. He frankly says that without their assistance and their cooperation, that the subsidized housing program, would be much more difficult to operate, without the assistance of the State finance agencies.

Mr. WHITE. I appreciate those comments, and I can assure you that Secretary Simons is still proceeding to make sure we do our business correctly, and is working very hard in that regard. He is working very hard to get the systems coordinated with each other. State agencies have a whole series of different kinds of monitoring elements; such as local state auditors, the bond market where they must go to raise money, with the resulting SEC requirements that they take very seriously.

You have to review the law when you go to sell a bond issue. You have to tell all about every skeleton in the project at issue as well as every project that you have that has any kind of problems, so the states have an enormous amount of discipline, including the fact that HUD has to review all development participants to make sure that they have not run afoul of the federal system. In addition HUD reviews the site on which the development is located, to make sure it meets both environmental and certain neighborhood standards, as well as reviewing both management plans. when the project is in operation HUD reviews the actual operating developments.

However, the system has been rather disjointed. It hasn't been put together in a combined package, Assistant Secretary Simons is working on such integration and we are cooperating with him; we feel it would be of benefit to us also to understand exactly the kind of monitoring system that will be used.

Briefly, Mr. Chairman, on one other point made in the report, and that was on developer selection or, if you please, project selection. The report did get into the fact that there has been some criticism of state agencies in their development selection process.

In a letter on January 28, 1980, we requested Secretary Landrieu to include within new Section 8 regulations a more stringent selection process, as we felt that some of the criticisms that we had heard was very unfair to the extent that most states, of which we are aware and that we have surveyed, do have written selection criteria, and in fact are receiving enormous numbers of responses to their requests for projects for Section 8. Thus, they are subject to a very open and competitive system. Accordingly such a HUD regulation would do no more than formalize what we now find to be universal housing and finance practice.

As I mentioned, there are very many checks and balances within the system to insure that state agencies are doing things correctly. I would like to point out one that I think is sometimes not understood as as it should be, and that is who finally selects a project for a housing finance agency.

Although staff do the initial work to insure that it is a good real estate investment, and to insure that the Section 8 requirements can be met through the development of the project, a board of directors actually does the final selection, and generally these boards are among the Who's Who within the state. The board of Michigan, for example, includes the state treasurer. In Colorado it includes the state auditor.

In Colorado also we have both mortgage banking representation and the president of the largest S&L in the state. Across the board these developments are exposed to public meetings, and to some very distinguished and interested citizens. States do take a risk of their own state budget in these projects, because a folding state agency will cause a great deal of trouble for the state itself. Accordingly there is a high degree of interest in making sure that these are successful projects. Also the very state system promotes openness, because unlike HUD decisions, final state decisions are actually finally made in a public forum, and those public forums I can assure you can be very hot and heavy with local citizens and with others who are commenting on the projects that are being selected.

I would like to point out one correction for the record in the report that was issued. It is stated that Missouri selected the projects through simply an in-house process. That is not true. They actually have to take their projects to a board. As I recall, the board includes the Governor, the State Treasurer, and the Attorney General.

Notwithstanding that, Mr. Chairman, the report, we do think, makes the valid points: that there can be further improvements in the program. I think that is the case in all of these programs, because we learn as we go.

I think that state housing finance agencies have made a very valuable contribution to the financing of low and moderate income housing. With these constructive changes we hope to keep in mind that valuable contribution, and we certainly support your efforts to maintain a decent housing budget this year, and we are very supportive of the position taken in the Budget Committee of the House and in the housing authorization bill.

Mr. BOLAND. Thank you very much, Mr. White. Let me ask you a question with respect to the charge leveled about a week ago that HUD enjoys a tremendous "slushfund", that they allocate funds at the end of the year, the end of the quarter. This results in building up unobligated balances that are referred to as a slushfund by another Committee of this Congress. What is your opinion on that? You must have seen the charge.

Mr. WHITE. I have heard the charge. I have not actually seen the report or seen it in any way in writing.

Mr. BOLAND. With your knowledge of how allocations are made when applications are filed with the Department of Housing and Urban Development—are you familiar with how reservations are made?

Mr. WHITE. Yes.

Mr. BOLAND. When the application is filed—those reservations don't necessarily mean they are going to go to construction?

Mr. WHITE. That is correct.

Mr. BOLAND. There is a pretty good hiatus——

Mr. WHITE. Yes.

Mr. BOLAND [continuing]. Between the time the application is filed and the time that the project gets underway for construction, and consequently there have been a great number of paper reservations, thousands of them in the course of that particular operation. This Committee has been riding herd on HUD to get the paper reservations down to some actual construction commitments, and HUD has responded I think very well.

Mr. WHITE. Yes.

Mr. BOLAND. The latest report by the Surveys and Investigations Staff indicated, high marks to HUD in this area. What is your reaction to that?

Mr. WHITE. A couple of responses. First, regardless of the intent at the time it was filed, there are numerous hoops that projects have to jump through before they become final, and many things can knock them out such as adverse community report, or a final environmental decision. Frankly, the numbers just don't work in terms of cost in many cases, so that you are going to have a certain amount of good-faith dropouts in that system. And what HUD has encouraged, and I think properly, is for developers to continue to work on projects that aren't funded, so that the tranfer of funds can be made, so that we can continue to produce the much needed low and moderate income housing in this country.

Mr. BOLAND. When allocations are made by the regional area office of HUD to the state finance agencies, how soon do those allocations result in actual construction?

Mr. WHITE. The average reported last year to this committee was about nine 9 months within the state system compared to a much longer time in the Federal system.

Mr. BOLAND. And where allocations are actually made to the State finance agencies, do some of those drop out before construction starts?

Mr. WHITE. Oh, yes, they drop out, transfers are made, and State agencies also can reserve on an area basis to get started, so that they can nail down the reservation, and then go out and seek a project, so there is a little different system there. But in any system, Mr. Chairman, that is as tough and as complicated as housing development is these days—and that is not just for subsidized housing but for all family housing—you are going to have dropouts. The system does need the flexibility, then, to respond to that and to transfer those funds, then, to developments that are in process or, as we call it, in the pipeline, so that we can get the much-needed housing constructed.

Mr. BOLAND. In any event, no slushfund could be created as a result of that particular activity within HUD?

Mr. WHITE. No.

Mr. BOLAND. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman.

I appreciate your hard-hitting statement. I am sure the staff will have it analyzed. Thank you very much

Mr. BOLAND. Bob.

Mr. TRAXLER. No questions.

Tom, nice seeing you again.

Mrs. BOGGS. No questions. Thank you very much.

Mr. BOLAND. Mr. White, thank you very much.

[The statement follows:]

PREPARED STATEMENT OF

COUNCIL OF STATE HOUSING AGENCIES

Before the

HOUSE SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES

APPROPRIATIONS COMMITTEE

May 13, 1980

Mr. Chairman, my name is Richard K. Helmbrecht. I am Executive Director of the Michigan State Housing Development Authority and Treasurer of the Council of State Housing Agencies. The Council currently has 46 member state housing finance agencies (HFAs) as well as 150 organizations affiliated with the Council which includes developers, investment bankers, and others involved in the state housing finance agency movement. I am accompanied today by Thomas W. White, Executive Vice President of the Council of State Housing Agencies.

Before proceeding, a brief overview of our testimony is appropriate. A major portion of our testimony is devoted to the role of state housing finance agencies in the assisted housing development process. During this segment of our presentation we will comment on the Survey and Investigations Staff Report to the House Committee on Appropriations on the Department of Housing and Urban Development Section 8 Program. The concluding segment of our testimony concerns the FY 81 Budget request for housing programs.

THE ROLE OF STATE HOUSING FINANCE AGENCIES

We believe that an accurate understanding of the state agency assisted housing development process will enhance the Subcommittee's evaluation of our contributions to federal housing policies. Although the Surveys and Investigations Staff discussed the role of HFAs in the Section 8 program, we believe it is important to elaborate on their narrative.

All state housing finance agencies were created pursuant to state enabling legislation to assist in the financing of housing for persons and families of low and moderate income within their state. Among other programs, HFAs issue tax-exempt bonds and notes to make construction loans and permanent mortgages to non-profit and limited profit entities for the construction and rehabilitation of rental housing. Some state agencies finance non-subsidized rental housing in addition to, or in conjunction with, Section 8 units. HFAs also provide mortgage funds for single family homeownership housing and many have home improvement and energy conservation loan programs.

In this financing capacity, HFAs serve a unique function in the production of assisted rental housing as the role of HFAs as financial institutions is different than that of HUD. HUD generally does not provide direct loans, but serves the important role of insuring loans made by other entities. State agencies provide direct funding by issuing tax-exempt bonds and notes to create a pool of funds for specific rental housing development proposals. These loans are most often made without FHA, or any other, direct insurance protection. We believe this to be a valuable complement to HUD's insurance programs and the major difference between the two production processes.

In seeking to assure the financial soundness of developments financed by their bonds and notes, HFAs require proposed housing developments to undergo formal underwriting processes and to meet high real estate standards. This underwriting process will typically include, but is not limited to, an analysis of site suitability, market analysis, economic feasibility and management and development team review.

HFAs maintain oversight beyond the project review stages into the design and construction periods, initial rent-up, and ongoing operation stages. Unlike many other lending institutions, HFAs hold on to their mortgages and do not sell them in the secondary market. In short, HFAs are more than mere pass-throughs of federal funds.

ACCOMPLISHMENTS OF STATE AGENCIES

State housing finance agencies have been in the housing finance business for over a decade. Thirty-four states have, or are initiating, multifamily programs. This state experience includes subsidized and conventional lending. States such as New York, Michigan, Minnesota and Illinois have portfolios which include nonsubsidized housing, Section 236 housing (a fixed interest reduction subsidy) and Section 8 (a deep subsidy to the tenant). States have made innovative use of these programs, particularly in developing housing to meet the special needs of the handicapped and elderly and to meet the need for housing in our cities, and have pioneered the development of mixed subsidized and unsubsidized housing.

To give a clearer picture, state agencies processed and financed 110,000 Section 236 units out of the total federal program of approximately 700,000 units. While the foreclosure rate for insured Section 236 housing overall was greater than initially projected, the state agency uninsured projects have had a very successful operating record.

Similarly, HFAs have proven to be one of the major financing and production vehicles for the Section 8 program. In fact, state agencies were the major impetus in getting the program off the ground (responsible for 95% of all reservations in FY 75) and have been responsible for 31% of all starts to date.

We do not mention these facts so as to hide behind volume. The Section 236 and Section 8 programs are extremely difficult and complicated programs which have been enhanced by the unique role of state housing finance agencies which raise mortgage funds through the sale of tax-exempt bonds and notes to aid the production of assisted rental housing. Further, we wish to assist in efforts to improve the implementation of the Section 8 program and in a moment will address the program concerns raised in the Staff Report.

STATE AGENCY PARTICIPATION IN THE SECTION 8 PROGRAM

The Survey and Investigations Staff Report on the Section 8 Program devotes considerable attention to the participation of state housing finance agencies. We believe that elaboration of findings leading to the Report's major conclusions will accurately describe the overall strengths and weaknesses of HFA participation.

Overview of CSHA Response To Staff Report On Section 8 Program

Generally, we believe the Report to be reasonable as it attempts to fairly analyze a highly complex set of program relationships. We believe, however, that the Report may have overlooked some of the essential arguments for state housing finance agencies and their continued ability to assume independent program responsibility.

Multifamily housing production is a complicated and risk laden business. Even outside of subsidized housing, failures are not uncommon. A review of the disastrous history of many Real Estate Investment Trusts and subsequent losses to investors provides adequate evidence to the degree of risk.

Subsidized housing adds an even greater number of variables to an already complex process. Additional social and economic limitations are superimposed upon what is a substantial inherent risk. The history of all federally subsidized programs demonstrates these increased risks.

This does not mean that we should simply abandon our efforts to adequately house lower income Americans. In fact, while we often note the many problems in assisted housing production programs, we often fail to see the many successes. Considering all housing programs combined, we have been able to generally better house lower and middle income Americans than have our counterparts in other countries, even though we still have far to go to adequately house all Americans. A share of this success can be attributed to our subsidized production.

A single dominant bureaucratic system, however, has never shown, nor will it ever show, itself capable of providing all of the answers. Federal resources are becoming increasingly scarce, and less and less HUD staff are available to assume more and more processing responsibilities.

State housing finance agencies were created to meet a need, and have filled a vacuum. Created separately from HUD or federal direction, HFAs independently augment federal efforts. As a part (and only part) of their housing activities, HFA's have undertaken subsidized housing. They are not clones of the federal system, nor of each other and thus have been able to retain the creativity of a smaller business operation while offering a broad-based response to the needs of their state.

Beginning with Section 236, the value of the agencies to national housing production is apparent. By successful financing, state agencies tapped the capital markets and have developed the most successful subsidized housing portfolios ever known.

HFA's have done this without state financial operating support since they are, as a rule, self-sustaining. Their successes are attributable in large

measure to concern for quality housing and a commitment to establish this concern in dealing both with HUD and with local communities.

Another significant factor in the success of the HFAs is that they have been large enough at the state level to develop the required levels of development and financial expertise, yet small enough to be nonbureaucratic in response.

Program variety among agencies is not at all a negative condition, but rather a positive factor reflecting the realities of the differences in housing needs among states. HFAs represent locally tailored responses to unique and difficult social and economic problems. In one sense, states represent competition to the HUD bureaucracy at the local level as they develop their own systems of development. We believe that this relationship is a healthy one.

By the same token, states are not simply free to do as they wish. They are disciplined by risk inherent in the housing development industry, by Boards composed of responsible accountable private and public officials, by private industry participants and concerned public interest groups, by local legislatures and governors, by public pressure, by the press, and by the bond market in which HFAs raise money.

We argue that from this discipline has come a highly successful national effort. Certainly, and as established in the Report, improvements and changes can always be made. Indeed, as a trade group we argue for many changes, sometimes without the full and unqualified support of all of our members. Any changes, however, should not be such that they alter the basic position of independence and responsibility of HFA's. State agencies care about the operation of their projects, and are able to take corrective action when problems surface. HFAs have a vested interest in the long-term success of project operation in that their ongoing ability to raise capital in the marketplace at reasonable rates is directly contingent upon the quality of their portfolio in-place. These agencies have managed to work successfully in our urban areas under some of the most difficult housing conditions.

Thus the independent role for agencies should be continued. An improvement in overall monitoring and post-auditing as recommended by the Committee is reasonable and necessary. This recommendation should not be viewed, however, as a repudiation of the fine state record, nor as an inducement to stifle local initiative and response. We do not need HUD clones. We do need an effective state/federal partnership.

HUD, under many Secretaries, has recognized this need. We thank Secretary Moon Landrieu and Assistant Secretary Larry Simons for continuing our partnership and for taking steps toward improving the feedback and monitoring loops in the system. We thank the Committees in Congress for not being misled by shortsighted criticism.

We will work with Secretary Landrieu and Assistant Secretary Larry Simons and Congress to further improve the federal/state partnership.

A. Housing Assisting Payments

The Report states that housing finance agencies receiving a set-aside of Section 8 budget authority are "exempted from many of HUD's program controls and oversight" (p.16).

While it is true that state agency procedures are different from those of HUD or other participants in the Section 8 program, the Report inaccurately suggests that state agency participation is uncontrolled. The Report gives the impression that HFAs exercise more autonomy in the Section 8 development process than is the case.

Control of HFA participation is achieved by several means. First, housing finance agencies must give public notice of the availability of funds and thus they advertise the availability of funds; very often by a procedure comparable to HUD's Notice of Funding Availability process. This practice is discussed in a later section.

Second, even though HFAs do not utilize uniform project selection criteria, initial developer/project selections must be submitted to HUD for approval and acceptance. HUD is required to perform an actual site review to determine compliance with federal site and neighborhood requirements, to review the past performance and present capabilities of developers, and to perform environmental analyses. Additionally, developer/project selections are often made by local government when, for example, projects are located on urban renewal land.

Further, the state agency must certify to the accuracy of site suitability, development team acceptability, management team qualifications, as well as rent reasonableness. These controls will also be elaborated upon in a section that follows.

Overall, we must remind the Subcommittee that less stringent HUD review requirements are not unique to state agencies. HUD also allows localities (PHAs) to exercise discretion in administering the Department's 11(b) program. Like HFAs, PHAs may administer federal subsidy dollars in addition to raising mortgage capital. Mortgage bankers are allowed to exercise program discretion when projects are financed in the conventional market.

HFAs may utilize a "fast track" processing system that differs from HUD's "slow track" system, but this fact should not be viewed negatively. In as much as HFAs must certify to compliance with federal regulations and satisfy federal reviews on a project-by-project basis, less stringent HFA processing requirements should be viewed as an asset to multifamily housing production.

B. Developer Selection

The Report accurately states that "the process of selection of developers varies from one state HFDA to another" (p.16).

This concurrence, however, is not to suggest that HFAs are using deficient selection criteria and practices. HFA successes in rental housing programs support the gains to be realized from responsible independence. We believe that so long as an agency's developer/project selection system is publicly available and meets program objectives, HFAs should be free to utilize a selection system that they believe works best given local conditions.

CSHA has supported inclusion of additional requirements in the Section 8 regulations. In a January 28, 1980 letter to HUD Secretary Landrieu, CSHA supported more stringent project selection requirements prior to publication of the revised regulations for HFA participation in the Section 8 program. CSHA suggested that the new regulations require HFAs to publish notice of the receipt

of funds in general circulation newspapers and to have a written procedure for the open and competitive selection of developers. In as much as the major Section 8 producing HFAs currently operate within these suggestions, the recommendation's intent was not to remedy deficient practices, but to strengthen the case for the existence of sound ones. According to the letter, "such regulation would only serve to formalize what is now virtually universal HFA practice, but it would help avoid the appearance of inequitable practices."

Unique project selection criteria should be maintained, provided that their implementation is monitored like any other major processing step. This approach will continue to allow for variation necessary to address individual state problems such as emphases on rural/urban areas, minority participation, and the development of certain project types (elderly, family, small development and handicapped programs). Again, we emphasize the independent nature of the state agencies as they assume the risks as mortgagee of assisted housing projects. We discuss the major processing stages focused upon by the Report, below, to establish the federal controls on HFA participation.

Housing Assistance Payment Set-Aside. All HFAs financing new construction/substantial rehabilitation Section 8 projects do so by selling tax-exempt notes and bonds which proceeds are used to provide permanent financing, and very often construction loans.

In order to facilitate the participation of HFAs, a portion of the Section 8 contract authority appropriated annually by Congress is set-aside for assignment to projects processed by state housing finance agencies. The HFA must have statewide responsibility and qualify under state law to act as a public housing authority as defined in the United States Housing Act of 1937.

Receipt of a set-aside, however, is not automatic as the HFAs must meet federal requirements to receive set-aside funds. The HFA must produce relevant enabling legislation, rules and regulations governing its operations and an opinion that the agency is legally qualified and authorized to participate in the Section 8 program.

Further, HUD must then determine whether to grant a set-aside and the set-aside amount. This determination is made on the basis of agency past performance and ability to administer a set-aside, the extent to which the agency has developed a program evaluating and meeting state needs, the extent to which agency programs complement HUD allocation plans, agency ability and willingness to assist families in projects meeting particular HUD goals (spatial deconcentration, large family units, i.e.) and agency ability and willingness to provide permanent financing without federal mortgage insurance.

Even though state agencies may receive a set-aside of budgetary allocations, they first must satisfy HUD review to qualify for the set-aside by demonstrating the ability to finance and administer housing under the Section 8 program. Further, later in our testimony we will demonstrate the location, housing type, household size and contract term restrictions governing the use of set-aside funds.

Advertising Availability of Subsidies. After a state housing finance agency receives HUD notification of its set-aside, the agency is required to make a public announcement of the allocation, specifying the amount of the set-aside by housing and household type and indicating where applications to the agency for funding commitments may be submitted. All HFAs are required to certify that these public notice requirements have been met.

Presently, the term "public announcement" is undefined in HUD regulations. HFAs have met the public notice requirement, however, by various methods. Exhibit I is an example of a public notice placed in 32 newspapers by the Michigan State Housing Development Authority.

HFAs often send public notices to sponsors that have developed previous proposals and to builders and developers that have expressed interest in being kept informed of the availability of set-asides. The Maryland Department of Economic and Community Development, for example, mails notices of funding availability directly to 300 holders of the Agency's processing manual.

The Minnesota Housing Finance Agency encourages minority participation by publishing notices of funding availability in minority newspapers and requesting public service announcements at radio stations with minority-oriented programming.

Additionally, several HFAs conduct statewide seminars with sponsors, builders, developers and local government groups to promote the Section 8 program.

After receiving a set-aside pursuant to meeting HUD eligibility criteria, HFAs must make a public announcement of funding availability. HFAs benefit from the notification requirement in that high volume of development proposals is likely to assure high quality developments through creative competition among applicants.

When the Michigan State Housing Development Authority advertised its FY 80 allocation in January, 1980 for 2200 units, the response by developers was for 4500 units. The Authority also had a "pipeline" of 1500 units when the funding availability was announced. The Virginia Housing Development Authority received requests for 2,348 units after advertising funding availability for 933 units. At the time, VHDA had a pipeline of proposals representing 7,855 units.

This level of response underscores that HFAs are known and relied upon within their state, and emphasizes the impact of HFA public advertisting upon developers.

Developer/Project Selection. HFAs may process Section 8 applications under one of two procedures. The Fast Track Processing Procedures (24 CFR, Part 883) provide special regulation for HFA-financed projects without federal mortgage insurance that are to be funded by the agency set-aside. HFA set-aside projects requiring federal mortgage insurance must be processed under the routine Slow Track Processing requirements (24 CFR, Parts 880 and 881).

Under the Fast Track Processing Procedures, HFAs assume responsibility for project development and supervision of development, management and maintenance responsibilities of project owners. The state agencies are subject to audit and review by HUD to determine compliance with federal requirements and objectives.

HFAs may submit an application or preliminary proposal for a particular Section 8 project to a HUD field office at any time. It is important to keep in mind, however, that although HFAs make initial project selections for set-aside funding, it is ultimately HUD's discretion to accept or reject an HFA submission. Indeed many HFAs would argue that HUD Area Offices retain too much in the way of decision responsibilities and that their control works to the disadvantage of HFA processing.

Briefly, all applications and proposals are evaluated on the basis of acceptability in accordance with federal requirements. The HFA must certify that a public announcement of funding availability has been made, new construction is justified, and that the proposed development complements HUD's allocation plan in that area.

HUD, in turn, makes an initial independent determination whether or not the application is complete and must establish that the proposed project is consistent with the field office allocation plan, the addition of the units will not adversely affect occupancy in existing federally assisted projects, the agency meets all equal opportunity requirements and projects with specific sites comply with local Housing Assistance Plan goals and notification and comment requirements. HUD controls which are implemented after this initial review will be discussed in a following section.

As described above, state housing finance agencies must make in-house selections of Section 8 projects prior to submission to HUD for approval. These selections, however, are guided by explicit federal restrictions, real estate investment principles and HFA decision-making policy.

For example, when a set-aside is made available to an agency, HUD must notify the agency in writing of the amount and terms of the set-aside. These terms establish the parameters for eligible uses of the set-aside. These terms typically include the following restrictions.

(1) Location - specific targeting to geographic jurisdictions (Metropolitan vs. Non-Metropolitan, or by particular area, county or city);

(2) Housing Type - target percentages of funds for new construction as opposed to substantial rehabilitation projects;

(3) Household Type - requirements for elderly, family and large family sizes; and

(4) Contract Term - limitations as to number of projects eligible for 30 year Section 8 contract terms, as opposed to 40 year terms.

An excerpt from a typical allocation letter appears below. Once again, these HUD restriction categories establish the basic parameters within which every HFA must work. Projects that do not meet these expectations are at an extreme disadvantage during HFA selection decisions as they do not meet HUD's allocation plan. Again we do not support this system, but it is a fact of the program and is indicative of control over HFA participation.

FY F9 HUD ALLOCATION LETTER TO NEW JERSEY HOUSING FINANCE AGENCY

We are pleased to advise you that a set-aside of Section 8 contract authority in the amount of $14,213,000 has been established pursuant to 24 CFR, Part 883 for use by your agency during Fiscal Year 1979. Of this amount, $8,924,000 may be utilized only in connection with projects involving Section 8 contract terms which do not exceed thirty (30) years. The balance of the set-aside may be applied to projects with contract terms of up to forty (40) years.

All set-aside funds will remain available for your use within the geographic jurisdiction of this office, subject to the restrictions of 24 CFR, 883.104(f) and 883.104(g). You may allocate portions of the set-aside to new construction and substantial rehabilitation projects according to the program requirements of your agency, provided that your allocation of funds reflects the following housing type and household type proportions derived from the FY 1979 Newark Area Office "fair share" allocation plan:

ALLOCATION AREA (% of total set-aside)	HOUSING TYPE		HOUSEHOLD TYPE		
	New	Rehab	Elderly	Family	Lr. Family
1. Bergen & Hudson (23%)	56%	44%	25%	48%	27%
2. Essex, Morris, Passaic, & Warren (27%)	52%	48%	14%	69%	17%
3. Middlesex, Monmouth, Union & Somerset (23%)	56%	44%	14%	68%	18%
4. Atlantic, Burlington, Camden & Mercer (18%)	56%	44%	0%	72%	28%
5. Cumberland, Gloucester & Salem (4%)	27%	73%	26%	43%	30%
6. Cape May, Hunterdon, Ocean & Sussex (5%)	56%	44%	64%	36%	0%

Within these basic parameters, the decision to select among competing projects for potential HFA set-aside funding is typically made by the agency's Board of Directors at a public meeting. Decisions are supported by investment analyses by agency staff establishing the design, location, marketing, management and cost merits of each proposal.

Exhibit II, for example, is the Table of Contents of the Michigan State Housing Development Authority's processing manual, Michigan Housing Process. The exhibit establishes the multitude of steps (meetings, analyses, documentation, etc.) that must occur throughout MSHDA's housing development process.

The MSHDA process is necessary to establish the overall feasibility or infeasibility of proposed Section 8 projects and is typical of the documentation required by the major Section 8 producing HFAs. For the sake of simplicity, MSHDA's procedures can be categorized according to the following steps:

(1) Intake - Basic project information, including site location and composition of the development team is required.

(2) Initial Selection - Site and neighborhood analysis, architectural feasibility study, land appraisal, and any necessary relocation provisions.

(3) Recommendation for Acceptance - Agreement on design, economic feasibility analysis, as well as a construction cost analysis.

(4) Mortgage Feasibility - Schematic designs are approved, preliminary costs are established.

(5) Mortgage Commitment - Construction documents are prepared and a final technical review of the project is completed.

MSHDA rules and regulations contained in the Michigan Housing Process are supplemented with other development process guides governing the production of specific housing types. For example, MSHDA development policy is also guided by separate manuals for elderly, townhouse, handicapped and rehabilitation projects, in addition to a project security manual.

Findings generated from these HFA processing procedures must ultimately be evaluated by the HFA prior to selection of proposals to be submitted to HUD. Accordingly, in order to assure the financial soundness of developments financed by their bonds and notes, data from stringent HFA underwriting processes are evaluated according to high real estate standards. These high real estate standards address:

(1) Proposal merits and development team capabilities.

(2) Economic feasibility demonstrating that anticipated project income exceeds anticipated project costs.

(3) Sites of high standards.

(4) Planning and engineering assurances of increased livability and appearance, decreased maintenance and enhanced security.

(5) Management selection of responsible tenants of all eligible income levels and provision of timely maintenance services.

The Board of the Pennsylvania Housing Finance Agency considers real estate principles discussed in Exhibit III during project selection.

While all HFA selection decisions are guided by sound real estate principles, many HFAs have adopted relatively more specific selection standards and criteria to assure the soundness of real estate investments they finance.

As an example, Exhibit IV is the site selection criteria of the Tennessee Housing Development Authority. The criteria is based upon generally accepted real estate principles, but provides specifics to determine that these real estate principle requirements are satisfied. As noted above, selection criteria vary from HFA to HFA.

Several state agencies (New Jersey, Michigan, Massachusetts) utilize numerical ranking systems to guide project selection in accordance with real estate investment principles. These numerical ranking systems first establish objective threshold criteria (yes or no responses regarding site control, development team approval, i.e.). After a project successfully satisfies the objective rating, numerical bonus points are assigned according to compliance with specific agency objectives (family housing, center city location, etc.). Exhibit V is the objective criteria and bonus point system utilized by the New Jersey Housing Finance Agency.

The housing development process and the evaluation of proposals generally culminates in a decision by the agency's board of directors. The board of directors is the governing body of the HFA. Although size of the board may vary from agency to agency, a portion of the board is appointed by the governor with legislative approval, with the remaining members serving ex-officio.

In Colorado, for example, seven members of the state agency are appointed by the governor with the consent of the Senate. The two ex-officio members are the State Auditor and a member of the Colorado General Assembly. Both appointed and ex-officio members have voting rights. The private citizens appointed to the Colorado Housing Finance Authority Board bring valuable skills and insights to the HFA's decision-making as present members include a president of a large savings and loan association and a mortgage banker. Representatives on other HFA boards include public advocates, lawyers, and union officials.

Project selection decisions are based upon the recommendations and support materials presented by the HFA executive director to the Board at a public meeting. Public notes are common practice prior to convening the meetings.

During discussion of HFA project selection practices, the Report states that the board of the Missouri Housing Development Commission consists of three HDC officials and that project selections are made internally. This statement is inaccurate as the Commission's project selections are made at public meetings by a nine member Board of Commissioners. These decisions have from time to time been hotly contested and have been made with major media coverage. The three ex-officio members of the Board include the Governor, State Treasurer, and Attorney General.

The Report actually describes the initial staff review which filters out bad proposals from the development process. As discussed earlier, these reviews are based upon sound real estate principles concerning topography, access to shopping and transportation, zoning, unusual development costs, etc.

For all HFAs, the executive director's recommendation is based upon the underwriting practices and selection guidelines discussed above. An executive director's recommendation is typically preceeded by an initial recommendation by a housing development officer assigned to a particular project and additional technical support staff (market analyst, i.e.). This initial recommendation is eventually followed by a senior staff recommendation by an underwriting committee (planning, finance, management, and other HFA division directors).

In conclusion, the developer selection section of the Report concludes that the Committee consider requesting the HUD Secretary to establish minimum criteria to be used by state agencies in selecting Section 8 developers. This recommendation is based upon the finding that HFA developer selection criteria vary from state to state and may differ in how particular factors are weighed.

While the state agencies support the recommendation that selection criteria be publicized, we oppose the establishment of a HUD mandated competitive ranking system.

Presently, the Section 8 program operates under a system of balance between HUD, state agencies, and other participants in the financing of Section 8 projects. Within this system of balance, HFAs are required by statute to perform and certify to the accuracy of many of the tasks that otherwise would be carried out by HUD area offices when using set-aside funds for an uninsured HFA financed project.

HUD follows-up HFA certifications by an independent review of development teams, management plans, equal opportunity protections, rent reasonableness relative to comparable housing in the marketplace and site suitability. In short, HUD has established standards governing these important aspects of the selection process.

In particular, HUD's site and neighborhood standards require that adequate utilities and streets serve the site, that the site promotes greater housing opportunities and avoids undue concentrations of assisted persons, the site be free of adverse environmental conditions and that the housing be accessible to social, recreational, educational, commerical, and health facilities along with other municipal services. HUD staff are required to conduct a personal on-site review for each project to evaluate the HFA's compliance.

Further, HFAs must be able to process projects in a way that enables the agencies to meet their unique housing needs. It is unlikely that federally imposed criteria will adequately control for the diversity of needs of rural, urban or other areas with special housing needs. For example, a requirement for shopping facilities within 1 mile of a site may be sensible in Massachusetts, but unnecessary and infeasible in Wyoming.

Also, the Committee must not overlook the fact that the HFAs are unique in the assisted housing development process. Unlike other lenders under HUD programs, the HFAs do not sell their mortgages on the secondary market and hold onto their mortgages for the life of the assisted project. The HFA project is their investment; a situation much different than HUD's role as an insurer of other institution's funds.

In order to assure that HFA-financed projects represent sound investment vehicles that will generate anticipated long-run revenue to repay the borrowing costs on securities issued by HFAs to create pools of mortgage financing, HFAs perform rigorous underwriting analysis to determine that the project selection processes are properly conceived to avoid poor design, management, or location factors.

While HFAs do produce great quantities of supporting documentation for their selection decisions, the Subcommittee must keep in mind that a competitive ranking system is complicated when developers constantly submit "unique" projects. What makes one project unique from another is the basic fact that only one developer can have specific site control, thereby precluding the submission of truly comparable developments. How does a numerical formula in reality compare on a numerical basis an 85 unit elderly project in one end of a city to a 125 unit family project in another? It cannot. The assignment of numbers on a formula basis can just as easily protect decisions as determine them. Numbers do not make the decision as the actual assignment of numerical values is inherently subjective.

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We agree that public selection systems should be publicized and that all developer selections be available to the public, if not made in public. We believe, however, that gains would not result from a standardized specific selection criteria. Indeed a process which has proven itself by the quality of developments financed would be compromised without sufficient reason.

C. Financial Arrangements

1. Loan Financing

The Report expresses concern that developers and HFAs may use HUD's Fair Market Rent structure as a basis for cost allocation. The Report suggests a tendency in state agency projects to assume the maximum rent level and work backwards to see how much apartment can be constructed at a given revenue stream. This practice would result in other than "modest" housing.

It is not uncommon for HFA, FHA or other projects to exceed 110% of Fair Market Rents. The Committee should consider other variables, however, before evaluating this fact. For example, on pages 28-29 the Report states that FMRs are often out of date or not realistically determined due to the lack of comparable housing. Situations in which project contract rents exceed FMRs may simply reflect the basic inappropriateness of FMRs to produce "modest" housing with required investment securities.

FMR adjustments are also indicative of a very plain fact in current subsidized housing programs; when costs are high, housing cannot be built cheaply. High costs are unfortunately a national problem; exacerbated by community resistance to assisted housing and unreasonable zoning and building requirements. Past experience shows that short-sighted artificial attempts to control costs have resulted in project defaults and higher long-term costs.

Projects at 110% of FMRs may be a function of sound real estate standards as there are cost implications attributable to design, longevity, marketability and social value standards in the HFA underwriting processes. Consequently, long-term costs and assurances for successful development must be weighed against short-run cost savings. As an example, the use of brick exteriors may result in higher up-front construction costs, but resulting energy and maintenance savings over the years will more than pay for the improvement.

Additionally, while the overall Section 236 foreclosure rate was greater than initially projected, in general the state agencies have a very successful record in program operations. The basis of the unique state agency experience was HFA underwriting that tempered the need to minimize construction costs with the foresight of producing rental properties based upon sound financial projections of anticipated future performance.

Relatedly, the examination of contract rents as a percentage of FMRs is solely an analysis of initial rent levels. The contract rents may, as the Report contends, be intentionally kept low so as to enhance the probability of HUD acceptance. Such projects then require contract rent increases shortly after rent-up to accomodate the real costs of operation. HUD studies show a lower amendement for HFAs than for other projects. Frankly, HFAs originally reserve high to insure against later shortages as HFAs must depend on HUD allocation to make changes, and HUD allocations are often uncertain.

FHA processing will generally preclude "squeezing" initial contract rents as state agencies must be certain that projects are financially sound over the

mortgage term. On the other hand, HUD acceptance of HFA projects is contingent upon compliance with the Department's cost containment regulations. As you know, revised regulations were issued this year applying to all projects.

2. Insurance Requirement

The Report accurately states that uninsured proposals are processed more rapidly than insured proposals due to the HFA assumption of processing responsibilities subject to certification requirements.

Yet, the Report overlooks the cost containment implications of rapid processing. As construction costs escalate on a monthly basis, to the extent that processing time is greater, resulting construction costs increase. When we testified before this Committee last year, we documented that HFA processing was 9 months shorter than FHA processing.

Further, the HFAs feel responsible for some of the effective changes in the FHA processing system. For example, as the Report notes, HFAs used pipeline processing to assure a continuous flow of quality projects and to maintain a constant workload for several years prior to adoption of this system by FHA.

3. Limitation on Distribution of Operating Income

State housing finance agencies have generally limited annual cash distributions since the inception of their participation in the Section 8 program. Here, too, HUD has learned from the HFAs and only recently has revised the Section 8 regulations for insured and uninsured projects to limit the rate of return to 6% for elderly projects and 10% for family projects.

The Report accurately depicts that annual distributions in excess of the allowable return are typically deposited in a reserve account to fund potential operating deficits. In addition, HFAs will restrict rates of return to minimal levels where necessary to bring contract rents in compliance with HUD's cost containment and Fair Market Rent restrictions.

Distributions of profits must be approved by the HFA. Distributions will be made at the end of a development's fiscal year, provided that all reserves are adequately funded.

4. Other Requirements

The Report describes the HFA practice of requiring cash escrow accounts, letters of credit, or performance bonds to guarantee competition and guard against possible operating deficits. Perhaps, the Report could have highlighted their use as these practices are essential components in the HFA development process. These operational assurance devices are indicative of the HFA awareness of requirements to construct and operate quality housing.

As an example, the Oregon Housing Division requires each sponsor to fund three reserve accounts. The Contingency Escrow Account is equal to 3% of the mortgage loan and must be maintained for 3 years. The amount is reduced each year by one-third of the original amount in the event that funds are not needed for the proper maintenance and operation of the development. An Escrow Account for the payment of taxes and insurance is maintained and is funded from the monthly project revenues. The mortgagor is also required to maintain a Reserve Fund for replacements in a depository approved by the Division and is funded from monthly revenues of a development

The Housing Division also requires the general contractor of each project to provide the owner assurance of completion and corrections of any defect. The latent defect guarantee and performance bond are in place throughout the year following the date of final completion.

In addition, HFAs will utilize other policies and practices to assure the successful operation of a development. To continue with the policies of the Oregon Housing Division, the Division holds conferences with the sponsor and management agent prior to initial occupancy to provide that the parties are aware of all Division and HUD management requirements. Prior to rent-up, the Division reviews the applications of approved tenants and reviews the records of the management agent to assure compliance with Division and HUD standards.

The Division conducts annual site reviews of each development to monitor management and maintenance practices. The Division receives and reviews monthly cash flow reports of each development and requires reports of all vacancies or changes in occupancy. Audited financial statements are to be furnished annually.

D. Less Than Full Subsidy

The Report recommends that the Committee suggest that the HUD Secretary encourage HFAs not currently pursuing projects with 20% subsidized, 80% market rate units to do so and that priority be given developers willing to assume the risks involved in submitting partially subsidized projects.

CSHA supports 20% assisted projects as a means of economic integration and spatial deconcentration. Several HFAs (Illinois, Michigan, i.e.) have produced mixed income Section 8 projects. During the Section 236 program, HFAs financed successful mixed-income projects at a time when financial advisors, other mortgagees, and even HUD cautioned against their development.

Consequently, the HFAs feel qualified to comment on the practicalities of partially assisted projects. Therefore, we must emphasize that the feasibility of partially assisted projects is a matter of marketing. As the Report suggests, poor site location, high rents or local markets may increase the risk of not achieving 80% market rate rent-up. In some market areas, a 7 1/2% permanent below market interest rate will attract market rate tenants; in other areas resulting rents may still be excessive. These major marketing constraints could realistically deter developer interest.

Accordingly, while we believe that 20% Section 8 projects represent sound social and housing economics policy, the priority given 20% Section 8 projects should not compromise standard HFA underwriting guidelines, policies and practices based upon sound real estate principles. Further, the requirement could prejudice some market areas with unusually low construction and operating costs, as opposed to those in higher cost areas within a state. This would affect the HFA's ability to meet housing needs on a statewide basis.

HFAs could be "encouraged" to pursue 20% Section 8 proposals, but should not be required to give a priority for those projects, however defined.

E. HUD Monitoring of State Housing Finance Agencies

The Report recommends that the Committee consider directing the HUD Secretary to establish the scope of required monitoring activities. The Report does not suggest that HFAs are unmonitored, but that HUD has neither clarified its monitoring

responsibilities, nor routinized their implementation. A framework does exist for the monitoring of HFA projects. Its major shortcoming is that it has been so undefined that HFAs and HUD are often unsure of monitoring requirements. Assistant Secretary Lawrence Simons, recognizing this problem, has been systematically developing a unified and comprehensive monitoring program.

The existence of a general monitoring framework has not precluded a variety of sources for monitoring HFA administration of Section 8 funds. As discussed earlier, HUD must approve each development seeking HFA set-aside funds. This oversight extends to review and approval of the development team, site, rent reasonableness, equal opportunity program and management plans. Failure to satisfy any of these tests can result in HUD's refusal to provide rental assistance payments.

HFA projects are also reviewed at the local level pursuant to Section 213 of the Housing and Community Development Act of 1974. Under Section 213, localities must be notified of the submission of a feasible application for Section 8 funds in their municipality. The municipality is given a 30-day comment period in which they can approve or disapprove a project.

The Report also discusses area office annual reviews of the operation of HFA developments to assure sound operations. This system also guards against unwarranted or excessive rent increases and keeps projects within initial cost containment controls.

In addition to auditing specific projects, HUD has begun a series of major HFA program audits in three states. These audits not only review for conformance with regulations, but may also look for incidences of fraud, waste and mismanagement. It is our understanding that a purpose of these recent audits is to develop a standard procedure to guide the monitoring of all state agencies.

In addition to HUD audits, HFAs are routinely audited by qualified government auditors pursuant to the instruction of their state legislature. These reviews play an important role as legislatures review new program and/or bond limit increase authorization measures and compliance with objectives and restrictions established by state law.

Relatedly, HFAs are monitored by Wall Street bond counsel and investment firms pursuant to securities law prior to marketing any bond issue. Official statements for bond issues must make explicit disclosures on the financial, administrative and program accomplishments or shortcomings of the HFA. Certified public statements by independent auditing firms are instrumental in the bond marketing process as well.

HUD has in place a framework for monitoring HFAs. Clarification of audit items and the development of procedures to determine compliance will give definition and direction to the existing framework. This improvement will benfit the HFAs as current HUD audit practices are frequently untimely, costly, and uncoordinated.

THE FUNDING NEED AND THE ADMINISTRATION'S FY 81 PROPOSAL

As illustrated in Table I of this statement, the Section 8 program has been established as a major inducement to the production of rental housing for low and moderate income people. From the beginning of the Section 8 program through FY 79, subsidies for 728,784 new or substantially rehabilitated units had been reserved.

The President's budget request would increase Section 8 and public housing expenditures from $27.2 billion in last year's budget to $33.4 billion. In terms of housing units, this would be an increase from 240,000 units in FY 80 to 280,000 - 300,000 units in the President's budget.

This "increase" in Section 8 and public housing units is best viewed in relationship to housing expenditures over the last half decade. The following table shows the number of housing units reserved since the Section 8 program's inception and illustrates the attrition of publicly assisted housing units over the past 5 years.

Year	Units Reserved
1975	131,444
1976	516,721
1977	388,413
1978	326,026
1979	325,075
1980	240,392 (estimate)

Even though the President's budget request is still far below the 400,000 unit figure we have supported in past years, we urge the Subcommittee to adopt, as a minimum, the President's current proposal. Our preference is that the Subcommittee increase the budget authority sufficient to fund a "real" 300,000 unit program. The Section 8 program has leveraged the private dollar to great advantage, but to continue to do this developers and the financial community must be able to expect a reasonable level of funding from which to draw.

We understand the Administration's and Congress' concern about the impact of increased federal expenditures upon inflation. HFAs are directly impacted by inflation as our bond financing programs have come to a near halt due to virtually unworkable interest rates in the long-term bond market. We do believe, however, that reasonably sized assisted rental and homeownership programs should continue. We emphasize that the $33.4 billion requested by the President would cover budget outlays over the next 15-40 years; only a small share of this amount would be spent next year with little impact upon outlays and the federal deficit.

Additionally, deferring housing production to a later date will result in the funding of comparable housing at tomorrow's higher cost levels.

The FY 81 housing budget must also be assessed in relation to the housing crisis currently confronting the nation's low and moderate income households. As the production of market rate rental housing has come to a virtual standstill, low vacancy rates have slowed the filtration of older rental units down through the housing market. Inflation has affected supply by exerting pressures on some landlords to convert rental units to condominiums in response to escalating operating costs. Because tenant incomes have not kept pace with escalating construction costs and operating costs, more tenants are paying a higher percentage of their income for rent. Many are simply unable to contract for safe and sanitary housing.

A CONTINUED SHARE OF SECTION 8 HOUSING FOR SENATE AGENCIES

In past years, HUD has strongly encouraged the development and growth of state housing finance agencies. State housing finance agencies have provided one of the major delivery systems for Section 8 housing. In fact, the agencies

were the major factor in getting the Section 8 program off the ground (responsible for 96% of all starts in FY 75) and have demonstrated continued program success. As illustrated in Table I, as of the conclusion of FY 79, state housing finance agencies were responsible for 31% of all Section 8 new construction/substantial rehabilitation reservations and 34% of all starts. Table II illustrates that HFAs have produced the highest share of Section 8 family reservations and starts as a percentage of their activity when compared to HUD and the overall performance of the Section 8 program.

In spite of the state agencies' demonstrated ability to deliver housing units, the following table illustrates that the number of HFA new construction/substantial rehabilitation Section 8 units allocated by HUD has been reduced considerably over the last three years.

FY	HFA SECTION 8 NEW CONSTRUCTION/ SUBSTANTIAL REHAB UNITS
1978	49,000
1979	43,000
1980	30,000

Although we are not requesting a statutory set-aside of Section 8 funds as we did several years ago, we urge the Subcommittee to reinclude comparable directions to those in last year's Authorization Committee Report which continued the past practice of instructing HUD to make a share of Section 8 funds available for utilization by state agencies.

> ...(T)he Committee recognize(s) the significant role played by state housing finance agencies in providing construction and permanent financing for Section 8 projects since the program's inception ... the Committtee instructs HUD, to the extent feasible in light of the Fiscal Year 1980 allocation, to continue its past practice of setting aside Section 8 funds for utilization by state housing finance agencies ... (Housing and Community Development Amendments of 1979, Report No. 96-154, p.10).

This assurance is necessary as our staffing, overhead and production planning are predicated on a given activity and consistent funding level. The state agencies are financial institutions which must know their allocations in advance in order to plan effectively and efficiently.

CONCLUSION

State housing finance agencies have made a great contribution to the financing of low and moderate income rental housing stock of this country while maintaining an independent and effective housing delivery system.

We believe that several constructive changes may be necessary in the Section 8 program to preserve what has proven to be an effective housing program and an effective relationship between state and federal government.

We urge that you recognize the good parts of the program during your FY 81 budget deliberations and we will support your efforts to improve the overall assisted housing delivery system.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESS

CHARLES L. EDSON, COUNSEL, NATIONAL LEASED HOUSING ASSOCIATION

Mr. BOLAND. We welcome Mr. Charles L. Edson, Counsel, National Leased Housing Association.

Mr. EDSON. Before the Chairman leaves, let me compliment the report by your audit staff. You wanted a comment on it: Our tesitmony goes to it. I thought it was a very good, thorough, fair job, and we were very, very pleased by it, as my testimony will indicate.

Mr. TRAXLER. You may proceed as you wish.

Mr. EDSON. Mr. Philip Kieffer, President of our Association, could not be here today due to the rescheduling of this hearing and asked me to give the testimony. This is a unique group in that it represents all sorts of disciplines: developers, housing authorities, state housing finance agencies, Wall Street financiers, nonprofits, et cetera. But our focus is a very narrow one on the Section 8 program, just on one housing program alone.

As the gentlelady from Louisiana might recall, during the lobbying on the 1974 bill we were extremely active on it. Mrs. Boggs and myself were the only people who came to the markup on time, so we had ample opportunity to visit before a quorum was called. We are very, very much devoted to the Section 8 program, although we are broadening our interest, as our testimony will show.

We do support the Administration's budget request of $1.55 billion in contract authority and $33.2 billion in budget authority. We think it is significant that the Administration in submitting a balanced budget still came up with these figures. They are not budget-busting figures.

If Congress were not considering a new multifamily housing program, we would also support the mix that the Administration has between Section 8 and public housing. We are devoted to the Section 8 program, but we have always felt there is a role for a good public housing program. We think the Administration has the right balance.

We think the Section 8 record is a good one. It will house 1.1 million of the units by the end of this Fiscal Year. Every year I come before this subcommittee and I am asked: Well, how about family housing?

I am pleased to report that last year the reservations for family housing were over 50 percent.

Section 8 has been more than just producing numbers. We think there is quality housing as well. You no longer can distinguish an assisted housing project from an unassisted housing project. That, indeed, was one of the goals of the program, as Mrs. Boggs will recall from the discussions in 1974.

Of equal import, we think that the program has really withstood about every study and investigation going, whether it be GAO, CBO, or the HUD Inspector General. They have found the program to be expensive and it is going to be expensive when you house the lowest-income people in the highest priced housing, but they have

not found wholesale corruption or a badly structured program. These reports have gone to the administration of the program.

Let me say that the best study, as I indicated to the Chairman, that I have seen so far, was done by your investigative staff. Frankly, we did not know how it would go at the start. We frankly had some trepidations at yet another study. But we found that your staff went out to the field, they talked to the developers, they talked to the people administering the program, and came up with certainly not an uncritical job—but a very fair one.

Its findings have already been instrumental in refuting a charge coming from another source in Congress that somehow HUD has a slush fund. I think that the Chairman was very helpful in refuting that at the hearing last week before the other committee, and I agree with Mr. White's testimony that there are so many perils in multifamily development that you are naturally going to have some dropout and delay. I think that your findings are very well corroborated by what has happened in the field.

Because we do have a lot of developer members, we were really intrigued by the findings in the Chapter 4 on developers. They found that there is no evidence that the developers are not providing their services at a reasonable cost.

The report refers to the established competence and professionalism of the developers, and I think that is true, working with them. Frankly, I think being a developer is one of the most nerve-wracking professions going. I would be neurotic if I had to do it; I would never sleep at nights if I had to be a Section 8 developer nowadays. I don't care what they get; they earn it, I can assure you.

Also some good words were said about equity syndication. It was pointed out without syndication these projects would not be built because there is just not enough cash flow in it. It is a very realistic report and I think it points out the proud, scandal-free record Section 8 has had.

However, we realize Section 8 is an expensive program. It combines both the production elements of a housing program with what I call the welfare or income transfer elements. In other words, it subsidizes low-income people in the highest priced housing.

Within the last 45 minutes, the Committee on Banking, Housing and Urban Affairs has reported out the Housing and Community Development Act of 1980 by a 32-to-6 vote the usual overwhelming vote. Included is a new housing program, a multifamily initiative that was first surfaced by HUD but then not introduced by the Department it was then resurfaced by Senator Proxmire a couple of months ago in the Senate hearings, and then the real champion became Congressman Ashley in the Housing Subcommittee, which adopted a new multifamily middle-income program with an average subsidy down to 7½ percent, and an average income limit of 150 percent of median.

After much anguish, the National Leased Housing Association, which has been the trade group for the Section 8 program alone and its chief spokesman, decided to wholeheartedly support the program, even at the expense of Section 8 funding. We are telling you that we know you are going to have to take Section 8 funds.

You are not going to increase the President's budget for this program. There is no use kidding ourselves on that.

The substantive concerns we have with the program we have tried to impress on the authorizing committee. We have had our usual half success, half failures, and hopefully by the end of the conference we can work out the substantive details. We do have a concern on the authorization level, and since I prepared my testimony there has been a change. The subcommittee in the House recommended 150,000 units for the program. We had qualms about it, but we would support that level if there was a free ability of HUD to transfer funds from the new program back to Section 8 when it appeared that they could not get the new program working next year.

The new program is really a moderate-income initiative, where they subsidize interest down to 7½ percent.

Mr. TRAXLER. Single-family residence?

Mr. EDSON. No, multifamily.

Mr. TRAXLER. Multi-family?

Mr. EDSON. The genesis of the new program is that both the Senate and House committees did studies in the field and determined that no one is building multifamily housing—not just for low-income people, but for anyone. The private sector will not go into multifamily housing because of conventional mortgages. Interest rates are too high because of local rent controls. All impinge on the developer, and the owners just can't make out.

Yet, there is still a need for rental housing from the very young, the very old, transients, just some people who don't want to be bothered owning, and that is why they have come up with a program directed to moderate-income families, or really above moderate income, 150 percent of median it is a shallow subsidy just down to 7½ percent interest. Rents will have to be at that, four to five hundred dollars per month. It is for people in the twenty to thirty-five thousand dollar bracket.

Originally they had planned 150,000 units with the program, but the full committee adopted an amendment by Representative AuCoin, which cut down the units to 40,000 for next year. I think very realistically they are not going to get 40,000 built, because as I point out, in my prepared testimony if this were a marathon HUD is no Bill Rodgers in getting out regulations. The governmental process is extremely slow, so we think that substantively there is really no harm in cutting it to 40,000 units. The 150,000 would be an acceptable figure for next year, assuming HUD could get it off the ground, and assuming there was the right transfer funds back to the Section 8 program.

What we would suggest to this committee, and I don't really know how you do this technically, is to grant HUD the flexibility to use these funds for Section 8 if it appears that the new program is not getting off the ground. We would wish that the committee did not have to consider this new program, and that you could stay with Section 8 forever, but we are realists. We realize the concern with costs, and that something has to be done both to produce housing and to house low-income people without exorbitant costs.

Another component of the authorizing committee's suggestion is that you increase Section 8 existing, and you will be housing more

lower-income people than you could even under the President's budget.

We think it is a thoughtful and a good combination, and certainly recommend it to you for your consideration. As I say, I die very hard, because I was probably more involved with Section 8 than anyone going.

Thank you very much. It is always a pleasure to appear every year before this group.

Mr. TRAXLER. We are always pleased to see you every year.

Mr. EDSON. Every spring.

Mr. TRAXLER. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Chairman.

I just want to say that I share your enthusiasm for the Section 8 program. This has a potential of being a fine program. There have been some concerns on the site selection criteria that I have expressed from time to time during the course of these hearings. I wondered if you had any comment on that, the tendency to try and force the location of assisted housing in areas it is neither needed nor wanted at the expense of areas it is both needed and wanted.

Mr. EDSON. That is a tough situation that Section 8 groups are facing in many states both in my Montgomery County, (Maryland) and perhaps in your Montgomery County, (Pennsylvania) it is a similar problem. It is really rough. You don't want to impact all assisted housing in one part of town. On the other hand, sometimes the people who you want to benefit don't really want to move out where some of it is being placed. It is a very, very hard thing on balance, although I would have to say that I think one advantage of Section 8 as compared to public housing is that it has been far more acceptable in suburban and other locations than has public housing, and with more understanding, and when it is known that people in $18,000 to $20,000 income brackets that are housed under Section 8, somehow you are getting more acceptance.

You put your finger on one of the roughest problems to be resolved.

Mr. COUGHLIN. And your statement, then, is if the purpose of our housing program is to at least provide housing for the poorest of the poor, and we are having people in the $18,000 to $20,000 a year income brackets that are eligible for Section 8, that doesn't seem to be going towards that direction. Would you favor reducing the eligibility criteria for Section 8?

Mr. EDSON. Not really, for a number of reasons. Although the income limit is as high as $16,000 or $18,000, the average income is around 29 percent of median, and HUD is trying to get it up to 40 percent of median. In other words, in fact, it has been a low-income occupancy, that the lower the income—and this is your paradox—the higher the cost of the program really is because the greater the subsidy has to be. I think we should probably use more Section 8 existing for lower-income people, because the amount of subsidy needs to be less, and I am advocating this middle-income program, the new construction program for the most moderate-income people, again, because the subsidy gap is less.

What you can't have is a new construction program to house the lowest of the low-income people and still have it be a reasonable cost program. You can either have one objective or the other. You

cannot have both, and it is your job to balance what is more important, and I think that this new program offers the opportunity to serve both ends.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman. It is good to see you again. I was pleased to hear you say that perhaps some existing units should be used for the lower-income brackets. I remember in 1974 you were able to help us put forward assistance for substantially rehabilitated units. I am happy to know you haven't changed your minds.

Mr. EDSON. No, we have stuck with it and it is not any elitist philosophy. Why should low-income people be denied new housing? It is just a matter of cost for new housing. Everyone should have decent housing at the lowest possible cost.

Mrs. BOGGS. And oftentimes those people wish to be in the existing housing because it is more compatible to their way of living and their needs.

Mr. EDSON. They don't have to move.

Mrs. BOGGS. And it is good housing.

Mr. EDSON. They don't have to move from their neighborhoods.

Mrs. BOGGS. Thank you.

Mr. EDSON. It is good to see you again.

Mr. TRAXLER. Mr. Sabo?

Mr. SABO. Do you think existing units will be available to accommodate the increased assisted units being allocated?

Mr. EDSON. That is a very fair question. I think that if I have any criticism directed to what the Senate has done, and perhaps what the authorization committees have done, it is too much too soon. You have to get this new program going, the moderate-income program, to increase the stock before you can really start relying on existing units.

The Senate staff argues that there are 26 million rental units, so there must be enough existing units. But I think that most of them are very well occupied, and what you would be doing by dramatically increasing existing is just housing tenants in place and they don't really get better housing. Your criticism is a fair one and that is why I think we have to build up our multifamily stock, our rental stock, before we do a wholesale reliance on existing.

Mr. SABO. Thank you.

Mr. EDSON. Thank you, sir.

Mr. TRAXLER. Thank you. It is good seeing you again.

Mr. EDSON. Thank you.

[The statement follows:]

TESTIMONY OF PHILIP J. KIEFFER,
PRESIDENT, NATIONAL LEASED HOUSING ASSOCIATION
BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT
AGENCIES, HOUSE COMMITTEE ON APPROPRIATIONS

May 8, 1980

My name is Philip J. Kieffer, President of the National Leased Housing Association on whose behalf I am testifying today, and Executive Director of the Secaucus, New Jersey Housing Authority. I am accompanied by Mr. Charles L. Edson, Lane and Edson, P.C., Counsel for the Association.

NLHA's 700 member organizations represent all the principle actors in the Section 8 program--public housing authorities, state housing finance agencies, private developers, non-profits, investment bankers and concerned professionals. As broad as our organization is in membership, it has been, up to this point, as narrow in focus--achieving a viable and meaningful Section 8 program. However, as will be developed in our testimony, by necessity our focus has begun to broaden beyond Section 8.

We are here today to strongly support the administration's request for $1.55 billion in contract authority and $33.2 billion in budget authority for the subsidized housing program. Significantly, the administration recommended these figures in presenting to Congress a balanced budget. Further, as the country is now in a deep recession in the housing and construction industry, it seems self-defeating to make less funds available for programs in which this industry is very much involved.

How Funds Are To Be Utilized

The amount of housing funding is only the first question that this committee in particular and Congress in general must answer. The next issue is for what program the funds are to be expended. If Congress were not considering a new multifamily housing program, we would favor the mix suggested by the administration between the public housing and Section 8 programs. In this regard, let us stress again that we believe that Section 8 has been an extremely successful program in meeting the housing needs of lower income families. By September 30 of this fiscal year 1.63 million Section 8 new, rehabilitated and existing units will be under reservation of which over 1.1 million will be occupied. In regard to a proper concern of this Committee, the percentage of family units reserved is steadily increasing to well over 50%, even for new and rehabilitated units.

Section 8 has been more than an quantity program; it has provided quality housing as well. As a result, government assisted housing is no longer stigmatized as being different and inferior to non-subsidized projects, leading to far greater acceptance of Section 8 in many communities than public housing. Of equal import, we believe that the program can--and indeed has--withstood the most thorough scrutiny to which any housing program has been subjected. The GAO, CBO, and HUD Inspector General studies of Section 8 are too numerous to mention. While these studies indicate that because Section 8 provides the lowest income group with new housing it is

inherently a costly program, no study of which we are aware has ever indicated that the program is structurally unsound or has even suggested that significant abuses or corruption exist in the way the program is run.

Indeed, your subcommittee is responsible for one of the most thorough and comprehensive examinations of the program that we have seen to date. You performed a real public service by directing your Surveys and Investigations Staff to examine certain aspects of the Section 8 program, such as how HUD makes reservations, practices of state housing finance agencies, developers' profits, etc. We find it significant that the Staff directs its criticisms not to the program structure but how it is being administered by the Department of Housing and Urban Development. We share many of these criticisms regarding processing, fund allocation and the like and have been presenting them to the Department throughout the years. However, in perspective, we feel that the report indicates no serious flaws in the program's administration, especially considering the program's complexity and the direct Federal government--private section interplay virtually unique among government social programs.

We read with special interest Chapter IV on "Developers' Profits". The chapter presents a fair picture of the financial pluses and minuses of the program to the private sector. We especially concur in the conclusion that:

> "The fact that project costs are high with large amounts of private investment capital and tax shelter benefits derived does not necessarily mean that the services of developers are not being provided at a reasonable cost." at p.37

I am sure that our developer members appreciate this thought:

> The established competence and professionalism as shown by the developers undoubtedly has also made some contribution to a higher level of effectiveness with which HUD's function is being performed." at p.38.

Finally, the report shows a real understanding of equity syndication:

> "Without syndication there would be far fewer housing projects, since most developers are not financially able to provide the necessary capital it takes to build and maintain projects for a period of years.
>
> "Developers are able to syndicate their projects because there are certain tax benefits associated with Section 8 projects." at p.43

Hopefully, your report will end once and for all the unfounded accusations that somehow Section 8 is a developers' paradise; it rightly points out that for every project a developer gets, he expends great time and efforts on projects he doesn't. (See p. 24-25) That costs are too high or amenities too great in a given project is a mistake which can be cured by better HUD administration.

But overall, Section 8 has had a proud, scandel-free record over the past six years and we think this fact should become more widely recognized.

The New MultiFamily Alternative

However, we realize that Section 8 is an expensive program. This is true not because there is anything structurally deficient in Section 8, but because the program attempts to house the lowest income people in newly constructed and substantially rehabilitated housing that has to be expensive no matter how many administrative safeguards are involved. As its predecessors, Section 8 combines the twin goals of housing programs--to increase our housing stock and the housing of low-income people who could not otherwise afford decent shelter. On this very day, the Committee on Banking, Housing and Urban affairs is marking up this year's authorization bill to create a new multi-family housing program with a shallow subsidy with the purpose of increasing housing stock to meet the ever increasing needs of middle income families. To fulfill the other vital function, housing of low-income people, the existing housing program would be expanded. After much internal anguish, the National Leased Housing Association resolved to support the new program on a limited basis, even at the expense of some contract authority for the Section 8 program.

We do have several substantive concerns with the program which we are sharing with the authorizing committees. Conceptually we think the new program can work in meeting the needs of moderate income families who to this point have not been able to participate in the federal programs. Further, by increasing our housing stock,

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all families will be benefitted as rents are a function of supply and demand and the new program could prove a real stimulant on the supply side. Finally, the sponsors of the new program would significantly expand the Section 8 existing program to help more low-income families than contemplated in the President's budget. Accordingly, it cannot be said that the new program hurts the poor at the expense of the middle-class.

We do have a real concern about the new initiative which is of great relevance here--its funding level. We understand that the authorization bill would provide for 150,000 units under the new program, 30,000 of which are to be assisted under Section 8, for the fiscal year beginning October 1. We believe this level to be unrealistically high. Although HUD states that it can promulgate regulations for the new program expeditiously, there are so many items of Secretarial discretion requiring prolonged review that we believe it will take many months for HUD to get the regulations out. In any event, in the marathon of getting new programs started, HUD is no Bill Rodgers. Experience under both Section 236 and Section 8 indicate that it takes up to two years to get a new program on track. Accordingly 150,000 units next year is too ambitious; we believe that a 40,000 to 50,000 level would be far more realistic for the year ahead. But if the new program's level is reduced, the funds not utilized should be restored to Section 8.

In the authorization bill, the Department is given the discretion to allocate funds from the new program to Section 8 new construction or substantial rehabilitation if it appears that the new program will be slow in getting started. We respectfully request this committee include a similar authorization in its appropriations bill, allowing HUD to transfer contract authority from the new program to Section 8 if warranted during the fiscal year.

Thank you very much, Mr. Chairman, for allowing us to share our thoughts with you today.

VETERANS' ADMINISTRATION

WITNESSES

ROBERT E. LYNCH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION DIVISION, THE AMERICAN LEGION

PHIL RIGGIN, DIRECTOR, LEGISLATIVE DIVISION, THE AMERICAN LEGION

Mr. TRAXLER. We welcome Mr. Robert Lynch and Mr. Phil Riggin of The American Legion.

It is nice to have you before us this morning, as always. We will make your statement part of the record. You may proceed as you wish.

Mr. RIGGIN. I am Phil Riggen, Deputy Director of the Legislative Division, which is a change from the prepared statement. With me is Robert Lynch, Director of Veterans Affairs and Rehabilitation Division. He is prepared to present our statement, and we are both prepared to respond to any questions the Subcommittee may have.

Mr. LYNCH. May I say The American Legion is pleased and grateful for the opportunity to present its views to this subcommittee on the subject of funding for the programs administered by the Veterans Administration, for fiscal year 1981.

At time of preparation of this statement, the President has submitted to Congress a revised budget estimate calling for budget authority for the Veterans Administration of $22.1 billion and $21.3 billion in outlays. The report of the House Committee on the Budget calls for $21.7 billion in budget authority for VA, and $21.2 billion in outlays. Alternatively, the House Committee on Veterans Affairs has estimated the needs of VA at $23.4 billion in budget authority and $22.5 billion in outlays. These latter figures contemplate what is needed to assure full funding for veterans programs.

With reference to budget authority and outlays, whatever is ultimately agreed to by the House, it will fall to the Appropriations Committee, in the Appropriations Act, to provide the actual funds for veterans programs for fiscal year 1981. Our statement is intended to emphasize to the subcommittee those areas of the programs administered by VA that The American Legion believes deserve the special attention of the Congress.

May we say at the outset that The American Legion, the largest of all the veterans organizations, with a membership standing at 2,650,000, and with an Auxiliary membership of 1 million women, thus representing nearly 4 million veterans and their dependents, stands for full funding for veterans programs.

No organization is more sensitive than is the Legion, to the need for a government posture of fiscal responsibility, in these times of high inflation and of successive governmental fiscal deficits. Veterans are taxpayers, just as are all other citizens.

We are aware also, that the Congress is subject to the intercession of a myriad of special-interest groups, each pleading for funding for their special programs—most of which are no doubt worthy.

You will pardon us, however, if we insist that among all the special-interest groups, veterans programs are entitled to stand first in their claim on the attention of the Congress. Veterans are those men and women who have served the nation, in uniform, in

time of war and periods of active hostilities—in short, they have defended the nation against its enemies. The United States has no greater obligation than that to the men and women who have responded to the country's call. It is a postulate that the nation cannot and must not turn its back on those who have defended it—not if it expects an enthusiastic response to the next national emergency. And, it goes without saying that in the present state of international afairs, that emergency could well develop at any time.

The additional point should be made that in the event of a total mobilization, many of those who served in the most recent war, would be required to serve again—just as many World War II veterans were required to return to service in the Korean War.

If the government expects that kind of patriotism and dedication to the national interest from its citizens, then it had better not ignore them in peacetime.

All of the veterans programs that are now administered by the VA are viable programs. They were formulated with careful thought, to fulfill a specific purpose. None of them are excess or superfluous. Each of them functions within clearly defined cost parameters—and they are not excessively expensive to the nation. In 1976, the VA budget comprised some 5 percent of the federal budget in outlays.

By fiscal year 1980 that percentage had dropped to some 3.5 percent. If the cutbacks proposed by the Administration and the Committee on the Budget are allowed to stand, the percentage will drop below 3.5 percent. We would be pleased to have those identify themselves who will say that 3.5 percent of the total federal budget is too much for this nation to spend on its war veterans.

The effect of the cutbacks that are proposed will inevitably fall most heavily on those who are most deserving—the service disabled, the survivors of those who died in war, the aged and the ill. We must ask, Are these the proper targets of the advocates of fiscal restraint?

Let us now identify for the subcommittee some of the programs that are of the most intense concern to The American Legion, and respectfully urge them to the special attention of the subcommittee.

Increase in Compensation and Dependency and Indemnity Compensation.

The Administration has recommended, and the Committee on Veterans Affairs has concurred in a 13 percent increase in compensation for the service disabled and for the survivors of the service deceased. The Administration estimates the cost of this increase at $923.1 million, and the Congressional Budget Office estimates $91 million higher than that.

The proposed increase would approximate the rate of inflation for calendar year 1979. An increase for fiscal year 1981 would be consistent with similar legislative action during these recent years of perennial inflation. These beneficiaries are those with service-related disabilities, including all those who were wounded in combat; and the survivors of those who have died as a result of military service. Few will disagree that these have the highest

priority claim on the generosity of the Federal Government. The American Legion supports this Administration proposal.

Increase in Eduation and Training Allowances For Vocational Rehabilitation and Readjustment Programs.

The Administration has recommended a 10 percent increase in education and training allowances for veterans in training under what are known as the GI bill programs (Chapter 34 of title 38 USC). It estimates the cost of the increase at $180 million; CBO estimates the cost at $91 million more than that.

To this increase The American Legion believes should be added those who are in training in the Vocational Rehabilitation Program (Chapter 31, 38 USC), and those in the Survivors and Dependents Education Assistance Program (Chapter 35, 38 USC).

Third-Party Reimbursement.

The Administration will submit legislation to effect what has become known as third-party reimbursement—reimbursment from insurance carriers, employees, and other non-federal sources for the cost of medical care and treatment to veterans with nonservice-connnected disabilities, this change to be effective October 1, 1980. The Administration estimates cost savings of $321 million for fiscal year 1981 through this measure. CBO estimates savings of about $200 million. The American Legion estimates there will be no actual savings during fiscal year 1981 should the measure be enacted. The American Legion opposes the measure for the following reasons:

1. There is a question as to the constitutionality of such a measure as the Administration proposes. It involves the power of the government to mandate the conditions of contracts, entered into by private parties—in this case the insurer and the insured.

The Attorney General of the United States has issued an opinion that the measure is in fact constitutional. The health insurance industry disagrees, and has promised that as soon as such a measure becomes law it will be tested in the courts. Litigation will inevitably be prolonged, and assuming an injunction is issued, there can be no cost saving during fiscal year 1981.

2. There will be a serious problem involving the costing formula to be used for reimbursement to VA by the carriers. The present cost formulas used by VA will be challenged. The reason for this is that care provided by VA operates under different terms and conditions than those that apply in the private sector.

Unlike the private sector, VA is mandated to provide a continuum of care, both inpatient and outpatient. Before being discharged, the socio-economic status of the veteran must be stabilized, a factor that extends the period of care. It is a fact that the majority of the VA beneficiaries of medical care are advanced in years, and poor—which complicates VAs task in serving their needs.

Resolving the problem of costing formulas as between VA and the carriers, will involve a third party, such as, quite possibly, the Public Health Administration of the Department of Health and Human Services. It is the apprehension of The American Legion that such outsider involvement in costing formulas will lead to interference into matters other than cost, such as need for care,

eligibility and entitlement. The Legion is adamantly opposed to involvement in these factors by any agency other than VA.

3. Establishment of third-party reimbursement as law would change the nature of the present program of medical care for veterans.

Presently, medical care is a benefit provided by the government, as a direct responsibility to the service disabled, and as a gratuitous benefit to the nonservice-connected, under certain conditions—all of this in recognition of service to the nation. This benefit has had the approval of the American people, acting through Congress, since enactment of the World War Veterans Act of 1924. Through the years, the program has been expanded and fully funded to meet the needs of a veteran population expanded by the four American wars of the Twentieth Century. The American people have expressed no mandate to change or limit this benefit—nor have they objected to its funding.

But if third-party reimbursement becomes law, the nature of the benefit will be changed from a gratuitous one to a cost-sharing program—the cost being shared by the beneficiary through the premiums paid to the insurance carrier.

The people of this nation have not indicated a desire that the nature of the program be changed in this way. Veterans object to such a proposal, and The American Legion is opposed to it—categorically.

Further Reductions in the Medical Care Program.

The cutbacks that are now proposed by the Administration and by the Committee on the Budget will fall most heavily on the VA medical care program. That program has been grieviously damaged by earlier actions of the Administration, and The American Legion submits that the program is not in condition to sustain any further funding shortfalls. The most visible damage has occurred in the following areas of the medical care program: Staffing, operating beds, outpatient treatment capability, beneficiary travel, medical and prosthetic research, pay and allowances for health care professionals and capability as a national security resource.

In fiscal year 1979, the Administration reduced staffing levels in the VA health care program in excess of 7,000 FTEEs. 3800 of those were restored in the Appropriations Act for fiscal year 1980, not by recommendation of the Administration, but by action of the Congress. Funding cutbacks currently proposed will result in personnel losses of approximately 1.597 personnel; in addition to which there is a hiring freeze presently in effect by executive order.

It is a posited fact that medical care is labor intensive. Insufficient numbers of staff personnel make it imposible to avoid reducing the number of operating beds and cause reductions in numbers of outpatient visits. With an aging veteran population, demand for services can only be expected to increase. The proposed reductions will make it impossible for VA to meet the demand. The Legion has information from its service offices throughout the nation that even now, sick and disabled veterans are being refused admittance to hospitals and being turned away from clinics.

A decade ago, VA operated 107,633 beds. Today it operates about 84,351 beds—a loss of 23,282 beds in 10 years. The Administration,

in its original Budget Message in January 1980, projected closing an additional 1600 beds during fiscal year 1981. VAS officers have publicly stated VA policy to effect an additional 13,000 bed closings during the next seven fiscal years. This will bring operating beds to near 70,000—at which time the average age of 12 million surviving veterans of World War II will be 65 years.

These bed reductions are so massive as to give rise to fears of an Administration intention to close out the system—or to merge it with a national health insurance program.

The American Legion objects bitterly to further bed closings. What is happening now is that VA is closing beds—turning away sick veterans, leaving additional empty beds, which are then closed on grounds the system is underutilized. Catch 22.

This method if reducing the system approximates outright dishonesty. The honest approach would be for the Administration to state publicly that it would reduce the system because it does not want to spend the money on sick and disabled veterans.

Outpatient visits for fiscal year 1981 have been projected with a cap of 18 million. This will not meet the demand for visits, which is escalating.

The ambulatory care program was established by Public Law 93-82. It is a program conceived and developed by Congress, in an effort to provide sound medical care, on a cost-effective basis, and at the same time reduce the demand for inpatient care, which is more expensive. The program has achieved the congressional purpose. The demand has escalated, partly as a result of treating veterans as outpatients who would otherwise be hospitalized, partly as a result of the aging of the veteran population, and also as a result of the increase in the overall veteran population, occasioned by the 10 years of the Vietnam War.

Since Congress conceived and established the program, it must now accept the need to fund it. The increasing cost is nevertheless cost effective in that it is achieving its intended purpose.

The escalation of the cost of beneficiary travel is associated with the increase in the scope of the outpatient treatment program. Eligible veterans are entitled by law to be reimbursed for beneficiary travel. Some modifications in eligibility were made in Public Law 96-151. Even so, the cost of beneficiary travel increases steadily.

The American Legion supports VA efforts to closely monitor beneficiary travel, and to require strict management controls in the field. However, the cost of the program cannot be considered excessive in relation to the goals achieved—limitation of demand for bed care.

Currently, the Administration has placed a cap on beneficiary travel for fiscal year 1980. It appears funding for the program is about $9 million short for fiscal year 1980. The Legion objects vehemently to the cap because it interferes with a statutory entitlement for eligible veterans. This is not permissible in law, and VA faces the likelihood of claims by eligible veterans—claims that will have to be honored.

Medical and prosthetic research has been shortfunded for the past several years, and the result is that the program has been seriously affected. If the trend continues, there is little prospect of

anymore Nobel laureates, such as the program produced two years ago. Research is an essential element of the triad of veterans medical care—Treatment, Teaching and Research. The program as it is today will not survive essential damage to any element of the triad.

Here is an example of what is being done to the VA research program. Congress provided budget authority of $126.447 million for medical and prosthetic research for fiscal year 1980. Then OMB mandated the research program to absorb 40 percent of the federal pay raise for fiscal year 1980. Since the program was marginally funded, it had no ability to absorb such a percentage without further reducing the scope of the program. To do so requires sacrifice of personnel or of equipment and supplies, all essential to the program.

The Administration's January Budget Message asked for budget authority of $134.8 million for research for fiscal 1981, an increase that does not even equate the rate of inflation. The Commission on Veterans Affairs projected a need for $149.1 million. The Administration's March reestimate reduced the proposed amount of $5.3 million.

The American Legion petitions the Subcommittee to appropriate a minimum of $149 million for the VA research program for fiscal year 1981. Anything less is going to cause essential damage to the program.

Legislation hopefully will be submitted to the Congress by the Veterans Affairs Committees providing for a meaningful program of pay and allowances for health care professionals employed in the veterans health care program. The VA health care system is experiencing a drain of health care professionals, occasioned by inadequate compensation levels. If the drain is allowed to continue, VA will, in the foreseeable future, revert to the type system that predated World War II—essentially a system for human warehousing. The nation does not want that, and we cannot believe Congress will allow it to happen.

The American Legion has testified in support of the revised compensation levels the Veterans Affairs Committees are developing. Funding of these levels is absolutely necessary. They are not overly generous and will not impact significantly on the federal budget for fiscal year 1981.

A new need for a viable VA health care program has suddenly become a matter of prime importance; that is, the existence of the system as a national security resource.

The medical programs of the armed services are not presently in a condition enabling them to cope with any significant number of casualties that may result from the outbreak of warfare involving United States Armed Forces.

If casualties incurred overseas were to suddenly begin returning to the United States, the Veterans Administration would be called upon immediately to assist in caring for them.

This fact lends urgency to each of those matters that have been discussed in this statement.

The American Legion urgently reminds the subcommittee that now is the time when Congress must take necessary measures to place the nation in a posture to meet its worldwide commitments.

Events of the day raise the ominous possibility of the commencememt of hostilities. Dealing with the consequences of such a development cannot wait until it occurs. Expedient measures must he undertaken now. One of the essential measures that may not be overlooked is medical care for those who are on the front line of the nation's far-flung interests.

The American Legion is equally concerned with the welfare of veterans who depend on the VA health care program, and with that of the men and women who now wear the uniform and defend American interests at home and abroad. All of these citizens must be of immediate concern to the Congress.

Mr. Chairman and members of the subcommittee, the American Legion states again that the war veterans of the nation, and their dependents and survivors have a priority claim on the attention and the resources of the Federal Government. During the time of the four American wars of the Twentieth Century, "nothing was too good for our boys." Now, the VA health care program, especially is being shorted in the allocation of funds. That is not fair, and the American Legion objects to it.

At this time, we petition the subcommittee, and through it the entire Congress, for full funding for veterans programs. Three and one half percent of the federal budget is not an excessive amount to spend on veterans. It is in fact an irreducible minimum if the full range of veterans programs are to remain viable.

We say again that the Administration's reestimated budget figures are short in the approximation of $1 billion, by Veterans Affairs Committee estimates, and the House Budget Committee's estimates are about $1½ billion short of the Veterans Affairs Committee's figures. If appropriations are made on the basis of the Budget Committee's figures, there will be no funds for adjustment of compensation, DIC and education and training allowances. And even more alarming to the Legion, there will have to be a stringent shortage of funds to maintain both quality and quantity of medical care.

We must say to the subcommittee, in all seriousness, that if that happens, the Congress will come to regret it. If there is a war, the cost of rehabilitating the veterans health care program will be far more than it will cost to maintain it now. And we further predict that if the people observe the government turning its back on veterans of earlier wars, in the maintenance of their benefit programs, there will be a measurable lessening of enthusiasm in the support of national policies that involve the risk of casualties.

In the allocation of funds for fiscal year 1981, The American Legion petitions the subcommittee and the Congress to place veterans programs in their proper place of priority among the government's interests.

We thank the subcommittee for the opportunity to present our views on these important matters.

Mr. TRAXLER. We want to thank you for your statement, and we appreciate your appearance before the commmittee as always.

Mr. Coughlin?

Mr. COUGHLIN. I thank you for your statement, for which we are very grateful.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. I thank you, too, very much for your statement. I was interested in the part of your statement that addressed itself to the utilization of the outpatient facilities, and the need really to be able to increase some of the programs, both because the population is aging among the veterans——

Mr. LYNCH. Yes.

Mrs. BOGGS [continuing]. Also because the facilities are not always available.

What do you think about having the building programs accelerated in some way for the inpatient hospitals as well as the outpatient clinics?

Mr. LYNCH. Mrs. Boggs, there is, of course, an increasing need which we did not discuss in our statement, because we tried to concentrate on what seemed to be the most immediate priorities. The VA is facing the situation in which many of their facilities are aging.

As you know, many of the veterans hospitals were built right after World War II, which is 35 years ago, and in addition to that, they are still using many hospitals that are pre-World War II, and of course there is a program for replacement of these facilities, and it is very important. Perhaps we should have discussed it in the statement, but I certainly don't want to do anything to minimize its importance.

It does involve capital expenditures, but it looks to the future of the system, and of course with the constant changes in medical technology, the configuration of hospitals today is nothing to what it was in 1945, between 1945 and 1950.

Now, you have your medical intensive-care units, your surgical intensive care units, your hemodialysis units, and all of these other things that are coming into medical terminology, cobalt radiation, and all those forms of cancer treatment, and that sort of thing, are impacted on the existing structures.

Mrs. BOGGS. I notice that you were concerned about the short funding of the medical and prosthetic research——

Mr. LYNCH. Yes.

Mrs. BOGGS [continuing]. Over the last several years. I was very excited because I felt that at the beginning of the present VA administration they were concentrating on upgrading these resources. You mentioned the two Nobel laureates, one of whom was in the New Orleans VA Hospital.

Mr. LYNCH. Yes indeed.

Mrs. BOGGS. And some of the members and staff will remember we looked into the need for expanding those facilities. His office was so small there was no place on the wall to hang his Nobel prize.

Mr. LYNCH. The other one was a lady, Mrs. Boggs, Dr. Yalu, from the Bronx, a very good person.

Mr. TRAXLER. Mr. Sabo?

Mr. SABO. I am curious about one of the points in your testimony. This addresses compensation. My understanding is that the VA system is having a terrible time retaining personnel. Is that accurate?

Mr. LYNCH. Retaining personnel?

Mr. SABO. Yes.

Mr. LYNCH. In the medical care program, Mr. Congressman?

Mr. SABO. Yes.

Mr. LYNCH. Yes, that is definitely true. I discussed the pay situation here for health-care professionals. There is legislation beginning to move in both houses, and we certainly hope it will have the support of the members here, because we are suffering a drain from the standpoint of inability to compete with the private sector.

You know there are many health care professionals that are very happy to work in an institutional setting, and because of the availability of research of the type of medicine that is performed in the VA system they are happy to work there, but there has to be, at least elementally, sufficient compensation for them to be able to stay in the system, and you know if the situation goes on as it presently is, and we continue to lose these top-quality health care professionals, the great danger that the Congress certainly has to concern itself with is that the system will revert to what it was pre-World War II, when it was, in all frankness, a human warehousing system for taking care of aged veterans, and it was serviced by second-class, with all due respect, mediocre quality health-care professionals who were not delivering a quality type of medicine.

This VA system, the medical care program, has been the jewel of this government in the system, and I put it up against any of the health care activities of the Federal Government, what the VA has accomplished in 35 years in medical technology, in advance against disease and illness, the problems of the aged and aging, alcoholism, things of that kind are being taken care of in the VA, and it is a great compliment to what this government has been able to accomplish, but it is in jeopardy.

Mr. SABO. Really, unless that problem is dealt with, the staffing levels become sort of irrelevant.

Mr. LYNCH. Yes, and I don't think this Congress or this government wants to see us develop another warehousing system for aged veterans.

Mr. SABO. Thank you, Mr. Chairman.

Mr. TRAXLER. I was just thinking of the situation I have encountered in my constituency, and I don't know if any of my colleagues have had this experience with any of the VA medical facilities they may have in or near their districts, and that involves the Civil Service comparability pay scales. Mine is a heavily industrialized area in some respects, and rural in others, but for the professionals in the health services it is not unusual to see them paid less than the janitors, because janitors are very heavily paid, custodians let's call them——

Mr. LYNCH. Right.

Mr. TRAXLER [continuing]. In the shops, the plants and other institutions in my area. So their salaries under the Civil Service regulations exceed that of professionals within the health care field.

Mr. LYNCH. That is right.

Mr. TRAXLER. So it is very discouraging and you see high turnover——

Mr. LYNCH. Yes.

Mr. TRAXLER. [continuing]. In the nurses aides and the RNs for that reason. They just find it very difficult to work next to a person who has no formal education, and has acquired little job skills and who is being paid as much or more, as a matter of fact.

Mr. LYNCH. It is an almost unbelievable anomaly. You even have situations where patient care personnel are applying for blue collar jobs in the hospital because they can make more money than they can working at bedside.

Mr. TRAXLER. That is correct.

Mr. LYNCH. It is almost unbelievable.

Mr. TRAXLER. That is right.

Mr. LYNCH. It is a terrible situation.

Mr. TRAXLER. Thank you very much.

Mr. LYNCH. Thank you.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESS

CARL A. S. COAN, JR., LEGISLATIVE COUNSEL, NATIONAL HOUSING CONFERENCE

Mrs. BOGGS [presiding]. Our last witness for the morning is Mr. Carl Coan, Legislative Counsel for the National Housing Conference.

It is nice to see you this morning.

We welcome you to the Committee to hear your usual splendid testimony. We look forward to hearing it. If you like, you may submit your testimony for the record and you may proceed as you wish.

Mr. COAN. I will summarize most of it.

My name is Carl A. S. Coan, Jr., and I appear here today as Legislative Counsel of the National Housing Conference. Thank you for this opportunity to present our views on the 1981 appropriations request of the Department of Housing and Urban Development.

NHC since 1931 has worked for adequate housing and decent communities for all Americans. We feel that these efforts have supported federal programs which need to be continued, have continued and must be continued over an extensive period of time to meet the nation's housing needs. It is in this context that we approach HUDs fiscal year 1981 appropriations request, and in effect endorse it as maintaining a reasonable level of assistance for the important programs that deal with housing and community development, in light of the serious economic conditions that presently confront the country.

Specifically, we believe it is important that the community development block grant and urban development action grant programs be continued with funding at the approximate levels proposed. We also endorse the Administration's announced goal to seek to provide funding for 300,000 housing units under the Section 8 and public housing programs for fiscal year 1981, and the appropriation of $862 million in public housing operating subsidies for the next fiscal year.

Maintenance of these requested funding levels is especially important in light of the serious conditions confronting housing at this time. With interest rates at almost record levels, the housing aspirations of all segments of our population have gone into a sharp decline.

We need to do everything possible to maintain our housing supply and increase it, especially for those of low and moderate income. What little decent housing may be available to the low and moderate income, at rents anywhere near what they can afford, will soon disappear entirely without the continuance of the assisted housing programs at reasonable levels.

While the 300,000 units proposed by the Administration for Section 8 and public housing is substantially below the minimum 400,000-unit level which NHC has urged for several years, it does represent a significant increase from the approximately 240,000 units expected to be made available with this year's funding.

In this context I should like to address a significant variation to the Administration's funding proposal for Section 8 and public housing during fiscal year 1981. The Housing bills approved by both the Housing and Senate Banking Committees would provide an interest subsidy for the first 10 years of the mortgage, with a phase-out of the subsidy over the next 10 to 20 years, in order provide housing that moderate and middle-income families can afford to rent. We endorse these efforts. There is an undeniable need to provide rental housing for those families who in the past have always been able to afford conventionally produced and financed rental housing, but now find themselves priced out of the market because of inflation and astronomical interest rates. We are deeply concerned, however, that this housing would be funded by shifting Section 8 funds in fiscal year 1981 out of new construction and substantial rehabilitation and into existing housing.

This would be a serious mistake at a time when there is such a short supply of decent rental housing available for families of any income level. We urge this subcommittee to maintain the funding level for Section 8 and public housing requested by the Administration at the proposed mix of 60 percent for newly constructed and substantially rehabilitated housing and 40 percent for existing housing.

We feel that there is another, more appropriate way in which to fund any new multifamily program for the middle income, without increasing the Administration's budget request for fiscal year 1981, or, for that matter, the House-approved budget resolution for fiscal year 1981.

The HUD budget request contemplates the setting aside of $3 billion in budget authority, $46 million in contract authority, and almost $70 million in outlays to underwrite a new means of financing public housing projects. These vast sums would be needed to permit long-term public housing bonds to be sold to the Federal Financing Bank, rather than to be sold in the tax-exempt bond market as was customary from 1937 to 1973, when sales were temporarily suspended because of high interest rates.

Since that time Treasury has prevented HUD from marketing any long-term bonds, even though interest rates for a substantial part of that intervening time period were low enough to justify

such marketing. Instead, HUD has continued to roll over short-term notes on the projects built during this period, until it now finds itself possibly running into the ceiling on the amount of those notes that can be outstanding. Treasury and OMB have used the potential ceiling problem as a lever to force HUD into proposing that it shift to Federal Financing Bank sales.

This matter of internal Federal government bookkeeping would normally be of little concern to us or others, except for the impact it has on the ability to provide needed housing assistance. Three billion dollars in budget authority would finance as many as 100,000 units of multifamily housing under the House Banking Committee's proposed new multifamily program, without requiring any shift in the mix of the types of housing units that could be assisted under Section 8 and public housing.

It is entirely inappropriate that our housing programs, and the nation's efforts to deal with real housing problems, should be subordinated to the bookkeeping concerns of Treasury and OMB. We, therefore, urge this subcommittee to reject the proposed use of this $3 billion in budget authority for sales of public housing bonds to the Federal Financing Bank and, instead, to use that budget authority to fund assistance to provide needed rental housing for moderate and middle-income American families.

Another major area of concern embraced in this year's budget is the Administration's proposal to set, in appropriations acts, ceilings for fiscal year 1981 on the amount of mortgage insurance and loan guarantees for the various housing programs of HUD. This would reinstitute a practice found wanting and abolished almost 20 years ago. It is a practice never considered and voted upon by the House or the Senate, although there have been hearings by both the Budget and the Rules Committees in the House, at which NHC and many other interested organizations have raised serious questions.

For your information, we have attached a copy of our statement, dated March 27, 1980, to the House Rules Committee on this issue.

We would like it included in the record if it is possible.

Mrs. BOGGS. It will be included.

Mr. COAN. As our statement to the House Rules Committee indicates, we are very concerned that the imposition of maximum annual ceilings on federal loan guarantees and insuring activities under the various federal housing programs would have a deleterious effect on the ability of these programs to continue to serve their goals.

I might say, unfortunately the people from The American Legion are gone, but if you carry the proposal contained in the Administration's new credit-control budget to its logical conclusion, it would also require that you put maximum guarantee limits on the veterans housing programs on an annual basis. Otherwise the whole proposal doesn't make much sense. You can't control only some programs and yet still have an effective maximum limit.

We urge the subcommittee to reject this proposal, until and unless Congress has considered and adopted it as part of legislation which can be fully debated as to its separate and discrete merits.

In conclusion, we urge the subcommittee, in considering HUD's appropriations, to keep in mind that the need for housing that

confronts our society will not go away and that reasonable efforts to fulfill this need will, in effect, be anti-inflationary.

It is also important that the Community Development and UDAG Programs be continued at reasonable levels as proposed by the Administration, in order to permit our cities, many of which are beset by their own severe economic problems, to maintain their physical well-being and thereby their tax base and their economic viability.

We thank you for the opportunity to appear today.

[The information follows:]

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KENNETH N. HYLTON
Chairman of the Board

LEON N. WEINER
President

March 27, 1980

The Honorable Anthony Beilenson
Chairman
Task Force on Federal Spending
Limitation Proposals
Committee on Rules
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We should like to express the views of the National Housing Conference on H.R.6021, H.R.6056 and similar legislation being considered by the Task Force on Federal Spending Limitation Proposals providing for credit controls through budget ceilings on Federal loan guarantee and insuring activities. We request that this statement be included in the hearing record on the bills.

To the National Housing Conference, the nation's oldest organization concerned with the availability of decent housing and good neighborhoods for all Americans, of primary interest is the deleterious impact we believe this proposal would have on future housing opportunities. We do not believe that the Federal Government's expenses and risks of loss on housing loan guarantees and insurance are of such serious proportions as to warrant the kind of far-reaching action provided for in H.R.6021. Nor do we see a threat in the future.

With respect to housing-related loans, it appears the proposal sets up a "straw man"--the threat of a huge future financial outlay by the Federal Government--and then knocks it down by calling for the development of ceilings on that potential, theoretical loss. Thus, superficially, limits on guaranteed and insured housing loans appear fiscally wise. In practice, they are unnecessary. Rather than good governmental policy, we see them being misunderstood and misused in a way that would impair the social goal of decent, safe, and sanitary housing for all Americans. Furthermore, we believe they would exacerbate the cyclical nature of home mortgage money supplies, and thus housing production, thereby causing shortages, inflation and job instability in construction and related areas.

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The Congress has, for almost fifty years, been developing and fine-tuning programs designed to encourage an increased allocation of capital investment to housing rather than to other, less fundamental and critical sectors of our economy. Out of this nearly one-half century of development, the present system of Federal insurance and guarantees for home mortgage loans has evolved. The result has not proved financially burdensome to the taxpayers; and housing has received an increased, although still inadequate, share of invested funds. It makes no sense to now derail that carefully thought-out system by imposing rigid caps on these programs.

Under the present system, the budget and appropriations processes already operate as fiscal constraints on those housing programs which involve expected direct expenditures. Direct loans and authority to enter into long-term contracts for assisted housing construction, finance, maintenance and operation fall under careful Congressional and Executive Branch scrutiny and are subject to budgetary ceilings.

That process, in our view, more than adequately controls potential future expenditures and, in some ways, is far more fiscally conservative than is warranted. In the existing appropriations-budget process we have witnessed misconceptions and over-statements of the real annual dollar cost to the government of assisted housing, and as a consequence, we have seen a harmful and negative reaction. Housing assistance levels have fallen far below the nation's needs and financial resources.

A parallel for the future under legislation such as H.R.6021 may be drawn from experience with the Section 8 housing assistance program. Those involved in the budget process, to which Section 8 is subject, must speak in terms of billions of dollars in theoretical costs over the hypothetical life of the units authorized to be assisted each year. This comes about through the practice of calculating budget authority for the Section 8 program by multiplying the full annual rent for a unit--for which a tenant with no income will receive assistance--by the maximum potential term of the assistance. No other Federal program or activity, despite its long-term life, is treated in this fashion. The result is a large budget authority amount that stands out in complete disproportion to other budget items and subjects the Section 8 program to budget-trimming attacks that bear no relationship to actual expenditures in the coming fiscal year.

If annual budgetary ceilings were placed on all Federal loan and guarantee programs, including housing, the lawmakers would be dealing with cumulative figures in the magnitude of hundreds of

billions of dollars. This highly theoretical risk of loss, based on the mistaken premise that the full amount of such insurance or guarantees will have to be paid out, could easily be misconstrued. Inescapably, the government would be exposing itself to an entirely unjustified barrage of criticism founded on astronomical, yet imaginary, numbers.

The housing mortgage insurance and guarantee system for allocating more resources to housing has an excellent record. In the few cases where there have been losses, they have occurred with housing insurance or guarantee programs targeted to certain lower income groups or geographical areas as a result of a conscious Congressional determination that special assistance is warranted. There has been no showing that this good record will change.

Whereas the present system promotes stability for housing finance, the establishment of ceilings would, by its very nature, remove that stability. The budget process must, understandably, be a slow and laborious one. It must take place far in advance of the time that it actually becomes operational. As a result, insurance and guarantee programs would no longer be able to respond to the serious fluctuations in mortgage money supplies, a problem which is unique and severely disruptive to the nation's housing supply system.

When credit supplies are tight under the present system, the government insurance and guarantee programs play an important part in countering downward cycles in the allocation of credit to housing, especially for those of modest means who must rely on the Federal programs whose downpayment requirements are much lower than those of conventional lenders at all times, and most particularly, during times of tight money. Artificial, speculatively contrived ceilings on housing guarantee and insurance loan programs, established far in advance of any downturn, would tend to negate the usefulness of these programs as a counter-cyclical force.

The proposed controls would have an inflationary effect on interest rates because their imposition would create an artificial shortage of Federal guarantees and insurance, necessitating some sort of rationing plan during times of need. It is fundamental economics that a shortage in supply brings about increased costs.

Once the government has embarked on a rationing-type program, then a new and elaborate superstructure of regulations must be produced to assure that the limited supply of guarantees and insurance is spread evenly and equitably across the nation. Not only posing a regulatory nightmare, such a system would be disruptive to the nation's mortgage lending system, with inevitable

competition, conflict and controversy over who should be entitled to guarantees and insurance and where they might most effectively be employed, both geographically and in terms of housing types.

Further disruptions to our nation's residential mortgage financing system would result from the impact of this legislation on the secondary market. Just as Federal insurance and guarantees for residential mortgage loans evolved in response to a shortgage of mortgage credit, the secondary market system came into being as a device for improving the liquidity of mortgage loans, making them a more attractive investment. The GNMA program of packaging and guaranteeing insured or guaranteed loans would be severely hampered. GNMA's program would fall under the proposed budget ceiling, just as would the individual loans packaged by GNMA. As a consequence, Federal housing programs would be subject to double jeopardy.

In summary, we should like to reiterate that the carefully devised system for allocating more credit to the enhancement of our nation's housing opportunities should not be the victim of such constraints as posed by H.R.6021 and H.R.6056. Federal insurance and guarantees have proved to be a modest Federal investment with only minimal risk for achieving one of the most fundamental of social goals.

Sincerely,

Leon N. Weiner

Leon N. Weiner
President

Mrs. BOGGS. Thank you very much. I think your father would approve of your testimony. There is a long association between the Coan and Boggs families for improvement of housing in the United States.

What would be your proposal to the Treasury Department instead of using the federal financing?

Mr. COAN. The problem is a problem which may occur in 1981 or may not, and that is that HUD may run into the ceiling on its short-term notes that are outstanding at any one time. That ceiling can be lifted by the President's stroke of the pen under the present law. The ceiling is based on an expected estimated need to make direct loans.

In other words, what happens is that the short-term notes are sold in the private tax-exempt municipal market. There is a $1.5 billion ceiling on the amount of loans that can be made at any one time under the law. That limit the President can lift. HUD, in calculating how much it can guarantee, uses an estimate of the amount of loans it might have to make out of those that it guarantees. That estimate is 7½ percent of total guaranteed loan outstanding.

Actually, today it has outstanding about $400 million in loans, the highest probably in history, and that is a temporary aberration that arises out of the high interest rate situation that we are now confronted with. The ceiling could be adjusted. The estimate of 7½ percent could be adjusted, on a reasonable basis without any shenanigans or anything else, and that would more or less remove the problem entirely from fiscal year 1981, during which may or may not arise, we don't know.

The real problem is that when interest rates shot up back in 1973 and 1974, it was unfeasible to go to the market for long-term bonds. In 1975, 1976 and 1977 they should have gone to the market. We are caught up in a box of budget authority right now which, as far as the housing programs are concerned, determines what we can and can't do. It seems to me that we should use the budget authority which has been approved by the House to provide housing, not to go into the market with the public housing bonds in a different fashion.

Mrs. BOGGS. I am reminded that the Committee approved the transfer of $2 billion in a supplemental appropriations bill.

Mr. COAN. There is still $1.2 billion then, which would still easily provide what is in the House bill for their new program. It is unfortunate that, as my President would say and as I reflect in here, the bookkeepers of the world are going to run the substantive programs of the world. It is a bookkeeping matter as much as anything else, and very frankly it is unfortunate that we bleed and die as we did last year on the Senate floor over $2 billion in budget authority for the Section 8 program. It turns out we had $2 billion in budget authority left over at the end of fiscal year 1979. If that is so important, it should be used to provide housing, not take care of this type of expedient which has been proposed in this case.

Mrs. BOGGS. Thank you.

Mr. COAN. Thank you.

Mrs. BOGGS. Thank you for your excellent testimony.

The committee will recess until 2 p.m. this afternoon.

Afternoon Session
Environmental Protection Agency

WITNESSES

CHARLES R. JETER, CHIEF, WASTEWATER AND STREAM QUALITY CONTROL, STATE OF SOUTH CAROLINA

MICHAEL P. MAUZY, DIRECTOR, ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

WALTER A. LYON, DEPUTY SECRETARY FOR PLANNING, DEPARTMENT OF ENVIRONMENTAL RESOURCES, STATE OF PENNSYLVANIA

LOUIS J. BRIEMHURST, DEPUTY EXECUTIVE DIRECTOR, MINNESOTA POLLUTION CONTROL AGENCY

PAUL TAURASI, NEW ENGLAND AND INTERSTATE WATER POLLUTION CONTROL COMMISSION

ROBB SAVAGE, EXECUTIVE DIRECTOR OF THE ASSOCIATION

Mrs. Boggs. The Committee will come to order. We have several witnesses representing the Association of State and Interstate Water Pollution Control Administrators. We welcome you to our Committee and thank you for your participation.

We know that you have submitted some very excellent statements, all of which will be made a part of the record. All of you may summarize as you choose.

We have allotted twenty minutes to this section of the testimony. Without any further input from me or invasion of your time, Mr. Jeter, we would be happy to hear from you.

Mr. Jeter. I am Charles Jeter, the Chief of Wastewater and Stream Quality Control in the State of South Carolina, and also president of the Association of State and Interstate Water Pollution Control Administrators.

We are here today to present the views of the Association and to demonstrate by examples from our own States the need for adequate and stable funding of a national water quality program.

We appreciate the opportunity to appear before this subcommittee and welcome any questions.

I would like to introduce our colleagues with us today.

On my left here is Mike Mauzy, who is the Director of the Environmental Protection Agency for the State of Illinois; Walter Lyon, who is the Deputy Secretary for Planning, Department of Environmental Resources for the State of Pennsylvania; Louis Briemhurst, on the end down there who is the Deputy Executive Director, Minnesota Pollution Control Agency, State of Minnesota, and to his right Paul Taurasi, who is the Chief Engineer for the Construction Grants Program for the State of Massachusetts.

Also we have with us Mrs. Robbie Savage, who is the Executive Director of our Association.

Each panel member is going to devote a few minutes to certain elements of funding under the Clean Water Act.

In this context I am going to address the State and interstate funding support as provided under Section 106 of the Act.

Congress, in passing the Clean Water Act, stated:

"It is the policy of the Congress to recognize, preserve, and protect the primary responsibilities and rights of States to prevent, reduce, and eliminate pollution . . . "

Section 106 of this Act provides grants to State and interstate agencies to assist them in administering programs for these purposes. This grant is the most important single mechanism to implement the goals of the Act.

Activities funded by the program are really the heart of the implementation of the clean water efforts.

The funds are used for the management of the National Pollutant Discharge Elimination System Permit Program;

Analyses of pollutants in wastewater discharges;

Enforcement;

Determining water quality in streams, rivers, lakes and oceans;

Operation and maintenance evaluations and technical assistance on wastewater treatment facilities;

Engineering review of design for treatment facilities to ensure their compatibility;

Predictive analyses of future impact of proposed projects such as new industries or upgrades of municipal wastewater treatment facilities;

Emergency responses to toxic spills;

Implementation of pretreatment requirements.

Since 1975 the funds for assistance to the State and Interstate Water Pollution Control agencies has remained almost constant. The proposed fiscal year 1981 level is 48.7 million. This is down from a high of 52.4 million in fiscal year 1978 and 1979.

The States have historically contributed about twice this amount or $100 million. This indicates strong State support and commitment to implement Federal legislation.

Since the passage of this Act, the States and interstate agencies have faced skyrocketing inflation rates and increasing demands on water pollution control program requirements. You know the impact of inflation.

In the area of program requirements demands have increased due to factors such as:

Mandates to control the discharges of toxic materials.

Additional requirements in monitoring, permitting, enforcement, environmental analyses, and pretreatment programs.

Administrative and public participation requirements in all programs have been significant.

Actual volume of pollutants has increased due to population and industrial development.

The States are in a difficult situation with no real satisfactory options left. However, the States feel, as Congress directed, that they have a basic responsibility to administer the Water Pollution Control Programs.

A recent needs survey done by EPA with State assistance shows clearly that the Administration's proposal of 48.7 million is not enough to do the job as currently outlined in the Act and Federal regulations. The money and the mandates don't match.

We respectfully request your assistance in resolving this dilemma.

I have with me a follow-up item on the needs information that I would like to give to you, a breakdown of the cost figures that come from a fairly extensive analysis done by EPA with State assistance on the needs for the program.

We feel like these needs are responsible and rate assessments of the program.

Mrs. BOGGS. If you would like, they will be placed in the record.

Mr. JETER. I would like to turn the comments now over to Mike Mauzy from Illinois.

Mr. MAUZY. Thank you, Charles.

Good afternoon, Madam Chairman and Members of the subcommittee.

I am Mike Mauzy, Director of the Illinois Environmental Protection Agency, testifying today on behalf of the State of Illinois and the Association of State and Interstate Water Pollution Control Administrators.

I appreciate the opportunity to appear before you. A written statement has been provided the subcommittee. In the interest of time I will make only brief oral remarks.

The fiscal year 1981 USEPA proposed budget is a modest request compared with program needs. For all State program grants, except for the Hazardous Waste Program, the requested level represents a program reduction since the recommended levels do not provide funding required for a constant program.

In these times of economic uncertainty State funding of environmental programs is not increasing in Illinois, and I submit our approach is not an exception. The fiscal year 1981 State programs will, therefore, be more resource constrained and possibly smaller than the fiscal year 1980 programs, all this at a time when significant and substantive questions have been raised concerning environmental standards, requirements, and program management.

Water quality standards, pretreatment requirements, non-point source pollution control, ozone formation and transport, acid rain, mobile source pollution, fugitive dust, organic contaminants in water supply, et cetera, are but a few of the major program issues which we must yet address.

We therefore urge you to approve the USEPA budget request for fiscal year 1981.

The Wastewater Construction Grants Program is the foundation of the Municipal Compliance Program. This often criticized program is seldom viewed objectively. Many studies have focused on selected problems identified in only a handful of the projects, conclusions are erroneously extrapolated to the entire program.

The Council on Environmental Quality notes that national water quality has not significantly improved in the decade of the 1970s. This conclusion is only logical recognizing the existing level of public and private compliance and the improvement in compliance since 1972.

Only 30 percent of the Step 3 grant awards made since the start of the Public Law 92-500 grant program have yielded an operable facility. Statistical information is sketchy and incomplete, but at best 30 percent of the total national grantees have started construction.

However, I believe that less than 10 percent of the total national grantees with a need to expand or upgrade wastewater facilities have initiated construction. Continued funding for the Grants Program is needed to establish long needed stability and continuity to the program for proper management, and permit grantees now in the pipeline to proceed with their projects as they plan and expect to do.

We urge your support for an appropriation for the Wastewater Construction Grants Program at the $3.7 billion level for fiscal year 1981.

Thank you for the courtesy extended to me. I would be pleased to respond to any questions you have concerning the written statement or other issues of concern to you.

Mrs. BOGGS. Thank you; you are free to go ahead and we will come back to the various questions.

Mr. LYON. My name is Walter Lyon. I am Deputy Secretary for Planning for the Pennsylvania Department of Environmental Resources and also serve as a member of the Board of the Association of State and Interstate Water Pollution Control Administrators.

I appreciate the opportunity to appear before you today, and I am going to try to focus in my summary of my statement on the impact on the business community on one element of the 106 appropriation having to do with the NPDES permit system, which is a National Pollution Elimination System.

My purpose before you today is to underscore the importance of no reduction below the $48.7 million proposed by the President in his budget for this appropriation to States to carry out the purposes of the Federal Clean Water Act.

Inflation has reduced the purchasing power of the $48.7 million to $29.5 million in 1972 dollars. Additional assignments imposed by the 1977 amendments to the Act have imposed an additional burden of $13.4 million at a time when State operating budgets and this contribution to this program have risen.

This has resulted in 28,000 permits that are now backlogged, either in the form of applications for permits which have never been issued under the Act, and permits which have expired and must be reissued.

Rather than read my detailed testimony, I will summarize for you, that the total backlog of permits is 44,000 and the cost of catching up that backlog over a three-year period using very conservative figures for the time that it will take to do that is $16.58 million of Federal and State money combined.

That is per year for a three-year period just to catch up with that backlog. Now, 15,000 new permits must be issued, and the annual cost of that is about $18 million or better in Federal and State dollars combined.

Taking those two figures, $16.58 and $18 million, we end up with a total for the State need of $34.4 million. Normally, the Federal share is about one-third. The State share has risen to two points of that cost, so the Federal share of that $34.4 million would be about $9 million.

The permit program normally represents about 12 percent of the 106 funds, so available to us is only $5.8 million. The cost of just

catching up with the backlog is about $9.31 million in Federal dollars.

Now, these costs relate only to that part of the NPDS program which deals with permit processing. There are many others, and I will not list them here. They are in my testimony.

I would like to focus on what this does to the business climate in Pennsylvania and to the rest of the country.

Recent studies of attitudes by businessmen concerning plant expansions and new plant locations have focused not so much on the issue of the level of environmental requirements, but on the businessmen's greatest enemy, uncertainty. Investment decisions are based upon a given set of circumstances at a particular point in time.

These circumstances and their relationships change over time and not always in predictable directions. This is especially true in our current economic situation.

Consequently, any delays in implementing an investment decision substantially increases the degree of uncertainty. An NPDES program that is not functioning smoothly, and we are in serious trouble in this program because of the funding, clearly delays investment decisions.

Delayed decisions concerning NPDES permits also impose a heavy inflationary burden. Inflation is a direct and easily recognizable cost which results form delay in implementing investment decisions. At our current inflation rate, each month's delay adds between 15,000 to 20,000 to the cost of a $1 million construction project, both private and public.

These delays also impose costs on others in the local economy which would be affected by the project. Local suppliers and support services will not receive the benefit of increased sales and business activity as a result of the project.

In summary then, the success or failure by EPA and the States to jointly carry out the NPDES program can act as a valve on a considerable amount of economic activity in this Nation. Failure is likely to stifle improved productivity and technical innovation, not to speak of delayed compliance with important environmental requirements, which are after all, the goal of the Federal Clean Water Act.

I underscore these matters in order to highlight the impact that inadequate funding of the 106 Program can have on the Nation's economy.

Mrs. BOGGS. Thank you very much.

Mr. Coughlin, when I was here alone, there were 20 minutes allotted to the group. I thought I would let each of them make a statement and go back to questioning, if that is satisfactory with you.

Mr. COUGHLIN. Absolutely.

Mr. JETER. Mr. Breimhurst?

Mr. BREIMHURST. Mr. Chairman, committee Members, I am Louis Breimhurst, Deputy Executive Director of the Minnesota Pollution Control Agency, or MPCA.

My remarks today focus on EPA's water quality budget, but I would like to also briefly urge your approval of EPA's present air

quality proposal and to especially urge your approval of requests for funding for hazardous waste management.

Our sensitivity to water issues is perhaps unusually high in Minnesota. There is one spot in the northern part of the State where the three great continental watersheds, Mississippi, Great Lakes, and Hudson Bay, meet the divide, making Minnesota a net exporter of water. Minnesota contains over 15,000 lakes and thousands of river miles.

We have no doubt that further substantial cuts in the EPA's water budget will seriously damage our existing water pollution control efforts, resulting in further pollution of waters in a State where we have made substantial gains in the past decade. Our written testimony submitted earlier indicates just three of the more remarkable recent lake and river clean-up successes in Minnesota.

These success stories result directly from an integrated State/Federal clean-up program. Specifically, we have requested and received delegated EPA authority to administer national water discharge permitting programs and wastewater treatment construction grants programs.

Minnesota was the first State to receive delegation to administer an industrial pretreatment program, a vital element in beginning to remove toxic industrial chemicals from our waterways.

Minnesota is affected directly by EPA's water appropriation in two key areas: First, funding related to Section 106 of the Clean Water Act provides general support for the most essential, basic water pollution control elements in our program: The discharge permitting programs, compliance monitoring, and enforcement phases, as well as Minnesota's highly successful hazardous spill control program and the previously mentioned toxic pretreatment program.

We support the 48.7 million proposal, with the realization that this represents an actual reduction after adjustment for inflation.

Secondly, our partnership with EPA has been especially effective in the municipal wastewater treatment plant construction grants program. As I have said, we have seen major successes in Minnesota. We have been able to provide financial assistance for the new construction or significant upgrading of over 200 treatment facilities, with a net improvement to our lakes and rivers after decades of steadily increasing degradation.

The continuation of this program is critical to Minnesota. We currently have 473 municipalities either in need of funds or in some phase of planning, design, or construction. Because of the demands of the management schedule for these projects, we have no doubt that further cuts will have a sort of ripple effect on the program, with the effect of delay going far deeper than may appear without careful analysis.

Combined with the recent Administration deferral of 1980 funds, any further reduction in the appropriation would, without a doubt, seriously impede our mission of restoring and preserving water as a vital resource.

In conclusion, while we are cognizant of the fact that environmental agencies must share equally in budgetary belt tightening, we are extremely concerned that EPA's water quality budget not

be reduced beyond the point where we can no longer maintain our most basic water pollution control activities.

We therefore urge your approval of the currently proposed EPA appropriation.

Thank you for hearing my concerns.

Mrs. BOGGS. Thank you very much.

Mr. JETER. Thank you.

Mr. Taurasi?

Mr. TAURASI. Mrs. Boggs, good afternoon.

I am Paul Taurasi, Chief Engineer of the Construction Grants Section of the Massachusetts Division of Water Pollution Control.

I am here today standing in for Al Peloquin, Executive Secretary for the New England Interstate Water Pollution Control Commission. Al was unable to attend today because of a conflict with this rescheduled hearing date.

I would like to call your attention to two written statements prepared on the subject of funding under the Clean Water Act.

The first statement dated May 8, 1980, was prepared by the New England Interstate Water Pollution Control Commission for presentation at this hearing. I understand that copies of this statement have been previously submitted to the Members of this committee.

The second statement dated April 29, 1980 was prepared by the Massachusetts Division of Water Pollution Control and it was previously submitted to the Massachusetts Congressional Delegation by Governor Edward King.

I would like to submit a copy of each of these statements for your convenience at this time.

Now I would like to highlight several key points indicated in the two statements. These key points generally represent the views of all six New England States and New York State.

1. We feel that the water pollution control program has consistently been underfunded since the enactment of the Clean Water Act in 1972.

The appropriations for the construction grants program have been much less than authorizations the last few years. EPA's proposed fiscal year 1981 budget for construction grants is $3.7 billion which again is much less than the $5.0 billion authorization for fiscal year 1981.

However, we do recognize the current economic problems and the need for budgetary constraints and a balanced budget to help control inflation. For these reasons our States generally support this EPA recommendation for the construction grants program.

We understand that there have been large unobligated balances in the construction grants program nationwide. However, the New England States have on the average obligated about 80 percent of their current fiscal year 1979 allocations and all six New England States will obligate their fiscal year 1979 balances in the next couple of months.

In addition to the obvious water quality benefits, these construction grant funds provide other economic benefits for the States. Massachusetts' share of the proposed $3.7 billion in fiscal year 1981 funds is about $108 million and since EPA grants represent 75 percent of the eligible costs of projects, this appropriation will generate approximately 144 in total construction work and will

create approximatley 5,800 construction, engineering and related jobs in the State.

2. We also generally support the level of funding set forth in EPA's fiscal year 1981 budget submission for sections 208 areawide planning and 314 Clean Lakes Program.

We would like to request your consideration to a slight increase in EPA's budget request for the 106 program from $48.7 million to about $50 million. This moderate increase in section 106 funds could well make the difference between maintaining "status quo" staffing and reducing State program staff during fiscal year 1981. Because of step increases in salaries and the State level of appropriations, some of our States are now analyzing the potential of staff reductions.

3. The New England region States would like to call your attention to the recent deferral of fiscal year 1980 EPA construction grant funds. In an attempt to fight inflation, President Carter recently ordered a freeze on the obligation of fiscal year 1980 EPA construction grant funds. This action was taken to delay obligation of fiscal year 1980 funds and thereby reduce Federal cash flow requirements in fiscal year 1981, a measure which would also contribute to balancing the Federal budget.

The freeze is expected to remain in effect until September 1980.

EPA has recently instructed the States as to the timing of the release of the remaining fiscal year 1980 funds. The proposal calls for a nationwide release of $400 million on September 1, 1980, $772 million on November 1, 1980, $830 million in January 1981, $285 million in April 1981 and $976 million in the fourth Federal fiscal quarter of fiscal year 1981.

EPA has also indicated that the $400 million release on September 1, 1980 will not be given to each State according to the allocation formula but will release the funds on a project by project basis across the country giving highest priority to those projects which currently have Federal Consent Decrees.

This would place Massachusetts and the other New England States at a bad disadvantage inasmuch as we have taken the lead in enforcing municipal water pollution control violations. Therefore, almost all of our enforcement actions are by the State and not under Federal Consent orders.

We therefore request your support for recognition that State enforcement orders receive as high a priority as Federal Consent orders for the purpose of allocating fiscal year 1980 funds as they are released.

Thank you.

Mr. JETER. Madam Chairman, we appreciate the opportunity to be with you today.

If you have any questions, we would certainly be willing to address them.

[The statements follow:]

Statement by Charles J. Jeter, President - AWWPCA

INTRODUCTION

The Association of State and Interstate Water Pollution Control Administrators (ASIWPCA) is composed of those individuals from State and Interstate Agencies that have the primary responsibility for the direction of State and Interstate water pollution control programs. It should be emphasized that we understand the budget constraints at both the Federal and State levels. States have or will be looking closely at the level of support available for programs and are making the same tough decisions as you are on funding priorities. Decisions must be made on how to get the most with available resources. We support an increased commitment to the State's role as defined in the Clean Water Act and in this time of budget constraints a shifting of resources to more effective program approaches. Our purpose today is to identify those areas of specific need and to obtain adequate support from Congress. In the context of this introduction emphasis will be placed on the funding needs to support State and Interstate water pollution control agencies as provided in Section 106 of the Clean Water Act.

LEGISLATIVE HISTORY

Congress, in passing the Federal Water Pollution Control Act of 1972 (Clean Water Act), stated in the declaration of goals and policy that: "It is the policy of the Congress to recognize, preserve, and protect the primary responsibilities and rights of States to prevent, reduce, and eliminate pollution..." Section 106 of this Act provides grants to State and Interstate Agencies "to assist them in administering programs for the prevention, reduction, and elimination of pollution..." The Act "authorized to be appropriated" 60 million for fiscal year 1973, 75 million for fiscal years ending June 30, 1974, and the fiscal year ending June 30, 1975, and 100 million per fiscal year for the fiscal years 1977, 1978, 1979, and 1980.

USE OF FUNDS

The basic Section 106 grant is the most important single mechanism to implement the goals of the Clean Water Act. The grant is used by States and Interstate Agencies for programs dictated by the Act to include the following:

a) Enforcement of delegated portions of the Clean Water Act.
b) Compliance monitoring of wastewater discharges and ambient monitoring of all waters to include laboratory requirements.
c) Administration of the National Pollutants Discharge Elimination System Permits in States that have received delegation (33).
d) Inspections of wastewater treatment facilities.
e) Operation and maintenance evaluations and technical assistance.
f) Water quality management planning to include the use of predictive models to determine the levels of treatment needs to protect water quality and studies to verify and calibrate the models.
g) Assumption of the Section 404 (dredge and fill) permit program in those States that request delegation.
h) Development of emergency response efforts to react quickly to environmental emergencies such as spills of oil or toxic materials.
i) Implementation of State pretreatment programs as required by the Clean Water Act.

The functions listed are essentially the primary activities required to implement the provisions of the Clean Water Act. The 106 program is the heart of the implementation of this Act. We have gotten more for our money out of the funding under Section 106 than any funds provided under other provisions of the Clean Water Act or other environmental legislation. It is the program where the real day to day, tough fight to insure water quality protection is located.

FUNDING HISTORY

The Federal funding for 106 has been as follows:

	106	
FY	Appropriated	Obligated*
72	15.0	15.0
73	20.0	20.0
74	40.0	40.0
75	48.5	48.5
76	50.0	50.0
77	50.0	50.0
78	52.4	52.4
79	52.4	52.4
80	48.7	----

*As of January 1, 1980 (Source-US EPA)

In addition, the States have historically contributed on the average about twice the amount as Federal funds under this program. Not only has the support for this program lagged well below the rate of inflation, but also the mandates under the Clean Water Act for additional State activities have increased dramatically.

This has led to a situation where the mandates and the money don't match. The States are in a crisis situation with no satisfactory options left. They could decide to abandon certain provisions of the Act and reduce manpower. However, the States feel, as Congress directed, that they have a basic responsibility to administer the water pollution control programs.

Table A shows the history of funding on the State and Federal level for the water pollution control programs covered under Section 106. Several points should be emphasized. First, State support is approximately twice the Federal Section 106 grants. Next, Federal support has been virtually the same since 1975 and in fact decreased from FY79 to FY80. During this same period, the States and Interstate Agencies were faced with a skyrocketing inflation rate and increasing demands--imposed mostly by the Federal government--on water pollution control program requirements. In terms of inflation, it has been estimated that the EPA requested Section 106 appropriation of $48.73 million for FY81 has the purchasing power of $29 million in 1972 dollars. In the area of additional program requirements, the States have been faced with extensive enforcement loads to include tracking of thousands of NPDES permits and a significant increase in legal actions, much more extensive field and analytical procedures particularily in the area of toxic controls, complex effluent guidelines, emergency response programs, development of pretreatment programs, and possible Section 404 dredge and fill permit programs. The administrative and public participation requirements associated with all these programs has been extensive and costly. Finally, with all these additional

program mandates, the total constant dollars designated for Section 106 have decreased.

FUNDING NEEDS

The critical question is how much money is necessary for appropriate 106 funding. Recently, EPA did a needs analysis of this program. In testimony supplied to Congress, EPA indicated the following:

> "Total Needs--By 1984, States conservatively estimate that water pollution control needs in constant FY1980 dollars will increase from $146 million in FY1980 to $227 million. Assuming the Federal proportionate share of the national program remains at the FY 1979 level (33%), $81 million would be attributable to 106."

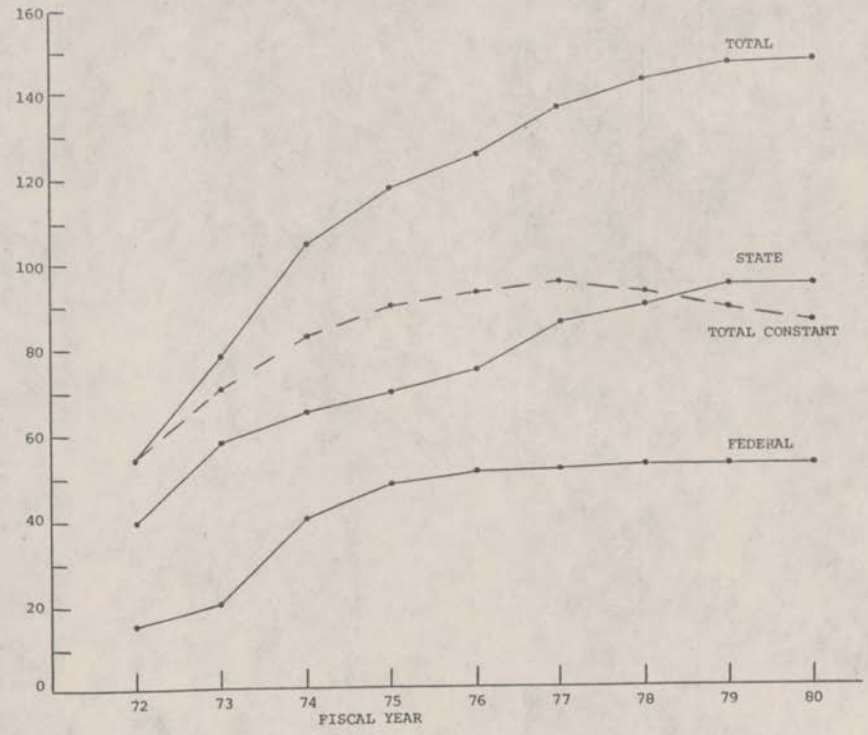
This is a conservative estimate of long-term needs. We believe that some immediate relief is necessary in the Section 106 program. Supplemental information concerning a detailed analysis of State needs from the recent needs assesment done by EPA with State assistance support this position.

CONCLUSION

It should be emphasized that we understand the financial situations faced in both the national and State budgets. Tough decisions must be made and priorities must be set to get the most for the money. Cuts must be made in some non-essential programs and increases in other programs where justified. For these reasons, we submit that the money needs under Section 106 have historically done the most good for water quality protection for minimal costs. The States are now in a situation where the mandates and money don't match. Without greater funding support in this program, the Clean Water Act provisions will suffer serious setbacks.

TABLE A

106 FUNDING



(Source, EPA)

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NEEDS ASSESSMENT

Projections were solicited for the following categories. Results are indicated for FY 79-84 below:

Table 1: Total WQM Needs ($000)

Category	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
Construction Grants Management	17433	13217	9930	9607	9279	9313
Point Source Permits	18335	27359	39095	39755	41551	43444
Compliance Evaluation	14949	17334	23287	25034	26958	28801
Enforcement	12787	11748	15590	17779	19858	19903
General and Point Source WQM Planning	10085	11538	15564	15346	16179	15986
NPS Planning and Administration	41090	58371	76385	77559	72853	69132
Monitoring	34017	41012	73287	63893	61928	62535
Municipal Facilities Operations and Maintenance; Training	6924	7098	9545	10719	11042	11339
Emergency Response	3375	5269	7975	8098	8605	8977
Pretreatment	1197	3919	7884	9104	9534	9790
WQM Program Management	8063	10400	9109	9044	9969	10132
Other Program Activities	2308	5931	6057	5719	5887	6005
TOTAL	170563	213196	293708	291657	293697	295357

Table

TOTAL WQM NEEDS FOR FY 80 and 84 ($ Million)*

CATEGORY	FY 80	FY 84	Rate of Growth	Percent of Total Growth
I. MUNICIPAL FACILITY PLANNING AND MANAGEMENT	$21.5 (10%)	$23.0 (8%)	7%	2%
o Facility Planning				
o Construction Grants Management				
o O&M/Training				
II. INDUSTRIAL AND MUNICIPAL SOURCE REGULATION	$94.5 (45%)	$153.5 (52%)	62%	71%
o NPDES				
o Pretreatment				
o Monitoring				
o 404				
o Other State Point Source Permit Programs				
III. NONPOINT SOURCE PLANNING AND ADMINISTRATION	$62.0 (29%)	72.0 (24%)	16%	12%
IV. OTHER	$34.5 (16%)	$47.0 (16%)	36%	15%
o Ambient Monitoring				
o General and Point Source Planning				
o Emergency Response				
o Miscellaneous				
TOTAL	213.0	295.5	39%	100%

*Clean Lakes not included. See _____.
Percentage of total program is indicated for FY 80 and 84.

TESTIMONY

Before the Subcommittee on HUD

and Independent Agencies

Committee on Appropriations

U.S. House of Representatives

May 7, 1980

by

Michael P. Mauzy, Director

Illinois Environmental Protection Agency

2200 Churchill Road

Springfield, Illinois 62706

(217/782-9540)

I am Michael P. Mauzy, Director of the State of Illinois Environmental Protection Agency (IEPA). The Agency, established in 1970, is responsible for implementing programs in air, noise and water pollution control, supervision of public water supplies, solid waste disposal, including hazardous waste disposal, underground injection practices and mine pollution control. My testimony today is presented as a representative of the State of Illinois and as a representative of the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA). Specifically, Association President Charles Jeter (South Carolina) has requested that I address construction grant program issues (Sections 201 and 205(g) of the Clean Water Act) and needs on behalf of the Association. On behalf of the Association and myself, I thank the Subcommittee for scheduling these hearings to receive testimony on the fiscal year 1981 budget for the United States Environmental Protection Agency (USEPA) and for offering me the opportunity to appear before you.

INTRODUCTION

The State Agency which I represent is responsible for administering state pollution control laws and regulations and for working cooperatively directly with USEPA in implementing programs under the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act and Safe Drinking Water Act. IEPA is a part of the executive branch of Illinois government and I am responsible to Governor Thompson.

I have been Director of IEPA since August 1977. I have worked at IEPA since 1972 in program management capacities dealing with all programs of the Agency. Prior to 1972 I was employed in a major industrial firm for 20 years. My professional education is in chemical engineering with degrees from Virginia Polytechnic Institute and University of Tennessee. I am a registered professional engineer in Illinois and Virginia.

The Association of State and Interstate Water Pollution Control Administrators was formed in 1963 and is incorporated as a non-profit organization. The organization exists to provide a forum for communication, cooperation and other activities of mutual interest to its membership, which includes one representative from each of the fifty states, the District of Columbia, three territorial and eight interstate water pollution control agencies in the nation. In addition to three national officers, the activities of the Association are conducted by a ten member Board of Directors, one from each of the ten federal regions.

The members of the Association are those individuals charged with day-to-day implementation and administration of the nation's water quality programs at the state, territorial and interstate level. Our members know the program in detail. They are familiar with the practical problems of program implementation, and they know firsthand the strengths and weaknesses of the present program. We continue to be committed to the goal of improved water quality and are fundamentally in agreement with the concepts and major programs of the Clean Water Act.

In my testimony, I will address (1) Illinois funding needs for the water quality program under Section 106; (2) Illinois funding needs and program issues concerning areawide waste treatment management under Section 208; (3) Illinois funding needs and program issues of the Clean Lakes Program under Section 314; (4) Illinois and Association needs and program issues for the construction grants program under Title II; (5) Illinois comments about the use of innovative/alternative technology in the construction grant program; (6) Illinois proposal concerning national water quality program direction; and (7) other Illinois program funding needs.

SECTION 106 STATE PROGRAM GRANTS

The fiscal year 1981 budget contains $48.730 million for grants to states to support the total water quality program administration (except for construction grants management in those states delegated under Section 205(g)). The amount requested for FY 1981 is identical to the fiscal year 1980 appropriation level and represents a reduction of $3.7 million (7%) from the fiscal

year 1979 funding level. Further reduction in the federal funding for state programs will cause more serious program curtailments than now planned. In Illinois, the impact of further reductions will inhibit our ability to carry out present program activities to a minimal level.

We all know that many forces are at work in financing the environmental and other government programs. For example, (1) the need to reduce federal spending; (2) limited state ability to increase spending; (3) program costs increase each year at a rate faster than program simplification and efficiencies can be developed and implemented; and (4) the scope of the water quality program continues to expand through the addition of new activities such as advanced waste treatment reviews, industrial pretreatment programs, second round of NPDES permit issuance, implementation of nonpoint source pollution control programs from the Section 208 planning program, toxic pollutant monitoring, water quality standards concerns, etc. To dismiss any one of these factors or to minimize their cumulative impact is unrealistic. To fail to recognize the consequences, within the structure of the present law, of imposing management activity prioritization will destroy commitment to and creditability of the national water quality program. We must strike a realistic balance between aspiration of the program as reflected in the law, and fiscal and program realities which now exist.

Since fiscal year 1972 the Illinois direct water quality program under Section 106 has grown from a level of $2,449.4 thousand to a fiscal year 1980 level of $4,884.4 thousand, an increase of 99% in 8 years. In fiscal year 1972 the program was 26% federally funded; in fiscal year 1980, this percentage was 37%. Although Illinois has been delegated construction grant management responsibility under Section 250(g) and receive full federal funding for this program of $2.1 million in fiscal year 1980, these funds are not available for use in other program activities because of IEPA commitments given the Illinois legislature and local governments at the time of delegation (August 1978). A year by year summary of state program funding follows:

	Federal Sources		State Sources*
Fiscal Year	106 ($K's)	205(g)($K's)	($K's)
1972	646.3		1,499.7
1973	826.8		1,911.3
1974	1,175.7		2,272.6
1975	1,574.3		2,000.5
1976	1,598.0		2,324.2
1977	1,698.0		2,420.8
1978	1,952.0	(transition year)	2,427.8
1979	1,952.0	2,016.0	(1,803.1)
1980	1,831.0	2,100.0	2,318.6

* This data is for direct water pollution control activities and does not include laboratory services, data processing or indirect costs all of which are 100% State funded. For example, in FY80 these costs were $542.9K, $191.9K, and $1,383.7K.

() State funding, which was reduced in FY79 under misunderstanding regarding maintenance of effort level required for 205(g) grants, was subsequently restored in FY80.

Prior to FY 1979 precise figures on funds expended for construction grants activities are not readily available. During the 106 funding period, we estimate a range from a low of 6 to 7% of personnel costs in 1972 to a high of 30% in FY 1976 and 1977 (peak obligation period for State funded grant projects) were related to construction grants activities. With the advent of the 205(g) delegation in FY 1979, approximately 30% of the total water pollution control program costs are related to construction grants and, thus, are funded from the 2% set aside from the Illinois allotment.

I wish to stress several major points. First, the level of federal funding available in Illinois has an effect on the level of State funding available. In other words, we cannot sustain the full burden of justification for this program at the State level alone. When federal funding commitments stabilize or lessen (i.e., cut in federal 106 funding for FY 80), then the state cannot absorb the losses due to inflationary impacts and the costs associated with new program demands. Any "freed-up" 106 funds resulting from the 205(g) delegation have, at this time, been completely absorbed by new program requirements such as pretreatment. Thus potential "trade-offs" between available funding sources are, in reality, severaly limited.

The Section 106 water quality program is the foundation of the Illinois water pollution control program, one of IEPA's most effective programs, and this program warrants continued federal financial support.

In summary, I support the requested level of funding for the Section 106 program of $48.730 million for fiscal year 1981 and urge the Congress to appropriate the requested amount. USEPA's stated intention to discontinue distribution of appropriated funds in accordance with the allocation formula in 40 CFR 35.553 effective with fiscal year 1981 funds will create additional funding uncertainty for states. The requested level of funding <u>in reality</u> represents a program reduction unless program cost increases are made up from state resources, an unlikely situation in Illinois.

<u>AREAWIDE WASTE TREATMENT MANAGEMENT - SECTION 208</u>

The areawide waste treatment management program under Section 208 of the Clean Water Act is an important component of the national water quality program. A comprehensive assessment of the Illinois program and status was presented on July 11, 1979 to the Subcommittee on Oversight and Review Committee on Public Works and Transportation. In the interest of brevity, I will not expand further on the importance, scope, nature and problems of this program.

Illinois supports funding for a continuation of this program in fiscal year 1981 at the USEPA request level of $34.0 million, a decrease of 9.4%. We plan to support funding for a continuation of this program in fiscal year 1982 and 1983; however, at the conclusion of the work elements and activity funded in fiscal year 1983, federal interest in this program should decline and no further federal funding for continuation should be sought or approved.

In fiscal years 1981 and 1982 the 208 program activities and priorities should not be limited to exclusively nonpoint source problems. The nonpoint sources of pollution are important and less is known about the effectiveness

and cost of various options for control; therefore, they must remain a priority for study under Section 208 planning programs. The high priority Illinois activities carried out under Section 208 are:

1. Development and implementation of programs to deal with surface water quality impacts from urban stormwater, and sediment from both agricultural and construction activity.

2. Proper disposal methods for pollution control residuals to preclude recontamination of surface or groundwater.

3. Groundwater contamination sources and an evaluation of relative pollution potential from such sources.

Of equal priority, however, should be a new national priority to review and examine the adequacy, validity and attainability of state water quality standards. Both scope and stringency of point source and nonpoint source control measures are determined by water quality standards. The concluding two years of the first decade under the Clean Water Act are appropriately devoted to a thorough re-examination of the technical and socioeconomic basis for water quality standards -- after all, these standards will provide the foundation to the program through most of the 1980's.

Although not much has been discussed with regard to appropriation for the Rural Clean Water Program under Section 208(j)(9), Illinois supports a continuation of this extremely important program to reduce erosion from agricultural activity. This program must move forward. The controversy concerning the Rural Clean Water Program under the Clean Water Act as opposed to a restructured program in other legislation needs to be resolved and a continuing program established. Illinois wants, needs and supports an aggressive, effective program including federal cost sharing for the prevention of erosion from agricultural lands. In fiscal year 1981 the State plans initiation of a separate, parallel program to complement the anticipated federal program so that progress in resolving this important water quality and land stewardship program can be expedited in Illinois.

SECTION 314 CLEAN LAKES PROGRAM

Section 314 of the Act establishes a grants program to deal with water quality problems impacting lakes, an important part of the aquatic ecosystem. Although this provision of the Act has not received high USEPA program priority assigned other activities, the lakes program is important and progress has been made.

USEPA has provided limited grant assistance to states in fiscal years 1979 and 1980 to expedite development and implementation of lake classification procedures. We expect these funds to terminate in fiscal year 1980 and we believe our lake classification work should be completed by that time. In Illinois, this funding has enabled our program to make more progress than would have otherwise been possible. Following a classification system for lakes to enable systematic identification of the most serious problems, the Phase I (planning) and Phase II (implementation) approach to defining and resolving problems with specific lakes is a well reasoned process, including

the different cost share rates set for each phase of activity.

Lake restoration is an immense undertaking which clearly cannot be addressed to a significant extent on a national basis with historic or requested level of funding. For this reason Illinois advocates an approach to focus available funding on measures and management programs needed to preserve presently high quality lakes which can be identified in each state. Historically this program has dealt with implementing measures to restore already degraded lake systems rather than a program to preserve present high quality lakes subject to degradation. With such suggested target funding, degradation of lake assets can be slowed or stopped as a first priority. Lake restoration programs could proceed as a second priority as resources allow.

Requested funding for this program in fiscal year 1981 is $13.5 million, a decrease of 10% from the fiscal year 1980 level of funding. Although Illinois does not possess many natural high quality lakes of glacial origin -- most of our lakes are manmade impoundments and natural riverine system backwater lakes -- we do support the requested funding for continuation of the Clean Lakes program.

TITLE II CONSTRUCTION GRANTS PROGRAM

The construction grants program under Title II of the Clean Water Act provides financial assistance to local governments to expand capacity and where necessary upgrade the level of wastewater treatment to achieve compliance with the requirements of the national water quality program. This cost share program is indispensable to the achievement of the objectives of the water quality program and is the foundation upon which the local government compliance strategy and program is developed. Only a superficial review of compliance status data from USEPA and the states shows that the public sector is not making progress toward the national objectives as rapidly as is the private sector. This delay is in large part a result of the nature of the construction grants program -- specifically the very complex, time consuming requirements and funding uncertainty.

The construction grant program is also necessary to provide future financial self-sufficiency of wastewater treatment in the nation. Through this program, local governments are assisted financially now and are required to adopt programs to assure the future revenues needed for longer term operation and management (including replacement) of present treatment works. These purposes suggest that the construction grants program is an investment program with a high level (75%) of federal participation.

ASIWPCA and the State of Illinois urges the Congress to appropriate the requested $3.7 billion to continue the construction grants program in fiscal year 1981. In most states projects are currently backlogged or are being designed to use at least this level of funding. Program momentum is building in all states, resulting in more projects ready for construction during the obligation period provided for fiscal year 1981 funds. Local governments are depending on an adequate level of funding for project implementation. The requested level of funding, in terms of pollution abatement achieved, represents a reduction of 3-5% from the fiscal year 1980 program.

We also urge the Congress to discontinue the request that the EPA Administrator personally approve projects with incremental capital costs for treatment levels beyond secondary, prior to these projects advancing in the program. We have responded to these Congressional concerns through program changes. We now need to be allowed to continue with implementation of these management changes in a more efficient way, unencumbered by such constraints. Certainly Congress should maintain their interest in the quality and cost of projects; however, we need not place further delays in the system nor cause the cost of funded projects to increase for such a review process.

Since the 1977 amendments, the construction grant program has been the subject of intensive study and evaluation (General Accounting Office, Congressional committees, interest groups, USEPA, state officials). Each of these reviews has been a well intentioned effort to improve the quality of projects and the administration of the program; however, each study has identified and focused attention on specific problems, undesirable practices, inadequate management and control, and other types of deficiencies. Each study has presented case histories of specific projects to demonstrate a particular deficiency. All this interest and activity has led to emergence of a negative attitude by many concerning the need for, value of and justification for the program. Let us put the results into a proper perspective. For example:

1. Most projects in the program are good projects which will result in improved water quality. The vast majority of the projects cannot be used as examples to demonstrate failure of the process.

2. Most projects in the program are cost effective, meeting local needs, and implementation is broadly supported at the local level.

3. Efforts by program managers (federal, state and local) to improve the program, its results, process and timeliness should be viewed as a normal refinement process. In a program the size of the grants program, the Congress should expect and demand a continuing effort to improve the program performance and its operation. The results of this activity should not be viewed negatively but rather as a positive indication of the support, interest and dedication to improve the grants program to assure that it retains its vitality and viability.

Since PL 92-500, only 30% of the Step 3 construction grant awards have resulted in operating treatment works. Use of "horror stories" resulting from the previous, less demanding grants program is an invalid comparison. To expect significant and demonstrated water quality improvement except in localized areas is unfair when 70% of the construction underway is not yet complete and when the majority of the programs to be implemented are in planning and design. We must be reasonable in expectation and responsible in analyses of the value of the program.

In November 1979 testimony, Administrator Costle advised Congress that seven to nine years from initiation of planning to initiation of operation of constructed facilities was the experience for an average project in the construction grant program. No better direct indicator of the complexity of the program can be presented. Those projects to be funded with fiscal

year 1981 appropriations on the average began planning in the 1975-76 period. The grantee is depending on continued Congressional commitment (including appropriations) to the program. ASIWPCA recommendations have been submitted to USEPA to streamline and expedite the grant process. Other groups share a concern with the program complexity and have also made recommendations to USEPA. By working together, we can, must and will decrease the time required for local governments to make progress in the program.

Because of the complexity of the process and the long time necessary to develop a project for construction, the program must be managed; however, proper management can be done only so long as the process is predictable and stable. An analysis of USEPA information published in March 1980 indicates that since inception of the PL 92-500 construction grant program 37% of the Step 1 projects have been completed, 58% of the Step 2 projects have been completed, only 30% of the Step 3 projects have been completed, and 25% of the Step 4 projects have been completed (all since combined Step 2 and 3 grants were authorized by the 1977 amendments). Further analysis suggests that Step 1 grants represent 45% of all grants awards since PL 92-500, account for 3.5% of all funds obligated and require on the average 40-45% of the total project time. On the other hand Step 3 grants represent 21% of all grant awards since PL 92-500, account for 90.3% of all funds obligated and require on the average 30-35% of the total project time. More time is required to plan than to construct! The large financial commitments are needed at the construction phase (Step 3). The success in completing the prerequisite Step 1 and Step 2 activities depends, in part, upon the diligence with which the activities are pursued by the grantee, consulting engineer, the state and USEPA. Why hurry up, only to wait for federal funding, particularly in these times of over 12% increases in construction costs and at least 9% interest rates for municipal bonds to finance the local share? The incentives are to those who delay. These factors combine to make the program more uncertain and almost structures a program which defies logical management efforts.

The funding history of the program directly shows the level of uncertainty and its impact on obligations which are necessary prerequisites to project implementation.

Fiscal year	Program Funding Billion $	Funds Obligated Billion $
1973	2.000	1.532
1974	3.000	1.444
1975	4.000	3.616
1976	9.000	4.814
1977	1.480	6.664
1978	4.500	2.301
1979	4.200	3.872
1980	3.400	?
1981	3.700(?)	-

ASIWPCA, the National Governors' Association and others have recommended procedures to provide stability or "predictableness" of funding. These include "year ahead" appropriation, contract authority and other systems to signal the level of future year funds to be available. This information could be used in day to day program management decisions and activities to coordinate the pace and schedule of project development with expected resource levels. In my opinion, the goal should be to manage the program such that when projects are ready and approved to advance into the next step of the grant process, such action takes place in a timely way unencumbered by unavailability of funds.

Reaction among state administrators to the recently announced deferral of obligation of fiscal year 1980 funds is mixed. We support efforts to control inflation and to balance the federal budget recognizing our programs will be impacted. We are concerned with the impact of the deferral on the momentum of the program and with the procedures to be used by EPA in the release of the $400 million for obligation in September 1980.

Some of us are also concerned with what we believe to be inequitable impact of the deferral on state programs. At no time have you been advised by even the fastest moving state that their pgoram will achieve compliance with the Congressionally mandated deadline of July 1, 1983. I find it indeed ironic that a proposal is advanced by EPA which in net effect is borne almost exclusively by those states who most diligently pursued implementation of the Acts requirements. Apparently some states took the Act's requirements too seriously!

ASIWPCA will continue to work with USEPA to improve the construction grants program and to address concerns with the program including quality of projects funded, cost to users of treatment works funded, improved delegation under Section 205(g), eligibility of needs for funding now and in the future, alternative procedures for distribution of available resources, etc. These issues will certainly be discussed over the next few years in considering the future direction of the National Water Quality Program.

WASTEWATER TREATMENT TECHNOLOGY

Another matter of significant concern to Illinois is the federal program for "innovative and alternative (I/A) wastewater treatment processes and techniques." I fully realize the strong Congressional leadership that has been exerted in this aspect of the national water pollution control program. The Clean Water Act of 1977 clearly added new emphasis on I/A technology. As the legislative history shows, the intent was to expand the use of I/A technologies and, further, to force even newer and more effective technologies. At the same time, however, the Congress was equally firm in cautioning the USEPA to carry forward the I/A program so as not to cause delays in the construction grants program. I believe most states share these concerns.

The Construction Grants Task Force of ASIWPCA has begun to evaluate this program. In a recent questionnaire survey, the Task Force members were asked to express their opinions on the use of mandatory set asides for driving the I/A program. Members voted against continuation of the 4% rural set aside by a margin of three to one, and against continuation of the 2% I/A set aside

by a margin of two to one. These results are not merely reflections of excess technical conservatism on the part of the states. Based upon my experiences with state colleagues across the country, I am convinced the reasons for these results lie with much deeper, and more fundamental issues; principally, effective management of the national water pollution control program.

I would characterize the current situation, which generates these state concerns, as follows. What rightfully began as a Congressional concern for more progressive applications of wastewater treatment technology, is rapidly turning into another complex bureaucratic exercise. Review of I/A projects is involving more and more duplication of effort between the states, regions and headquarters of USEPA, which runs countercurrent to the 205(g) delegations to the states which sought to expedite the grant program. Additional manuals, fuidance, and policies are further complicating an already over-burdened, federal construction grants program. In other words, something vital has apparently been lost in the bureaucratic translation of the concerns of Congress.

I respectfully recommend that the Congress carefully consider ways and means of guiding this I/A initiative back into a more productive perspective. I further suggest that a critical first step in this direction involves a more comprehensive focus on the "operative meaning" of wastewater treatment technology. For example, why not focus our attention on the application of "appropriate technology." By this approach, I mean developing improved correlations between specific wastewater treatment technologies and long-term, realistic community capabilities. The Clean Water Act already contains some initial aspects of such an approach. Small communities with populations of 3,500 or less are specifically identified for special emphasis. A combined Step 2 + 3 construction grant is limited to communities of 25,000 or less. The innovative aspect of the current program is especially sensitive to constraints imposed by community complexity and capability. For example, small communities generally need relatively simple, less demanding technologies, such as lagoons, while many larger communities (greater than 100,000) must address significant "sunk costs" in terms of existing treatment hardware. As additional support for this approach, I have included three appendices which present detailed discussions of certain aspects of the I/A program. The appendix which addresses innovative technology is especially noteworthy since it questions the potential for realizing any significant amount of savings from the program. To the contrary, excessive delay and duplication may well have a net negative impact on program resources.

I can assure you that the ASIWPCA Construction Grants Task Force will be actively pursuing means for using wastewater treatment technology more effectively. Along these lines, a few of the concepts we intend to consider include:

- A discretionary, goal-oriented approach to encourage I/A technologies rather than mandatory set asides.

- 90% grants for Step 1 facility planning for small communities.

- Reimbursement of Step 1 application costs for small communities.
- Incentives for state programs, grantees, and consulting engineers to perform high quality project planning.
- Improved technology transfer and information sharing among states.
- Improved program management techniques.

NATIONAL WATER QUALITY PROGRAM

Some of the factors contributing to a resource "squeeze" on the national water quality program were presented earlier in this testimony. Recognizing that public concerns with the cost, efficiency and creditability of government are focused on all levels of government and that these concerns must be addressed, I suggest a program be initiated to reconcile our water quality (or environmental) aspirations as presently stated with the reality of what can be accomplished within likely available resources. We can and should make an investment now to assure a viable future program and to make "further reasonable progress" toward our water quality goals.

The suggested program includes three separate activities: (1) simplify the present program; (2) develop a long-term strategy to define more clearly the realistic goals and objectives toward which states and USEPA can work on a multi-year basis; and (3) refine the Clean Water Act to reflect a realistic and more efficient program.

The national water quality program should be examined in detail by those administering and impacted by the program to question the existing processes, requirements, policies. For example:

1. What changes can be made to improve program management, consistency, and creditability?
2. What changes can be made to reduce the cost of program administration?
3. What changes can be made to ease the cost and burden of compliance and to eliminate unneeded or counterproductive requirements?
4. What changes can be made to simplify administration and expedite decisions?

No change to the basic goals and objectives of the Clean Water Act is advocated -- only the processes, procedures, requirements, methods and timing established by the law, USEPA regulations or USEPA policy.

ASIWPCA used this type of approach in developing its "Recommendations for an Improved National Water Quality Program" published in May 1979. Other groups have followed similar procedures in recommending changes to USEPA. Congressman Minetta took a somewhat different approach in requesting

that USEPA reduce construction grant time from start of planning to completion of construction by 25%.

Since 1972 we have acquired sufficient experience to know that implementation of the Clean Water Act is not the most cost effective method available to accomplish the objectives. From this knowledge refinement of the program should be possible with proper commitment by all involved in carrying out the mandates. The proposed activity is a normal management program review process to optimize, simplify, cut cost and eliminate the frills which do not effectively contribute to the objectives. Many recommendations resulting from this activity, in my opinion, will not necessitate changes to the law but rather will indicate changes to USEPA regulations, policies, guidance and operating methods.

I find interesting the fact that almost a year after the ASIWPCA recommendations were made, few recommendations have been implemented. The delay does not appear to be caused by disagreement with the substance of the recommendations but rather with institutional inertia and lengthy processes which are followed to make changes.

The second activity to develop a multi-year national water quality program strategy is currently being pursued. States and other groups are involved and are working with USEPA in the development of this strategy. The USEPA initiative should be actively supported; the present schedule must be maintained. Only with agreement on realistic goals and objectives to be accomplished over time can any needed refinements to the law be proposed for Congressional consideration.

Both suggested activities should be moving forward now and simultaneously so that appropriate recommendations for changes to the Clean Water Act can be developed, with justification, in time for Congressional action in the 97th Congress. The Congress should soon begin the process of oversight and program review so that problems are identified and solutions proposed for resolution. Hopefully, with this approach, expedited resolution of the issues needed to improve program management and effectiveness can be achieved.

OTHER ENVIRONMENTAL PROGRAMS

The funding level for Section 105 state program grants under the Clean Air Act, an increase for fiscal year 1981 of 5.9% over the fiscal year 1980 level, is expected to be adequate. Illinois must resolve State Implementation Plan (SIP) approval conditions; expand and upgrade our ambient air quality monitoring system; adopt added SIP provisions required by the Clean Air Act and develop internal procedures for implementing expanded delegations from USEPA. Fiscal year 1981 will be another year of intense activity to redirect our program. Resource requirements will remain at a relatively high level.

The funding recommended by USEPA for carrying out state responsibilities under the Safe Drinking Water Act, both the public water system and underground injection control programs, are appropriate. Illinois participates

in and supports both programs. The public water system program has undergone program development and "hold the line" funding levels are adequate to sustain the program momentum in fiscal year 1981. The underground injection program has been slow to evolve and is in the early development stage, necessitating higher funding levels necessary to establish a viable program in fiscal year 1981.

The solid waste management grant funds requested have decreased in accordance with the promised "phase down" of this program from previous years' levels. Illinois supports this recommendation by USEPA and urges Congress to appropriate the requested $8 million nationally.

The hazardous waste management grant program is a developing, extremely complex program. Illinois supports the requested increase in funding of 61%, to a national level of $30 million for fiscal year 1981. Proper management of hazardous waste is a very important program in our state -- important to our environment, to our public health and to our diverse industrial economy. We simply must develop and effectively implement regulatory control programs for these materials. The hazardous waste program is the highest priority at IEPA and in our efforts we have received strong support from Governor Thompson as well as from the Illinois General Assembly. Far reaching changes for our program were enacted into law in 1980 and additional legislation has been proposed for consideration this session of our General Assembly. Federal financial assistance has been critical to the rate of development of our programs and we request your continued support in this area.

Statement by Walter A. Lyon, Representing the Pennsylvania Department of Environmental Resources

Mr. Chairman and Members of the Subcommittee,

My name is Walter A. Lyon. I am Deputy Secretary for Planning for the Pennsylvania Department of Environmental Resources, and also serve as a member of the Board of the Association of State and Interstate Water Pollution Control Administrators. I appreciate the opportunity to appear before you today to address the appropriation under Section 106 of the Federal Clean Water Act.

My purpose before you today is to underscore the importance of no reduction below the $48.7 million proposed by the President in his Budget for this appropriation to states to carry out the purposes of the Federal Clean Water Act. Inflation has reduced the purchasing power of the 48.7 million to 29.5 in 1972 dollars. Additional assignments imposed by the 1977 amendments to the Act have imposed an additional burden of $13.4 million at a time when state operating costs have risen. This has resulted in 28,000 permits that are now backlogged, either in the form of applications for permits which have never been issued under the Act, and permits which have expired and must be reissued.

Thirty-three (33) National Pollutant Discharge Elimination System (NPDES) states (states that have been delegated by EPA the authority to issue such permits) have on the order of 13,000 expired permits and EPA has 5,000 expired permits which still need to be issued by them for non-NPDES states. Assuming 5 work days required for each permit, we conservatively estimate that the cost of merely catching up with the backlog of expired permits over a 3 year period will be $4.63 million per year for three years. 11,000 of the 75,000 permits that are outstanding will expire during the 1981 fiscal year. The cost of processing them will be on the order of $8.2 million. The additional 2,000 federal facilities which are now required to be issued permits represent a cost of $1.5 million. In addition, the Act now requires the inclusion of best available technology or in the absence of guidelines for them best engineering judgement in connection with toxics. This will be very detailed work and represents a cost of $11.25 million dollars for 5,000 primary industry permits. Municipal permits will also need to have pretreatment compliance schedules inserted which will require an additional 2 days work for an estimated 2,000 permits an additional cost of $800,000. In addition, about 15,000 minor permits have been applied for and never issued. If we try to reduce this backlog over the next 3 years, it will cost about $3.75 million each year.

We can expect 6,000 applications for new permits during the coming year and they will cost $4.5 million to process.

In summary, if the NPDES program is to catch up with the backlog over the next three years, in order to put the program on a current basis by fiscal year 1984 will require on the order of $34.4 of combined federal and state funding. The federal share has been about 27% or $9.31 million (of the $34.4 million). This is considerably more than the 12% of 106 funds or $5.8 million (of $48.7 million) which is available for this purpose in the present level of funding of the NPDES program. These costs relate only to that part of the NPDES program which deals with permit processing. The program has other requirements including compliance monitoring in the field, review of monitoring reports which are submitted by each of the 75-80,000 permittees, and enforcement.

But NPDES is not all that is required to be done under the 106 program. Other program elements are: Dredge and fill permits, other state permit programs, municipal plant operations and maintenance, training, (Non-Cleveland Wright)

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Construction Grants Management, Facilities Planning, water quality standards and nonpoint source implementation. All of these program elements are mandated by the law and states have generally increased their matching of federal appropriations to carry out these mandates. We focus today on the NPDES program requirements because of their importance and relevance to the nation's economic condition.

Recent studies of attitudes by businessmen concerning plant expansions and new plant locations have focused not so much on the issue of the level of environmental requirements, but on the businessmen's greatest enemy--uncertainty. Investment decisions are based upon a given set of circumstances at a particular point-in-time.. These circumstances and their relationships change over time and not always in predictable directions. This is especially true in our current economic situation. Consequently, any delays in implementing an investment decision substantially increases the degree of uncertainty. An NPDES program that is not functioning smoothly clearly delays investment decisions.

Delayed decisions concerning NPDES permits also impose a heavy inflationary burden. Inflation is a direct and easily recognizable cost which results from delay in implementing investment decisions. At our current inflation rate, each month's delay adds between $15 to 20,000 to the cost of a $1 million construction project.

These delays also impose costs on others in the local economy which would be affected by the project. Local suppliers and support services will not receive the benefit of increased sales and business activity as a result of the project. These regional multiplier effects can be as much as two to three times the payroll of the industry in question.

Finally, opportunity costs are imposed by delays. They are those costs associated with not being able to employ resources in an alternative manner. To the businessman, these costs are most readily seen as options on land, commitment fees to banks for financing, etc. These are costs the businessman must pay in order to keep resources liquid and at his disposal. Delays increase these costs.

In summary then, the success or failure by EPA and the states to jointly carry out the NPDES program can act as a valve on a considerable amount of economic activity in this nation. Failure is likely to stifle improved productivity and technical innovation, not to speak of delayed compliance with important environmental requirements, which are after all, the goal of the Federal Clean Water Act. I underscore these matters in order to highlight the impact that inadequate funding of the 106 Program can have on the nation's economy.

TESTIMONY OF THE

MINNESOTA POLLUTION CONTROL AGENCY

BEFORE THE

SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

PRESENT BY

TERRY HOFFMAN
EXECUTIVE DIRECTOR
MINNESOTA POLLUTION CONTROL AGENCY

The State of Minnesota Pollution Control Agency requests that the following testimony be placed in the Hearing Record of the United States House of Representatives' Committee on Appropriations May 6-8, 1980 Hearings regarding the U. S. Environmental Protection Agency's (EPA) Fiscal Year 1981 budget. Through this testimony, the State of Minnesota Pollution Control Agency (MPCA) seeks the opportunity to present a strong position in support of adequate funding to allow state and federal agencies to control environmental pollution through such means as a continuation of strong National Pollutant Discharge Elimination System (NPDES) permit, toxics control, pretreatment, water quality surveillance and construction grants programs. In addition, as a great part of this entire effort is directed towards publicly owned treatment works (POTW), the MPCA strongly supports the President's proposed Construction Grants Program appropriation of $3.7 Billion.

CONSTRUCTION GRANTS

The State of Minnesota has made a commitment to the Construction Grants Program, and through its Pollution Control Agency, has accepted delegation of the responsibility for operating and managing the Construction Grants Program from the EPA. The Construction Grants Program is an important component of Minnesota's overall water quality environmental effort.

Water resources make a large contribution to the excellent quality of life in Minnesota, and a thriving tourist industry centered on fishing and water recreation testifies to that. But, the same high quality of life which exists, in part from abundant water resources, also places many pressures on the natural water quality balance in the form of industrial, agricultural and especially, municipal wastes.

Through the Construction Grants Program, hundreds of Minnesota communities have been and are being afforded the means for constructing municipal wastewater treatment plants which contribute to the maintenance and improvement of Minnesota's water resources.

Several of the Construction Grants funded projects have brought dramatic environmental improvement, and they should be considered as noteworthy tributes to the program. Three (3) such success projects are described below:

1. Lake Minnetonka is located in the Twin Cities Metropolitan Area and it is Minnesota's seventeenth largest and one of its most heavily used lakes. As the population of the communities surrounding the lake increased, the lake's water quality began to degrade. By the early 1960's, the lake had accumulated high concentrations of phosphorus and nitrogen which caused debilitating and unpleasant algae growth. This degredation was directly attributable to faulty septic tanks and the obsolescence of seven (7) municipal wastewater treatment plants. Through the Construction Grants Program a centralized facility was constructed, and by 1974 four (4) of the seven (7) obsolete treatment plants were phased out. Two (2) additional plants are being decommissioned in 1980 and the remaining plant phase-out is a current grant planning project. As a result of these projects, wastewater was diverted from the lake and algae and phosphorus concentrations were reduced by 70%. Today Lake Minnetonka is much cleaner and more attractive for swimming, general water recreation and fishing than it was a decade ago. The lake is recognized as one of the better largemouth bass fishing lakes in its region.

2. The Western Lake Superior Sanitary District was formed in 1971 to coordinate a solution to a significant pollution problem in the St. Louis River and St. Louis Bay of Lake Superior. In 1978, a central wastewater treatment plant was constructed through the assistance of the Construction Grants Program to serve Duluth and surrounding communities. Within one (1) year of operation, the major water quality measurement parameters had dramatically improved with fecal coliform being reduced as much as 90% during certain periods. Continual improvement in the River and Bay is anticipated. Since the new facility began operation, fishing in the area has greatly improved and the Duluth area is now considered to be one of the best walleye areas in the state.

3. The City of Detroit Lakes, in Northeastern Minnesota, completed construction of a major wastewater treatment facility in 1977. Until that time, the city continuously discharged treated wastewater to a local chain of lakes. The wastewater treatment facility now utilizes alternative technology and does not directly discharge to the chain of lakes during the recreational season. This effort has shown the compatibility of municipalities and the preservation of highly valued recreational water is possible.

In spite of these highly successful projects and hundreds of other wastewater treatment projects which are contributing to water quality improvement, there yet remains a need for the continuation of the Construction Grants Program at a high level of effort. Currently Minnesota has 442 projects on its Needs List for Municipal Wastewater Treatment Facilities and 30 more communities are anticipated to be added to the 1981 list. The needs vary from community to community in terms of priority, cost, and complexity. Some communities need only to upgrade old plants, some need total replacement, some

need major expansion, and in 10 communities wastewater treatment is non-existent. Metropolitan Minneapolis/St. Paul, with a population of approximately 2,000,000, presents a costly and complex situation for effective wastewater treatment. The magnitude and scope of these needs vary, but all communities share the common factor of being unable to finance these projects without federal assistance.

Municipal wastewater treatment needs have been well determined, and the need for continued federal assistance has also been well justified. The trend in federal funding is, however, decreasing. In 1978, the Congressional appropriation was $4.5 Billion for the Construction Grants Program which resulted in an allocation to Minnesota of $84.1 Million. The 1979 appropriation of $4.2 Billion ($77.4 Million allocated to Minnesota) was a small decrease. The 1980 $3.4 Billion appropriation, however, represented a significant reduction in federal support. Minnesota's allocation for 1980 was only $62.7 Million, which was over $20 Million less than in 1978.

Compared to Fiscal Years 1978 and 1979, 1980 is a lean year which has recently been made even leaner by proposals of funding deferral. As of April 1, 1980, Minnesota had $43,482,923 in projects which were pending EPA approval prior to awarding the grants. However, Minnesota has only $18,877,567 in 1979 funds remaining. Before any proposals of funding deferrals, the MPCA assumed that the projects submitted to EPA would automatically be funded by the 1980 allocation. But, with the 1980 funding deferral, approximately $25,000,000 in projects which are essentially awaiting only formal approval by EPA, will be denied funding for at least six (6) months. The net result of both the decreasing trend in annual appropriations and the proposed deferral, is a real concern as to the viability of the program in addition to problems in applying good management to the program when funding remains uncertain.

Minnesota strongly urges this Committee to support the President's proposed Fiscal Year 1981 Construction Grants Budget of $3.7 Billion. We feel that it is absolutely necessary to keep the momentum of the program at a level which is consistent with the President's long-term commitment of $45 Billion for construction grants projects over the 10 year period from 1978 through 1987. Based on 1979 dollars, Minnesota estimates its wastewater treatment needs to be $1.334 Billion ($1.555 Billion if combined sewers are included) for the next two (2) decades. Maintaining the momentum of this program is necessary if we are going to have the means to address the current needs and meet the commitments and responsibility to our communities and the environment.

On a practical basis, satisfactory operation of the program depends to a great extent upon stability of the funding level. The requirements of the program and the nature of construction grants projects require long lead times and much planning. Long range program planning is necessary to maintain a balance of project types such that there will be funding available for the Step 3 construction phase within a reasonable period following completion of the Step 1 and Step 2 planning and development phases. In 1978/1979 Minnesota established its project priority list with a large number of Step 1 project planning grants with the rationale that the annual appropriations for the Construction Grants Program would be in the vicinity of the 1977 Clean Water Act annual authorization of $4.5 Billion. However, if the trend in annual appropriations continues to decline, it is obvious that many Step 1 grants and Step 2 grants will not lead to actual construction in Step 3 because of inadequate funding. In addition, the Step 1 and Step 2 planning and development phases of

a project can be valid for only a given period before they become obsolete and must be reworked before a Step 3 construction grant can be awarded. The states are caught in a project planning dilemma, for the alternative of restricting Step 1s might mean that an inadequate number of projects would be ready to advance into Step 3 construction when appropriations are increased.

In the process of assuming delegation of the Construction Grants Program from the EPA, Minnesota had to increase its staff to meet the delegation requirements of program management and operation. Since the funding available for program management and operation is 2% of the state's allocation of the federal appropriation, any cut in the appropriation must affect the resources available for program management. Although personnel can be decreased quickly if funding is inadequate, a competent and efficient staff of grants administrators and review engineers cannot be increased quickly in the short term. The states depend upon stability in annual funding in terms of providing for project planning and effective program management, and ultimately for an improved environment.

PRETREATMENT

Another aspect of the municipal picture that needs to be strongly pursued is pretreatment. This is an important part of the ongoing national effort to control water pollution. The pretreatment program, which has been integrated into the HPDES permit program, has goals which are clearly in harmony with the growing concern and emphasis over the proper control and disposal of toxic and hazardous wastes. POTWs are primarily designed to treat domestic wastewaters and such treatment processes will not adequately treat and may be adversely impacted by toxic industrial wastewaters.

To pursue pretreatment goals, the EPA promulgated and published administrative rules on June 26, 1978. Under these rules, Minnesota and other states with NPDES authority are required to develop and/or obtain the necessary legal authority, procedures, and funding to administer a program. Minnesota has developed its program and was the first state in the nation to have its program approved.

The EPA pretreatment regulations encourage participation by the POTWs and local governments themselves in the pretreatment effort. In Minnesota's program, the approach has been taken to require all POTWs with an industrial pretreatment need to develop a local program and obtain pretreatment regulatory authority. The MPCA feels that POTWs should be directly involved in a program which directly affects their industries and the operation of their treatment facility. In addition, from an administrative standpoint, the MPCA feels that this approach will be the most efficient because the work will be done in part by local officials who are most familiar with their own particular facilities and problems. Under this scheme, the MPCA's role will be primarily that of providing technical assistance and enforcement backups as needed.

In the MPCA's development of its pretreatment program, an important objective was to smoothly integrate the pretreatment effort into existing programs using existing staff resources. This meant maximizing efficiency as well as examining priorities and staffing of existing programs. The MPCA feels that its pretreatment program is workable within the confines of the EPA rules, and provides for a bare essential staff commitment necessary to carry out this important aspect

of the toxics control program. No further reductions in funding can be afforded if a viable program is to be maintained.

TOXICS

Another important part of the MPCA's water pollution control effort, in addition to being an endeavor of high national priority, is that of the control of toxic pollutants from industrial facilities that discharge directly to our waterways. The MPCA for years has been responsive to toxics pollution through its water quality monitoring and standards setting program, development of rules to control Polychlorinated Biphenyls, case by case response to spills, and regulation of specific toxic discharges through NPDES permits. These efforts, however, in the past have largely concentrated on the most critical problems. With the increasing general awareness and emphasis on toxic pollution in general, the MPCA has recently developed a Water Quality Toxics strategy that coordinates the efforts of staff in different work areas involved with toxics. While not requiring additional staff, the toxics strategy does provide an organized effort towards investigating and assessing potential sources of toxics pollution and taking the necessary follow-up action.

There are obviously a host of complex technical issues in the toxics area for many of which there is little information and few answers. The MPCA, however, has refined its toxics control effort to the point that with a minimal but organized staff, we feel we can respond to immediate problems yet still address those problems of a more long-term nature. The toxics strategy is essential for the state pollution control agency's efforts. If we are to succeed, the level of funding for the toxics effort cannot be reduced.

GROUNDWATER

As briefly identified above, MPCA efforts are directed towards protection of the state's groundwater resources so that beneficial uses are not precluded or impaired. The MPCA needs to continue to expand its activities on groundwater protection consistent with requirements in federal law such as the Safe Drinking Water Act, Resource Conservation and Recovery Act, and the Clean Water Act.

Domestic, commercial and industrial activities all have the potential to adversely impact the state's groundwater. Adequate funding is necessary to look at the following areas:

1. Development of adequate data on the hydrogeologic system in Minnesota,

2. Development of standards and policies on groundwater quality and protection, and

3. Preservation of groundwater quality in the karst terrain of southeastern Minnesota, which because of its particular geology presents a tremendous challenge and very difficult questions.

In order to resolve the type of needs identified above, the staff should develop a strong, long-term strategy that will allow us to deal with the needed areas in a comprehensive and timely manner. To fail to do so now would only pass problems onto future generations. To deal with these problems at a later date would likely require a greater effort with increased detrimental effects during the interim period.

SPILLS

An MPCA activity impacting both ground and surface water quality protection relates to the MPCA's program of response to spill situations in the state. As a result of this active effort, the MPCA is assured that the threat of spills to the environment, and health and welfare of the citizens of the state has been mitigated to a reasonable extent. It is extremely important that MPCA effort in this area be maintained in the future, given the growing number of spill situations that arise. The citizens of the State of Minnesota expect the MPCA to be strong in this area and it is very critical that the MPCA have the staff and the resources needed to both prevent spills from occurring in the first place and to mitigate their impacts once they occur.

LAKE RESTORATION

As the Committee may know, freshwater lakes are an integral part of the billion dollar tourism industry in the State of Minnesota. As such, the MPCA recognizes the need to protect and restore the quality of Minnesota's lakes. Since 1976, the State of Minnesota has received seven (7) lake restoration grants under Section 314 totalling some $2.96 million. In addition, the State of Minnesota anticipates submitting six (6) additional grant applications to the EPA totalling some $2.32 million by June 1, 1980. It is evident that the interest and needs in the Section 314 program are increasing in Minnesota. It is our hope that the appropriations for this important Section of the Clean Water Act reflect the increased interest. Therefore, the MPCA recommends that $15 million be appropriated for Section 314 in Fiscal Year 81.

ACID RAIN

Acid rain, while well documented as a serious environmental problem in other parts of the world and U.S., has only recently come to the forefront in this state. The problem of acid rain has generated a great deal of concern and discussion in both the public sector and scientific community.

In Minnesota, a recent EPA study has shown that acid rain already may be causing damage in the northeastern part of the state. The high quality lakes of the Boundary Waters Canoe Area and Voyageurs National Park are particularly susceptible to the effects of acid rain due to the lack of natural buffering materials in the soils and waters of that area.

Northeastern Minnesota may be most sensitive to acid rain but the problem of acid rain is statewide. The acidification and demineralization of soil with its resultant loss of fertility may ultimately reduce the productivity of our agricultural and forest lands throughout the state.

The MPCA has recognized the need for state concern and action regarding acid rain. Coordination of diverse research groups, industry, and the federal government with state activities is essential for an efficient, effective program. On November 27, 1979, the MPCA unanimously approved a resolution and staff program which called for:

1) A detailed identification of information needs,

2) Increased monitoring,

3) Establishment of a task force, chaired by the MPCA to coordinate state agency involvement, and

4) Maintenance of open communications with researchers, federal agencies and legislative committees.

Since that resolution was passed, the MPCA has adopted an additional resolution calling for the commitment of state and federal funds to investigate and research the acid rain problem.

As a result of the adoption of the November 27, 1979 MPCA resolution a State Acid Rain Task Force has been established. Present members of the task force are the MPCA acting as chair, Minnesota Department of Natural Resources, Minnesota Department of Health, Minnesota Department of Agriculture, Minnesota Department of Transportation, State Planning Agency, Environmental Quality Board, Power Plant Siting Team, Energy Agency and Minnesota Water Planning Board. The task force has developed the following objectives:

1) Identify and coordinate statewide research and information needs,

2) Identify existing instate information and data sources,

3) Coordinate the monitoring programs of various state agencies to maximize the value and quality of data obtained,

4) Establish realistic goals for the mitigation of the problem and determine costs, and

5) Interact with adjacent state and federal agencies.

The Minnesota Legislature has responded to the public concern and MPCA resolution by passing legislation which provided $100,000 funding for a limited acid rain program.

Minnesota will use its task force and legislation to begin investigating the acid rain problem within its borders but we need national help. Indeed the problem of acid rain is statewide, national and even international in scope. Airborne particulates can travel great distances and it is believed some of the pollutants ending up in Minnesota lakes came from as far away as the Ohio River Valley. One of the greatest research needs in Minnesota is to determine the problem caused by instate local sources and how much is caused by long distance transport from outside sources. The effectiveness of any state control measures placed on Minnesota sources in dealing with the acid rain problem relies on an answer to that question. We need EPA's national role and support to answer

this and other research needs concerning acid rain. State action alone cannot solve this national-international problem.

NON-POINT SOURCES

In addition to the point source pollution program activities, another important part of the MPCA's water pollution control effort concerns the implementation of abatement measures to control non-point source pollution from agricultural and urban runoff. With the completion of the initial Water Quality Management (WQM) Plan for Minnesota, there are continuing needs that require additional resources, particularly federal financial assistance, to resolve non-point source problems. In order to enhance the WQM Plan, additional federal financial and technical assistance will have to be allocated along with the State and local money and resources. As an example, the Rural Clean Water Program under Section 208 (j) of the Clean Water Act, has yet to allocate an adequate level of funding. For Fiscal Year 1980, $50 million was made available nationally, but in 1981 only $20 million is proposed under the President's budget request. However, the agricultural pollution needs compare equally if not greater than those under the point source clean-up program.

Without the stability and continuation of adequate levels of funding by the EPA and U.S. Department of Agriculture for implementation, much of the State's creditability with the public will have been undercut and resolution of the non-point source problem hindered.

SUMMARY

The first three (3) programs covered in this statement -- construction grants, pretreatment, and toxics -- are in great part implemented through the NPDES program from both the permit issuance and enforcement standpoints. As was discussed, the construction grants program needs an appropriation consistent with previous years in order for POTWs to be able to achieve compliance within the statutory time and to allow for a continuation of adequate MPCA staffing levels to administer this program. The same can be said for the other programs that have been discussed. Pretreatment, in addition to being dependent on the success of the construction grants program, requires Section 106 funding of the Clean Water Act of 1977 for the necessary administration of the program. The pretreatment and toxics, two (2) closely related programs, are and continue to be high state and national priorities. At the MPCA, the toxics and pretreatment programs have been integrated into existing program efforts. This integration has by its very nature not allowed any excesses to exist in the staff complement. Therefore, reductions in Section 106 funding would result in a cut-back in staff activities in these areas.

The NPDES activities including water quality surveillance impact the construction grants, pretreatment and toxic activities. The establishment of standards, processing and enforcement of NPDES permits impact the quality of the other water quality related pollution control programs. Any reductions in funding whether they be in the construction grants, Section 106 or other areas can and very will will have a snowball effect on the state's and nation's pollution control efforts. The MPCA is already at resource levels which cannot be further reduced without having substantial adverse effects on our programs. The MPCA strongly supports the President's Section 106 budget request of $48.7 Million as a minimum amount for this program realizing that because of inflation this does in fact reflect a reduction in real dollars from 1980. The MPCA strongly encourages Congress to appropriate an amount of Section 106 funding that reflects a real dollar amount equal to that appropriated for 1980. The significance of the acid rain situation cannot be over emphasized. This situation must be addressed. The quality of life is directly impacted by this serious environmental problem. The state cannot act alone in this effort. Assistance from the national level must be made available so that the problem can be properly evaluated, solutions developed and the problem solved.

Thank you for the opportunity to appear before the Committee.

Statement presented by Paul Taurasi, Representing the New England Interstate Water Pollution Control Commission

Mr. Chairman - Members of the Subcommittee,

I am Alfred E. Peloquin, Executive Secretary of the New England Interstate Water Pollution Control Commission, comprised of the six New England States and New York State. I am presenting this statement on behalf of our Compact-Member States who support the views expressed by the Association of State and Interstate Water Pollution Control Administrators. Our States feel that the water pollution control program has consistently been underfunded since enactment of Public Law 92-500 in 1972. However, they do recognize the current economic problems and the need for budgetary constraints and a balanced budget in efforts to control inflation. For these reasons, our states generally support the level of funding set forth in EPA's FY81 March budget submission for Construction Grants, Sections 208 Areawide Planning and 314 Clean Lakes recognizing that these reflect reductions in available funds for the water pollution control program. Although we are aware that the Association of State and Interstate Water Pollution Control Administrators is supporting EPA's recommended $48.7 million for Section 106 program grants, our Compact-Member States suggest that consideration be given to increasing this appropriation to a $50 million level. This is less than a 10 percent increase over the FY80 appropriation which, in turn, reflected a decrease from the FY79 level, a decrease compounded by inflation.

> A moderate increase in Section 106 funds could well make the difference between maintaining "status quo" staffing and reducing state program staff during FY81.

Because of step increases in salaries and the state level of appropriations, some or our states are now analyzing the potential of staff reductions.

My colleague, Mr. Mauzy of Illinois, has detailed the Construction Grants process quite thoroughly in his testimony and has indicated the need for continued appropriations for that program. Relating this need to our Compact States, the 1978 Needs Survey shows needs totaling $23.2 billion in Categories I through V for the six New England States and New York State. All of our states have a backlog of project needs. For example, Massachusetts, right now, could use $100 million in construction grants funds and New Hampshire could use $60 million. A 1979 EPA analysis indicated that an average of 25.7 years would be required to satisfy the needs. This analysis assumed a $4.2 billion annual appropriation and allocation on the basis of the existing formula.

Our Compact-Member States have established an excellent record of complying with the requirements of the Clean Water Act and approximately 50 percent of the major stream miles of our waters are now at the fishable-swimmable level. As of April 1, 1980, all of our states have obligated all funds allocated to them for fiscal years 1973 through 1978. However, New York and Rhode Island have recovered a small percentage of these funds which are now available for reobligation to other projects. For fiscal year 1979 funds, the level of obligation ranges from 3 percent for New York to 97 percent for New Hampshire. The state of New Hampshire has also obligated 45 percent of its fiscal year 1980 funds. Because of this progress,

> Our States are now being penalized by EPA's deferral in releasing FY80 funds. This deferral action will bring the water pollution abatement program, in at least the six New England States, to a grinding halt within the next three months.

Of our states, only Massachusetts has a project under a Federal consent decree. Considering EPA's proposed policy to provide priority funding to projects,

> It is not unreasonable to anticipate that all our other states may be without construction grants funds from 6 to 18 months after their FY79 funds are exhausted.

Our states are unanimous in the view that those states which have been progressing in complying with the provisions of the Act should not be discriminated against but should be accommodated to allow them to proceed, on an equitable basis, when ready to do so.

The Committee should be aware that the construction of treatment facilities can take from 4 to 11 years. The Step 1 Facilities Plan, which is the preliminary planning for a project, can take from 2 to 4 years and the Step 2, which is the preparation of the plans and specifications from which construction occurs, takes 1 to 3 years. It is therefore evident that a considerable amount of preparation time is required before a project is ready for construction. Projects in this preparation stage are usually referred to as "projects in the pipeline." A steady flow of such projects is required to provide program stability and continuity. Projects in the planning and developmental stages cannot be initiated without having funds in hand.

> The deferral action and EPA's proposed strategy for phased release of FY80 and 81 funds could dry up the pipeline completely and subsequently create a substantial lag in obligations after funds are released.

A recent New York State study has indicated that a greater time lag than realized may occur between the obligation of funds for a project and the actual cash outlay pertaining to that specific obligation. New York's analysis has shown that obligations for Step 3 projects for which grants were made in September 1977 resulted in a mere 8 percent cash outlay 15 months after the date of obligation. The pattern appears the same for later grants.

> A greater study of the cash outlay pattern would seem justified in arriving at a rational decision on appropriations.

Further, trade and professional publications are now indicating that, because of the instability of the program, some manufacturers of water pollution control equipment are phasing out their water pollution control lines. This action will, without a doubt, reduce competition in the industry and lead to higher prices for available equipment.

> The cost of water pollution control projects can be reduced by eliminating some requirements of the program and streamlining others.

The Association of State and Interstate Water Pollution Control Administrators has developed in excess of 100 recommendations to this end and is still working with the Environmental Protection Agency in efforts to have the Agency implement at least the major recommendations.

Historically, construction grants obligations have occurred on a peak and valley cycle.

> The release of many projects to bid during a peak cycle has always resulted in much higher costs because of an abundance of work for a limited number of qualified contractors.

Allowing an even, stable release of projects to bid throughout the year would spread the work out more evenly and result in lower overall bids. Peaks result from delays generated by regulations and the review process and by the late appropriation of funds by Congress. When one considers that the $1 billion made available in FY77 was appropriated nine months into the fiscal year and the FY78 appropriation six months into the fiscal year, the statutory 24-month obligation period in these instances was reduced to 15 and 18 months respectively. No commitment on projects could be made until the funds were allocated to the states, therefore, late appropriations have contributed to bidding peaks.

The program in some of our States has progressed to where the largest of projects are now reaching the construction stage. In many instances, available Federal funds are inadequate to make a single grant for an entire total project. Therefore, these projects must be segmented and constructed in phases. Unfortunately, phasing also increases costs. Rhode Island has reported that its Newport project, if built as a total project, is estimated to cost $15 million. Phasing construction will increase the cost of that project to $22 million. Other states, such as Vermont, Maine and New Hampshire, still have many small projects to undertake and can use the maximum amount of funds made available to them.

Reduced funding for construction grants will defer the achievement of the goals and objectives of the Act beyond the average 25.7 years mentioned earlier. Such action will also allow continued pollution and environmental damage as well as instances of adverse impacts on the public health.

- The adverse impact of a reduced level of appropriations combined with EPA's deferral of FY80 funds will, in some cases, include the closing down of construction projects needing grant increases for completion,
- Possible law suits due to termination of contracts,
- Increased costs due to restarting of construction operations,
- Limiting project scopes to the design of treatment plants only with the project scope being later increased for the future design of the conveyance system and the outfall as sufficient funds become available, and
- A total deferral of projects.

Reduced allocations also have an adverse impact on state assumption of management authority for the Construction Grants Program. All of our Compact-Member States, except Rhode Island, have negotiated delegation agreements with the Environmental Protection Agency under Section 205(g) of the Clean Water Act. Rhode Island strongly feels that construction grants funds should not be diverted to other uses and that funds, as presently allocated, are not being applied to the elimination of our more severe pollution problems. The delegation agreements require a designated level of staffing. Since the State Management Assistance Grants are tied to the Section 201 Appropriation, decreased appropriations result in funding insufficient to support the required or even the available staff. Some states are presently studying the return of delegated responsibilities to the EPA. The FY80 reductions in appropriations, combined with current deliberations, are being interpreted by State legislatures as an erosion of Congressional support for the water pollution abatement program.

One of our states is presently considering legislation which will scale down the level of state appropriations by amounts consistant with the level of reduction in available Federal funds.

For those states where 205(g) funds are inadequate, these funds are being supplemented from the program grants under Section 106 of the Clean Water Act. However, the currently proposed level of funding for Section 106 will require that some states reassess their ability to perform all functions presently covered under the 106 program.

A recent Section 106 Needs Assessment Study conducted by the EPA identified 13 problem/program activities carried out with these funds. The study determined that for FY81 only $6.4 million in Section 106 funds would be required by the New England States alone and $3.7 million by New York State to comply with the requirements of the Act. Under the present allocation formula, Region I has received approximately $3.7 million and New York State $2.7 million from the FY80 appropriation of $48.7 million.

Using the current allocation formula, an appropriation of $84.2 million would be required to provide our Compact States with the $10 million needed for FY81.

It should be emphasized that not all states, and no interstate agency, have construction grants delegation under Section 205(g). These entities must rely solely on 106 grant assistance for their respective program activities and cuts in appropriations have a strong adverse impact on their respective programs. Consequently, consideration of a slight increase in appropriation to $50 million would not seem unreasonable nor inflationary.

The Interstate Sanitation Commission has prepared a paper entitled The Need for Section 106 Full Funding which is an excellent dissertation on the 106 program. I am sure the Committee will find it of value in its deliberations, therefore I am taking the liberty of including it as an attachment to this statement.

Mrs. BOGGS. Thank you very much.

I thank all of you for your splendid testimony and the very good backup material that you have given us in your complete statements. We do appreciate it very much.

Would the Association of State and Interstate Water Pollution Control Administrators favor a $5 million reduction in the Clean Lakes Program with a corresponding increase in the Section 106 program?

In other words, which areas yield a greater water pollution control for the dollar expended?

Mr. JETER. I think I will speak for myself on that question.

I think the State of South Carolina, and I believe most States would join in this, feel like that the money can best be spent in the 106 program because that basically covers a lot of the aspects of other funding programs so, to answer your question, if we had the option of having it in Clean Water or in 106, we would prefer 106, understanding that Clean Lakes is a very important program.

If it came to that, I think we would support the 106.

Mr. MAUZY. Illinois would view that similarly.

Mr. LYON. Pennsylvania certainly would share.

Mr. BREIMHURST. From Minnesota, I would like to make a brief comment.

Minnesota has been one of the States that has made major use of this Section 314 grant funding. We in our full statement received seven restoration grants totalling some $2.96 million. We anticipate an additional 6 grant applications to the EPA totalling some $2.32 million in 1980.

We are very concerned about the quality of our lakes, and we would like to continue the program at some level of funding. We recognize the need for 106, and we would suggest that possibly from a Minnesota perspective we could pick up some of the 106 problems.

We would like to continue the lake restoration program.

Thank you.

Mrs. BOGGS. Of course, I share your interest in Minnesota's waters, because I get it in my district in New Orleans eventually.

Mr. TAURASI. I think we generally support if we have to make that hard choice, we would rather see the money in 106.

Mrs. BOGGS. I think that perhaps you should hear some of the language in our report in the supplemental.

We had a resolution disapproving the deferral. A resolution disapproving this deferral has not been introduced and referred to the Committee on Appropriations. Therefore, the committee is not taking a direct action on the proposed deferral at this time.

The committee, however, is concerned that the effect of the deferral would cause certain State programs serious disruption. Therefore, it strongly urges the Administration to release $400 million by August 1, 1980 in an effort to lessen any negative programmatic impact.

It is noted that earlier construction grant outlay estimates of the agency were often overstated. Although improvements have been made, the committee believes a one-month earlier release of deferred funds would have a minimal 1981 outlay impact.

Would you like to comment on that at all?

Mr. TAURASI. We would welcome funds at an earlier time. The point I made in my talk still applies. If EPA is allowed to go with the thinking they are going with now, Federal Consent Orders would be used as a highest priority in our whole New England region, because the States have been the primary person.

With the enforcement actions, we could get little of that money and also the release that they are talking about in November of construction grant moneys, we also understand they may use Federal Consent orders also on that money.

It is good, but we may not get any of it.

Mrs. BOGGS. The States, of course, now have to make their own priority lists, and the local projects have to bet on the priority list and then in order to get moneys you have to ask for them for a specific treatment plan, as I understand each project.

Sometimes, of course, there are more priorities than there are moneys to go around to them. How would this new arrangement affect them?

Mr. TAURASI. Basically what the EPA is doing by setting the priority, they are bypassing the States' priority lists. We have some very good projects in Massachusetts that are very high up on our priority list that are eliminating raw sewage discharges, but they do not have Federal Consent orders so even though these are excellent projects to put these funds to good use, we won't receive any funds on that basis because they don't have Federal Consent.

Mr. JETER. The State associations and the State members feel like the project priority list is at the heart of the construction grant programs, and the funding of projects needs to be on a system that is administered on a State level.

I think only the States can determine where the money can best be spent within the boundary of that State.

Mr. LYON. It is very important to point out that the States have tried to program their projects to come out in time to be eligible for those State development priorities. Set up a general priority list that does not follow the State system. It doesn't guarantee that the projects would flow much better, so I would share the view of my colleagues here.

Mrs. BOGGS. Larry, do you have any questions?

Mr. COUGHLIN. I join in welcoming all of you here and, in particular, my fellow Pennsylvanian, Walter Lyon.

You heard the Chairman indicate the committee's recommendation that the deferred funds be released in August instead of September. There have also been discussions of the possibility of a resolution of disapproval of the deferral that would go on to Step 1 and Step 2 funds.

Which would be preferable from your statement, to have a release of the $400 million in August or to have a resolution disapproving the deferral of Step 1 and Step 2 funds?

Mr. MAUZY. Your latter proposal would go to the heart of some of the concerns by States in the administration of the construction grants program.

We are concerned with the ability to maintain the momentum. It is very discouraging to call a mayor who has been plugging away on his facilities plan for a year and a half and he now needs a

grant amendment to do a sewer survey and say come back and see me in the fall.

By fall he may have lost complete interest in the project. It is threatening the credibility, so we would like to see the Step 1 and Step 2 projects going. If we have to have a construction moratorium, let's do it that way, and from my point of view and many of our State members, that makes more sense in view of the long term of the program.

It still allows you to manage the program and get through Step 1 and Step 2 as I remember, on a national average, takes less than 10 percent of the money anyway, so most of the money is when you make that construction commitment.

Mr. LYON. The important thing is to keep the projects going so we can get to that construction.

Mr. MAUZY. Right; some States have projects that have gone to bid and the bids are in over the amount of the grant, and they need a grant increase in order for the local government to accept the contractor's budget and get the project under construction, except the money they need to make the grant increases is tied up in the deferral.

Arizona is particularly hurt very badly there, and I think California has got a new project tied up just like that. It does not lend itself to good management.

Mr. COUGHLIN. If we did provide for Step 1 and Step 2 funds, that would provide the continuity you are talking about?

Mr. MAUZY. Yes.

Mr. COUGHLIN. Facing the possibility over the next few years we have to stretch out this program some, and I agree with all of you that we don't spend enough on it, but the problem is there is a bottom to the pot.

If you continue with Step 1 and Step 2 and have some stretch-out in the actual construction part of it, that would be the most desirable way of doing it.

Mr. MAUZY. Right; and I think from our point of view many of us recognize the need for reduced Federal expenditure.

The thing that allows you to manage a program, though, is some ability to predict. In other words, don't appropriate $2 billion, $4 billion, $2 billion, $4 billion, you can't manage that kind of a system.

Come with some continuity of funding level, that kind of a system, even if it is below the authorized level, you can manage the program if you have some indication that fiscal year 1981 is going to be this and fiscal year 1982 will be that, because it takes you three or four years to lead those local governments through this very complex system.

All the way you go along you are taking the mayor and you are making somewhat a commitment to him. In other words, you do your facility plan and get it approved and then you do your design and you get it approved, you go to construction, so State agencies that are administering this are making commitments to local governments, not legally binding commitments, but the mayor has an expectation.

Mr. COUGHLIN. Thank you, Madam Chairman.

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Mrs. BOGGS. Thank you, Larry, and I can assure you that all of us on this subcommittee are going to be very, very interested in reading your full testimony and the answers to these questions. If we have other questions that come to mind we would like to ask you to reply for the record, because we have made a commitment to Mr. Wheeler that he would be able to leave here in time for a very important engagement.

Thank you.

ENVIRONMENTAL PROTECTION AGENCY

WITNESS

EDWIN M. WHEELER, PRESIDENT, THE FERTILIZER INSTITUTE

Mrs. BOGGS. We are very pleased to have you, Mr. Wheeler, and we will be happy to incorporate your statement into the record, and you may proceed as you wish.

Mr. WHEELER. Thank you, Madam Chairman.

Ladies and gentlemen, my name is Edward M. Wheeler. I am the full-time lead executive of the Fertilizer Institute located at 1015 18th Street in the City of Washington.

I appear before you in the next ten minutes in a refreshing role. We are not asking for expenditure. Rather we are asking that EPA be admonished not to expend, and I shall try to explain to you why in the next few minutes.

As a way of background, our members produce about 18 million tons of anhydrous ammonia a year. Seventy-five percent goes to fertilizer and the balance goes to industrial products.

As the statement included indicates, fertilizer, commercially produced, gives the country an increase of yield of all crops in the range of 30 to 40 percent.

Now, I don't want to make engineers out of either one of you this afternoon because I am not one, but I do want to say this:

Under the current law as administered by the Environmental Protection Agency, as we build our plants we secure a permit under Section 301 of the Clean Water Act which takes into account the fish life, the stream temperatures, et cetera.

They then grant a plan, a permit based on the amount of ammonia contained in that stream of discharge. If the government does not agree with that, then we have to expend a fairly substantial amount of money to bring it within range of tolerances.

The gentleman from Pennsylvania is not involved, but the gentle woman from Louisiana is involved in her own State because, Mrs. Boggs, I heard you take cognizance of the waters of the Minnehaha flowing into the Mississippi, and that is the most important congressional district in the country, yours.

The bulk of our plants are located north of you basically, and Mr. Gillis Long's district, and it is the ammonia capital of the world. It is a nitrogen capital of the world. As the gentle lady knows, this stream of the Mississippi contains no trout. It is a high temperature stream compared to the streams of the State of Washington, so our plants down there are in full compliance with cur-

rent EPA requirements and are not adding to the load the Mississippi is currently carrying.

So things are running along in pretty good shape until the bomb broke with the publication of the Environmental Protection Agency's requirements of January 3 of 1980.

In the January 3 proposal, the EPA has decided to list anything of an ammonical nature, ammonia, under Section 307 which absolutely would preclude any discharge of ammonia into a stream, because it would be listed as "detoxic substance".

Ammonia is the basic building block of life, and ammonia will come from any plant that is involved in manufacturing such as due processing, et cetera, under the old section. As we are doing business today, we spend $100 million on our ammonia plants and took out 90 percent of this miniscule discharge.

To comply with the new proposal under Section 307, it will now cost us $300 million to take out this very small amount.

Now, I know none of the Members of this committee are familiar with the drinking world but basically what the EPA is asking us to do is to now serve everyone a Vodka martini and to spend $300 million to take the Vermouth out of it, and that is what this thing is all about.

Frankly, at the meeting with the President and Mr. Kahn and the Secretary of Agriculture on Thursday last, when we were asked to hold our prices in line, they posed a question to us, of our group that was there, what is causing the price of fertilizer to rise and among other things we posed to them we do not understand why the government is coming up with regulations such as the ones we are discussing with you today, which would compel us to spend $300 million to remove a miniscule amount of ammonia from the water when we have already removed 90 percent of which we are responsible for.

So this bothers us. I think it is beginning to bother the taxpayers of the country, too. I think even the environmentalists are beginning to be concerned.

Are we now shooting for an overkill and spending far more than we get in the way of environmental results?

Now, to save the committee a lot of research, we have gone back over the last five years of the EPA's annual water quality inventory report to the Congress and never had they mentioned anhydrous ammonia or ammonia as being a problem in the Nation's streams, never.

The EPA data that is contained in the January 3 Federal Register promulgation shows, by their own volition, that the ammonia levels themselves are not of any significance.

The bulk of the ammonia in the United States streams today from point source, not non-point source, but from point source discharge comes from the municipal sewer plants, 90 percent of it, which they are not now trying to regulate, so we come full circle, particularly as to our industry, and you will later hear from your various and sundry food processors at home.

We are now being asked to spend $300 million in a five-year span to take out this very, very minute quantity of ammonia, and when removed it will not enhance the environment. It will not improve

the aquatic life of the Nation's streams. It will only improve the coffers of certain equipment manufacturers.

We, therefore, ask the committee, based on this proposition, to admonish the Environmental Protection Agency not to expend its fiscal year 1981 budget on the creation or the enforcement of the so-called January 3, 1980 promulgation.

It boils down to this: The Congress recently vented its spleen on the Federal Trade Commission, basically on the proposition that enough is enough.

What we are saying to you is that enough is enough to ask us, among others, to spend that kind of sum of money to get such a miniscule improvement which will not improve the fishing in Pennsylvania, will not improve the fishing off the docks of New Orleans, although I would like to go down there and conduct certain research, but it is a foolish thing, and we simply say to this committee that we would like to admonish you today not to spend funds in these kinds of projects.

Thank you.

[The statement follows:]

Mr. Chairman and Members of the Committee, this is an unusual role for us, in that The Fertilizer Institute has never appeared before this Committee. We have made this request to appear before you today because of our alarm at a proposal being made by the Environmental Protection Agency (EPA). We, of course, are operating under many many of the EPA's rules and are involved in responding to a goodly number of their proposed regulations.

We have had a generally satisfactory ongoing relationship with the agency and have been in litigation with them but once since the creation of that arm of the government. However, the EPA proposal published January 3, 1980 (45 Fed. Reg. 803) so goes beyond the limits of reason we decided to come to your committee. Candidly, we ask this committee to delete any funds whereby EPA could implement or enforce the above cited proposal. The January 3, 1980 promulgation (if finally adopted) would classify ammonia as a "toxic pollutant" pursuant to Sec. 307(a) of the Clean Water Act. The primary impact of this proposal is to foreclose the option for obtaining Section 301 waivers from effluent guidelines under Best Available Technology Economically Achieveable (BAT). These waivers are available to a discharger who can show that his discharge of "non-conventional pollutants," such as ammonia, is not environmentally harmful. Fully 80 per cent of the nitrogen fertilizer industry is in the South where sensitive species such as trout simply do not reside. No problem exists near most of these plants; the levels of ammonia in the lower Mississippi River are well below the "safe" level.

Presently, EPA issues permits to discharge waters from our plants on a site-by-site basis. This is a sound logical regulatory scheme. Waters, aquatic life, volume of discharge etc., all vary in many degrees and relationship. We as an industry have spent over $100 million and reduced our ammonia discharges by about 90%. Bear in mind that the U.S.

The Fertilizer Institute is the trade association representing the nation's fertilizer industry. It consists of 350 members who produce and deliver 51+ million tons of fertilizer a year to the American farmer and export in excess of 20 million tons. Our members currently have $10 billion + dedicated to fertilizer production.

ammonia capacity is approximately 18 million tons per annum with 80% of the ammonia being consumed as fertilizer. The latest proposal is to require our industry to remove the miniscule remaining amount of ammonia from the discharge water. To kill this gnat will require us to expend not less than $300 million over five years. EPA has totally failed to show any benefits to the environment commensurate with this sum. The committee is undoubtedly now aware of scores of industries that are likewise to be severely impacted by this proposal, for food processing plants such as chicken and livestock packing plants will come under this same regulation, with the same relative economic burden and again without any appreciable benefits to the environment or the public. Yet, inexorably all these additional costs will eventually be included in food prices at the retail level. I need but mention in passing that the public is vigorous in being opposed to further supermarket price increases.

Let us not forget that ammonia is not some "dimethyl terrible." Ammonia is a basic building-block of life itself. Life as we know it could not exist without ammonia. Nitrogen, much of it in the form of ammonia, is an essential macronutrient. As indicated, 80% of the commercially produced ammonia is used as fertilizer either as ammonia or nutrients derived from ammonia. Fertilizer accounts for one-third of U.S. production of food and fiber.

Thus, ammonia does not fit the concept of a "toxic pollutant." (1) Ammonia is not carcinogenic, teratogenic or mutagenic. (2) Ammonia does not bioconcentrate or bio-accumulate. (3) Ammonia is rapidly degraded; and (4) Ammonia is not persistent in the environment.

Admittedly, ammonia can be toxic to fish. But, in only one of its forms and only under the right environmental conditions, which vary from stream to stream and even from one reach to another. But, EPA has ignored two of the criteria Congress directed them to take into account when adding substances to the Section 307 toxic pollutant list: persistence and degradability.

Is there a problem? EPA's own reports (EPA's Annual Water Quality Inventory Report to Congress) never mentions it. Nor does EPA's data in the Federal Register show that ammonia levels in the nation's waters are significant. Point source ammonia (i.e., being discharged through a pipe opening and thus being readily identified) is 95% attributable to Publicly Owned Treatment Works (POTW's). Bluntly stated, this ammonia comes from the city sewage plants of the nation.

EPA does not seek by its proposals to do anything about this municipally discharged ammonia. Instead, it is "zeroing in" on only the remaining five per cent. Indeed, EPA admitted in an informal meeting with industry representatives that most ammonia in the environment is from "natural" sources, including rainfall and decay of vegetative and animal matter. This is a consequence of the nitrogen cycle, a basic process of life itself.

The recent expression of public exasperation over bureaucratic overreach as expressed by the Congress in its treatment of the Federal Trade Commission is of great significance. Citizens of all persuasions and walks of life are becoming alarmed at not only the expense of a surging growing body regulatory, but are now asking, "Is it worth what it costs us in our role as (1) taxpayers and as (2) consumers?

In the instant situation EPA is proposing to force the expenditure of millions upon millions of dollars in order to eliminate a miniscule amount of a substance which will have no appreciable measurable benefit to our citizens or their environment. Congress should again send a signal to its servants: - enough is enough - the costs are too great - the benefits immeasurable.

We ask the Committee not to appropriate funds to implement or enforce the proposal set forth by the Environmental Protection Agency at 45 Federal Register 803 et seq.

Respectfully submitted,

Edwin M. Wheeler
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Mrs. BOGGS. Thank you, Mr. Wheeler, very much.

Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

In meeting with EPA, what reaction do you get to all of this?

Mr. WHEELER. We have all employed lawyers and are getting ready to do battle. As I pointed out in my statement, we think that the criteria in Section 307, for example, is not met.

Among other things, Section 307 to be listed, ammonia must be persistent and it is not. It must be slow or non-definable, and it is not, because ammonia is very rapidly degradable. We don't know what they are going to do.

Sir, one of the members of the EPA staff was at that White House meeting the other day, and they said, well, in view of this we will reconsider, and I don't know what the heck that means.

Mr. COUGHLIN. Has this regulation been published in the Federal Register for comment?

Mr. WHEELER. Yes; most of the agricultural community is commenting and not favorably.

Mr. COUGHLIN. Thank you very much.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESS

MARVIN J. TICK, LEGISLATIVE AFFAIRS COORDINATOR, COUNCIL OF STATE COMMUNITY AFFAIRS AGENCIES

Mr. SABO. Our next witness is Mr. Marvin Tick.

Mr. TICK. I am Marvin Tick, and I am the Coordinator of Legislative Affairs for the Council of State Community Affairs Agencies, otherwise known as COSCAA.

We are the national organization which represents State executive agencies charged with the implementation of State housing, community development, planning, economic development and general local assistance.

We seem to be switching topics here to housing and community development, and we are pleased to testify here before you today.

We wish to comment to your comment on needed appropriations for fiscal year 1981 housing and community development programs.

COSCAA officials have previously testified to both the Senate and the House with strong support for the authorizations of the community block grant program, the Urban Development Action Grant Program and Basic Assisted Housing.

I will keep my comments this afternoon brief and focus on our concerns for the Section 701 Comprehensive Planning Program.

Mr. Chairman, careful planning for balanced economic growth and community development is critical if both State and Federal agencies are to ensure a bright future for our cities, large and small alike.

This committee has in the past expressed its support and concerns for planning programs. We wish to bolster your efforts and urge this committee to continue with the full funding of the Comprehensive Planning Programs, which the Administration requested at a level of $40 million for fiscal year 1981.

In stating our case in favor of this program, I hope to focus your attention directly on the benefits of statewide planning and point to successes in local revitalization through strong Federal/State partnerships.

These partnerships, we feel, become even more critical as available resources must be leveraged and maximized.

Over the past five years our States have begun to develop and implement basic policies and strategies to aid distressed communities, provide housing and ensure local urban/rural economic development.

In many cases, as I will detail in a moment, the results have been new State legislation, targeting of resources, and bolstering of local assistance programs. Much of the impetus for these positive actions at State level has come from strong State participation in the 701 program.

Moreover, many State executive policies have been molded to fit closely and compatibly with Federal efforts, such as CDBG and UDAG. Here, too, State 701 programs have led to the development of joint Federal/State actions to revitalize communities through an across-the-board intergovernmental approach.

Oftentimes, Mr. Chairman, in the past planning programs are criticized for a lack of clear objectives and implementation. Today, I wish to point out a few examples among many of how the Statewide Comprehensive Planning Program has generated concise products.

In response to congressional mandates for housing and land use planning, most States have conducted full housing needs assessments concentrating on the problems of low-income persons and distressed communities, urban and rural alike.

These housing elements have often led to State legislation for the creation of housing finance and mortgage finance authorities to ensure needed housing production in cities. This is especially critical as we are well aware of the rental housing crisis in major cities and lack of housing in rural areas.

Land-use elements have enabled States to develop growth policies to cover many needs and issues such as urban sprawl and the preservation of prime farm/agricultural lands. These assessments have led to State programs for prime land preservation, balanced urban growth, and rural community preservation.

Most recently, Mr. Chairman, States have begun to help package and coordinate resources from Federal, State and local agencies with funds from the private sector for a higher impact at the local level. This linkage between the Federal and State Govermnent is critical as benefits accrue to localities on a cumulative basis.

Mr. Chairman, States are often called upon to bring forth resources for community development. States have responded and the 701 Program has helped to cause this leverage.

A few examples include:

California has established a $100 million statewide housing program for the finance and rehabilitation of local housing;

Wisconsin, Minnesota, and Massachusetts each have implemented major State housing rehabilitation programs with State legislative funding ranging from $35 to $50 million;

Florida, Michigan and Alabama have established State community development strategies to define community distress or establish growth areas, and to provide resources to meet established needs;

North Carolina, New Jersey, and Wisconsin provide State community development funds through innovative incentive or formula grants to assist distressed communities. These funds range from $400,000 to over $10 million;

Many States including Illinois, Colorado, and Ohio have established reinvestment incentives and tax credits to stimulate job opportunities and local economies, especially in distressed areas, both urban and rural.

As housing considerations become more critical due to energy and economic concerns, a number of States like Massachusetts, Montana and Michigan have increased housing finance and public housing operating assistance programs.

Massachusetts provides annual operating subsidies for nearly 50,000 housing units. Importantly, 701 funds have provided States with the means to develop larger, more sophisticated State technical assistance efforts, especially to work in community development programs like UDAG and CDGBG, and in rural programs such as FmHA housing and community development.

Louisiana, Georgia and Vermont are excellent examples in this case.

These are only a few of many examples. In the last five years States have begun to provide basic community development program assistance, including the provision of "hard dollars."

These initiatives have been made possible only through careful planning and statewide policy development which the 701 program has greatly encouraged. States, as equal partners in revitalization efforts, have produced effective results in 701 to date, and will continue to produce similarly in the future.

Lastly, Mr. Chairman, we again wish to express our overall support of HUD's efforts to maintain a viable planning program. We believe that this program enables Federal and State governments to promote revitalization. Although the 701 investment is small, we have shown its ability to leverage many times more the resources than the initial cost. This is effective action.

Thank you for this opportunity to express our support for housing and community development in general and for the Comprehensive Planning Assistance Program.

Mr. SABO. I would assume that being the planning process, 701 is available for the States. If it is reduced on a Federal level, it would be a high priority for the States to continue funding.

Mr. TICK. Some of the things that have come forward from 701 have been the fact that the planning process and the policy development process have increased at the State level.

One of the things that our representatives continually point to us with a myriad of Federal programs from various agencies is the need to help coordinate and for a greater impact to still be there, and 701 has provided the ability for States to do this and we would hope that that would remain.

Mr. SABO. I would assume that if it is that valuable the States with their broad tax bases would be able to pick up any changes that are made.

Mr. TICK. It is important, and I hope the planning, sir, would remain important. What I have tried to show here today are a number of many programs, housing, rehabilitation and rating subsidies that are also requiring State dollars, and this Federal assistance is helping to ensure that.

Mr. SABO. Are you really sure all these good things are linked to the 701 funds?

Mr. TICK. Having been in the 701 program at both the local and State levels, I have seen those come forward. Our representatives, and I will submit for the record, if you wish, to show those linkages from localities and areawide agencies that have come forward on the intergovernmental approach.

It seems very critical that we look to that, to maximize and leverage, and 701 has helped to do that.

Mr. SABO. I am inclined to agree that planning is important. I am also inclined to think that if we change a priority, that other multi-jurisdictional agencies, are most important to maintain. States have broad tax-bases of their own and can finance planning on their own.

I have trouble, having been a participant in Minnesota, making the link between the 701 planning process and our housing rehabilitation program, I don't really think they are linked, but thank you for your testimony.

NATIONAL CONSUMER COOPERATIVE BANK

WITNESSES

RAY M. STROUPE, PRESIDENT, NATIONAL TAX EQUALITY ASSOCIATION
CHRISTOPHER FRENZE, DIRECTOR OF RESEARCH

Mr. SABO. We welcome to the committee, Mr. Ray Stroupe. If you wish you may summarize your statement at this time.

Mr. STROUPE. Thank you.

I am Ray Stroupe and I am accompanied by Christopher Frenze, our Director of Research.

The National Tax Equality Association appreciates this opportunity to express our views on the fiscal year 1981 budget request for the National Consumer Cooperative Bank (NCCB). NTEA consists of over 2,000 firms, mostly small businesses, which support tax equality and are opposed to government-instituted discrimination against taxpaying private businesses.

NCCB LOANS SHOULD BE MINIMIZED SO AS TO LESSEN DISTORTIONS INDUCED BY TAX FAVORITISM

To the extent the NCCB bestows credit subsidies on already tax-free businesses, economic activity will be further warped by government intervention (in the forms of tax and credit subsidization). The paternalistic policy of tax favoritism, by exempting the favored businesses from income taxation, increases the tax burden on the remaining concerns. Privileged cooperative enterprises are virtually subsidized by their escape from the burdens of supporting our government which others must ultimately bear in ever-increasing

amounts. Small business especially is put at a competitive disadvantage, and many small firms are being crushed between accelerating inflation and onerous taxation.

The government policy of favoritism and discrimination is unjust and distorts resource allocation and economic calculation. To reform our existing biased tax code, NTEA advocates a neutral code under which competing businesses would be taxed on the same basis.

Modifying that next paragraph, sir, NTEA is aware of the specious theories, including the price adjustment theory, utilized by the cooperatives to rationalize their privileged tax status. These theories are reflected in the NCCB literature with the reference to the "nonprofit" character of cooperatives. In fact, cooperatives have profits, and there is nothing unique about these profits. The distribution of cooperative income has no relation to profit margins arising from the actual transactions of individual patrons.

As the eminent economist Ludwig von Mises has observed:

> Cognizance of this state of affairs explodes entirely the cooperative doctrine concerning patronage refunds or patronage dividends. These refunds have nothing at all to do with the purchases of the individual members. They are not adjusted to the margin above costs at which the concrete purchases were billed to the individual members. They are distribution of the total profit earned by the cooperative over a definite period of time. A member who bought only articles in the sale of which the cooperative suffered losses is no less entitled to a refund in proportion to the total amount of his purchases than any other member.
>
> The economic character of a cooperative does not differ from that of a private store. Success nets profits, failure losses. . . .

According to former IRS Commissioner Mortimer Caplin, by pretending they are nonprofit—

> [C]ooperatives are virtually exempt from the corporate income tax . . . Cooperatives afford another—and extreme—illustration of the intrusion of tax-free organizations into the market-place . . . Capitalizing upon their ability to generate tax-free earnings, cooperatives have become permanent, large-scale institutions, separate from, and in large measure independent of, of their patrons . . . The competition which they are capable of generating is aggressive and formidable.

In our view, there is no legitimate reason taxpayers should be forced to grant credit subsidies to already tax-subsidized business enterprises. Fair competition and economic efficiency will be maximized to the extent encroachment of tax-favored businesses is minimized.

THE NCCB AND THE PUBLIC ALLOCATION OF CAPITAL

The creation of the NCCB represents only one more example of the rapidly increasing trend toward the public allocation of capital. Through government intervention, funds are diverted from the allocation of the profit-and-loss (market system) and instead channeled into areas deemed "socially desirable" by government bureaucrats. Economist Yale Brozen has noted:

> As credit-allocating programs continue to grow, an increasing portion of our capital is divided among various uses according to the political clout that can be exercised on behalf of each. Whom you know and with whom you have influence becomes more important in obtaining capital than how productively you can use it. Capital is diverted from more productive uses to politically determined applications. The possibilities for corruption and tyranny multiply, and the national income pie shrinks as a consequence of this process . . . more and more of our resources are devoted to winning political influence, as that becomes the road to access to available capital and subsidies.

NCCB Director Frank Shearer has stated that:

> If the American economy is to be so transformed that it begins to resemble a democratic economy, public control of the economy must grow substantially . . . such a pluralist economy . . . must effect a dramatic increase in public enterprise, as well as in cooperatives, community development corporations and worker-owned cooperatives . . . At the national level, a Co-op Development Bank . . . could lend funds and make available technical assistance . . .

NCCB OPERATIONS WILL CAUSE INFLATION BY INCREASING GOVERNMENT SPENDING WHILE STEADILY ERODING THE TAX BASE

Many supporters of the NCCB have asserted that its impact will be anti-inflationary. In fact, the operations of the NCCB will produce serious inflationary effects by undermining fiscal policy. NCCB appropriations will increase government spending and reallocate capital from the private tax-paying sector to the tax-free cooperative sector. However, every expansion of the tax-exempt sector will result in a corresponding erosion of the tax base. With the steady narrowing of the tax base, the confiscatory tax burden on the private sector will gradually increase, forcing more and more private firms out of business. This vicious cycle, in turn, may provoke a severe fiscal crisis. Furthermore, NCCB debt issues in already strained capital markets will crowd out private investment and tend to force interest rates even higher. Small business will be especially hard hit.

The fiscal drain produced by the NCCB will be aggravated by the fact that the distributed profits of the consumer cooperatives are not even taxable at the personal level. Most importantly, the lending activities of the NCCB are in direct conflict with the clear will of Congress and the American people for balanced budgets and sound fiscal and monetary policies.

OTHER EFFECTS ON SMALL BUSINESS

The adverse effects generated by the NCCB will be compounded by the present weakened condition of many small private firms barely subsisting on extremely thin real after-tax profit margins. Under the current inhospitable business environment, the logical result of NCCB financing could well be to force many private firms under and facilitate the emergence of a large cooperative sector or even a cooperative economy.

The liquidation of many small businesses by government-fostered proliferation of unfair tax-exempt competition would be most unfortunate. Small business provides over 95 percent of the new job opportunities in the U.S., and is an essential source of innovation and competition throughout our economy. It was these considerations that prompted the widespread opposition of the small business community to the creation of the NCCB in the first place.

As Congressman Henry Gonzalez stated, "The small businesses in this country—the independent grocers, the neighborhood garages, and the radio and TV repair shops—would bear the brunt of the competition financed by this bank." We submit that weakening these types of firms will not only contribute to industrial concentration and economic stagnation, but will also limit social mobility by obviating small business entrepreneurship and thus cutting off the bottom rungs of the economic ladder.

There are many valid reasons the NCCB should never have been created in the first place, and these reservations are at least as relevant today. The severe inflationary impact of the NCCB is certainly a more pressing consideration now than ever before. This new bureaucracy is totally unnecessary and wasteful, and it should be dealt with now before it builds up a powerful special interest constituency. Furthermore, the NCCB could develop an extremely destructive potential by its credit subsidization of tax-exempt businesses which will engage in unfair competition with small taxpaying firms in a time of growing economic uncertainty. Consequently, we recommend that NCCB appropriations be minimized, or preferably, that the NCCB be terminated altogether.

Thank you for this opportunity to express our views.

Mr. SABO. Thank you. We appreciate your taking the time to be with us today.

Mr. STROUPE. Thank you, sir.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

CUSHING N. DOLBEARE, PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

THOMAS WOODSTOCK, REPRESENTING NATIONAL COUNCIL OF SENIOR CITIZENS

Mr. SABO. Next, Ms. Cushing Dolbeare and Mr. Thomas Woodstock would like to make a joint presentation. Welcome back again. Good to see you again.

Ms. DOLBEARE. Thank you very much. It is good to be here again. My message has not changed substantially since last year or the year before, so with your permission I will summarize it and the whole thing can be inserted in the record.

Mr. SABO. We will insert the entire statement in the record.

Ms. DOLBEARE. I think the most significant thing that concerns us is that the problems of low-income people, particularly low-income renters, are getting worse at a very rapid rate. While overall rents have not kept up with the rate of inflation, very low rent units—that is, units renting for less than $100 a month—are virtually disappearing from the market, except for subsidized units, I am sure that anyone can realize why that would be true.

It is simply impossible for any person who has to make even a modest return from rental housing investment to provide decent housing, pay utilities and property taxes, and still rent their units for less than $100 a month.

The problem is that there are still several million renter households with incomes that are so low that they can pay no more than $100 a month for rent. We have estimated that the gap between the number of renter households with incomes below $4,000 a year, and the number of rental units that rent for $83 a month or less, which is 25 percent of their income, is growing at the rate of a half million units a year. So, if we just look at the housing problems of very low-income renters, and look broadly at the stock as a whole,

we find that the housing situation for low-income people is getting worse at the rate of at least a half million units a year.

Offset against that are the annual efforts we make through programs of HUD and the Farmers Home Administration, (which is, I realize, outside of your jurisdiction) to provide assisted housing for low-income people. If we use the official estimates of the administration in their budget requests, which we think were very optimistic, they have requested a total of 441,000 assisted units for low-income people through all of HUD and Farmers Home Administration combined.

The result is that if those unit levels were to be fully funded, low-income people at the end of 1981 would still have a more critical housing situation facing them than at the beginning of 1981.

Obviously, something has to give. We realize that this committee is not in a position to do any more giving than the Budget Committee and the authorizing committees permit within the framework of the budget resolution and the authorizing legislation—and we have been talking with those committees too, as you can imagine.

We know and we share the concern about the rising cost of providing housing assistance. We are convinced that we need to move toward a long-term approach to meeting the housing needs of low-income people that is rather different in concept from our current program.

However, one of the things we have learned—and I should say I in particular have learned, because I have been in the housing field for close to 30 years—is that housing programs change gradually, and nothing is gained by scrapping a program and instituting a new program, because you lose a lot of momentum. The thing that we need to do is to try to build on the successes of the programs we have, and work each year for improvement.

There are some materials and some rather striking charts at the end of my testimony which compare the direct expenditures in housing through the HUD appropriations and outlays with the indirect expenditures that the Treasury makes through the provisions of the Internal Revenue Code.

I was frankly flabbergasted when I compared the total accumulated outlays for all housing assistance under all HUD programs from 1937 through 1979, and found that they totaled slightly less than the cost to the Federal Treasury of housing-related tax expenditures in 1979 alone. I was so flabbergasted I called Al Kliman over at HUD and said, "Is this really right?" (It was) While we share the concern that the cost of assisted housing measured in outlays is rising at the rate of at least $1 billion a year, the increase in the housing-related tax expenditures is much more rapid. So the relationship is likely to hold true until something is done either to increase assisted housing expenditures, or to cap tax expenditures, or both.

Our final concern is with the proposed use of some of the assisted housing money. There is a proposal which the Banking Committees on both the House and Senate sides are about to report to fund middle-income housing construction programs from the lower income housing appropriation. The house income limit is 130 percent of median, the Senate would be 150 percent of median. That

means that 75 percent of the people in this country would be eligible for rental housing assistance.

We recognize the need for stimulating construction of rental housing, and probably for providing some kind of shallow subsidy. Apparently rental housing is not going to be built otherwise except a small amount of luxury housing. But we really think, given the housing needs of low-income people and the very acuteness of their housing problem, that to fund that kind of program out of the very limited resources that are being made available for low-income people instead of finding some alternative method of funding—for example, by capping the tax expenditures—is both unjust and inequitable. It is also unwise.

I would be glad to try to answer questions, if you have them.

[The statement follows:]

National Low Income Housing Coalition

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Hon. Edward W. Brooke, *Chairperson* Cushing N. Dolbeare, *President*

The 1981 HUD Budget and Low Income Housing Needs

Statement of Cushing N. Dolbeare, President, National Low Income Housing Coalition, before Subcommittee on HUD-Independent Agencies, House Appropriations Committee, May 14, 1980.

The National Low Income Housing Coalition appreciates this opportunity to testify on HUD's 1981 budget proposals for lower income housing.

The Coalition is a broadly based coalition of organizations and individuals concerned with all people for whom lack of decent housing at costs they can afford is a reality. Our primary focus is on programs to meet the housing needs of very low income people, whose problems are most acute. Attached to this testimony is a letter sent last December to President Carter by the Coalition on behalf of 66 national and over 400 state and local public interest organizations, from all fifty states, indicating the breadth of support for expanded lower income housing programs.

We believe that the HUD lower income housing budget should be considered in the context of low income housing needs and federal expenditures on other housing programs, including both the direct expenditures for the Farmer's Home Administration programs and the massive indirect housing expenditures made through the tax code. Viewed in this context, the HUD request falls far short of a minimum level of adequacy or equity. Indeed, if the budget is adopted exactly as it stands, without any increase or decrease, the housing conditions of very low income people will be far worse at the end of 1981 than they are now.

What the 1981 Housing Budget Provides

Briefly, the 1981 housing budget proposes funding for an officially estimated 441,840 additional units of assisted housing for low and moderate income people: 258,000 units of Section 8; 42,000 units of public housing; 25,000 units for moderate income home ownership under HUD's Section 235 program (4% mortgage interest); 62,200 units for moderate income rural home ownership under FmHA's 502 program (down to a 1% interest rate); 30,515 low and moderate income rural rental housing units under the FmHA 515 program (1% interest rate, with some additional rental assistance available); 1590 units of housing for migrant farm workers; 15,000 very low income rural home repair loans under FmHA's Section 504; and 7,535 very low income home repair grants under the FmHA 504 program.

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We believe that the total number of assisted units which could be funded through the 1981 request is substantially below the Administration's estimate and that it will be closer to this year's 240,000-unit estimate after allowing for inflation and for diversion to other uses, such as rent supplement conversion and public housing comprehensive improvement.

All of this is estimated to require an additional $33.4 billion in budget authority for housing payments, to be spent over the next 15-30 years or more, and $3.2 billion in new lending authority for the Farmer's Home Administration. Outlays for housing payments for the 3.5 million units expected to be assisted by HUD at year end are budgeted at $5.5 billion. This includes all occupied units, under all HUD low and moderate income programs, since the inception of public housing back in the 1930's.

The 1981 budget also identifies a series of housing-related tax expenditures, over which this committee unfortunately has no jurisdiction. These tax expenditures are estimated to total $28.9 billion in 1981. Charts I and II show the distribution of both tax and direct expenditures.

We welcome, of course, the modest increase in assisted housing funds proposed for HUD by the administration: a real increase of $3 billion in budget authority (that is, spread over the next 15-30 years). But this increase does not offset the real cut of $4.3 billion imposed by the Administration last year. It indicates that the "moratorium by attrition" which has been imposed on HUD's assisted housing programs during the past four years may now be ending -- provided Congress approves the budget request. But this is only the second time since 1974 that an administration has requested fewer than 400,000 units of HUD-assisted housing for lower income people. The 300,000-unit figure, which in our view is on the high side given the funds requested, is a 42% cut from the level of assisted housing unit reservations achieved in fiscal 1976, including the transition quarter.

The following table shows budget authority for Section 8 and public housing and the number of units reserved since the 1974 act was adopted. (Figures for 1975-79 are actual obligations; figures for 1980 and 1981 are estimates.)

	Units	$ (in billions)
1975	131,444	$13.2
1976	516,721	28.8
1977	388,413	28.0
1978	326,026	31.5
1979	325,075	31.7
1980	240,392	27.2
1981	300,000	33.2

The Disappearance of Private, Low-Cost Housing

In contrast to our diminishing commitment to steady progress in providing additional housing assistance stand the growing needs of low income people. In 1977, the latest year for which figures are available, there were some 5.8 million low income households -- 4.6 million renters and 1.6 million owners -- paying over half of their incomes for shelter (including utilities). In 1976, a year earlier, 3.8 million renters and 1.4 million owners, paid over 50% of their incomes for gross shelter costs.

Even if these rates of increase have not accelerated, and we have good reason to believe that they have, there are now some 8 million renters and 2.4 million owners -- in other words, over 10 million households -- forced to pay more than half their incomes for shelter alone. Even if these households were relatively affluent, there would be cause for concern. But, at least for renters and owners without mortgages, they are not affluent, they are poor. Paying over half their incomes for shelter means that they must do without other necessities of life.

One reason this is happening is because low-cost units are disappearing from the market. At a 25% rent-income ratio, a household with an income of $4,000 can afford to pay $83.33 per month for rent, including utilities. Few of us, I believe, could find a single-room unit, in satisfactory condition, available for rent at $83.33, even without utilities.

In 1970, there were 7,584,000 renter households with incomes below $4,000 and an estimated 7,516,000 rental units available for gross rents (including utilities) of $83 or less. In other words, there was a gap at the bottom of some 68,000 units, looking only at households and rents, ignoring the real and significant factors of quality, suitability, and availability. (In fact, a substantial proportion of these low-rent units on the private market were occupied by households with incomes above $4,000, while many low-income households paid much higher rents.)

By 1977, the situation had changed significantly. While the number of renter households with incomes below $4,000 had shrunk to 5,815,000, the number of low-rent units (below $83 per month) had dropped to 2,052,000, leaving a gap of 3,763,000 units. (See Chart III) In other words, even after allowing for some attrition in the very lowest income group, there was a net loss of over 500,000 units annually at rents they could afford. The gap, by now, probably exceeds 5 million rental units.

Additional Measures of Need

This analysis has focussed, thus far, on the poorest of the poor: households with incomes below $4,000. Therefore, it understates the need for additional housing assistance. Generally speaking, households with incomes up to 80% of the median are eligible for assisted housing programs. Households with incomes below 50% of the median -- roughly, the poverty level if household income is used as a measure -- are classified as "very low income."

Last year Congress, rightly in our view, enacted a preference for housing assistance for people either living in substandard housing or displaced by public or private action.

As of 1977, there were an estimated 5.7 million households living in physically inadequate housing: 2.0 million elderly households; 1.5 million nonelderly single individuals; 1.5 million two-parent households with children present; 0.7 million single-parent households with children present; and 0.5 million couples, with no children. Four fifths of these households were income-eligible for Section 8. One third were minorities. One third were home owners. Almost two fifths (39%) lived outside metropolitan areas.

In addition, at least one-half million households annually are identified by the Annual Housing Survey (AHS) as displaced by public or private action. Excluded from AHS data are people displaced by disasters, or because of housing deterioration or abandonment, conversions, or rental increases. Thus, it seems reasonable to estimate that at least one million households annually are displaced through circumstances beyond their control.

Clearly, in the light of these needs, provision of an additional 442,000 units is inadequate.

The National Housing Goal

In 1968, Congress established a national goal of producing an additional six million units of assisted housing over a ten-year period. That period has now expired, and the goal is far from met. While the quality of housing has improved somewhat during the last decade, the pinch of housing costs, particularly for low income people, is much tighter. If a new goal were to be established, based on meeting housing needs within a ten-year period, it would have to include both new and existing units, and it would have to be much higher.

The Coalition reiterates its support of a 600,000-unit level of assisted housing as the minimum which should be provided in 1981. Providing 400,000 units through HUD's Section 8/public housing program (at least 30,000 of which should be through the Section 202 elderly and handicapped housing program) would require an additional $11.1 billion in budget authority, along with $464 million of additional Section 202 loan authorizations. Another 15,000 Section 235 housing units, raising the total to 40,000, could be provided through an increase of $545 million over presently available budget authority. An additional 45,000 FmHA units, with the same program distribution, would require another $2.1 billion for the Rural Housing Insurance Fund.

The Cost of Assisted Housing Programs

Clearly, the cost of housing assistance has become a major concern. As program levels and costs have increased, assisted housing payments have been rising rapidly, as the following table shows. (Figures through 1979 are actual; 1980-83 are estimates):

Year	Units under payment	$ (in billions)
1973	1,768,115	1.6
1974	1,969,583	1.8
1975	2,125,601	1.8
1976 + TQ	2,397,515	2.8
1977	2,649,650	2.9
1978	2,817,582	3.6
1979	3,031,979	3.6
1980	3,253,000	5.1
1981	3,477,000	6.3
1982	---	8.0
1983	---	9.4

These housing payments are the annual contributions which the federal government is obligated to make under annual contributions and other contracts which provide housing assistance. Actual units under payment at the end of 1979 were:

Section 8	898,441
Section 235	235,187
Section 236	541,460
Rent supplements	178,891
Public housing	1,178,000
Total	3,031,979

Almost all of the increase anticipated by 1981 is in the Section 8 program. These are units already in the pipeline: under reservation or construction but not yet occupied. The units approved for 1980 and 1981 will not require housing payments until they are occupied: generally within two years for existing units; longer for substantial rehabilitation and new construction. The housing assistance payment contracts under the Section 8/public housing program run for 15-30 years (lowered this year from a former 40-year maximum).

Budget authority is the annual cost (contract authority) multiplied by the term of the contracts. Of the budget authority requested for 1981, $10.1 billion is for 30-year contracts; $0.6 billion for 28-year contracts; $10.6 billion for 20-year contracts; and $6.1 billion for 15-year contracts. Thus, a substantial amount of the 1981 appropriation will not be spend until after the year 2000.

This manner of financing and budgeting for assisted housing has serious consequences. No one can now predict either tenant incomes or housing costs for such a long term. Experts in the field disagree on whether budget authority overestimates or underestimates the cost of the housing. But one thing is clear: the amount of budget authority required to provide even a very inadequate level of housing assistance is so substantial that it is difficult to foresee how this nation's commitment to providing decent housing for low income people can be met without some major changes in approach.

But the total of all the assisted housing payments ever made, from the inception of the public housing program in 1937 through 1979, is less than the cost to the federal government in 1979 of housing-related

tax expenditures. Moreover, while housing payments will increase from $3.6 billion in 1979 to an anticipated $6.3 billion in 1981, housing-related tax expenditures will increase from $22.3 billion in 1979 to $24.3 billion in 1980 and $28.9 billion in 1981. They will probably top $40 billion by 1985, barring some changes in the federal income tax laws.

Assuming that the beneficiaries of direct and tax expenditures are arrayed, by income group, as they were in 1977, the latest year for which such an analysis is available, we would find that, for 1980:

- $4.2 billion, or 14.1%, of all direct and indirect housing expenditures will go to people at the bottom of the income scale, those with household incomes below $5,000. Only one household in eight will receive housing assistance, and the average monthly expenditure, per recipient, is $132.

- $7.5 billion, or 25.5%, of all direct and indirect housing expenditures will go to people with incomes above $50,000. More than four fifths of all households in this income bracket will receive tax benefits, and the average monthly amount per recipient is $309.

- $16.7 billion, or 56.4%% of all direct and indirect housing expenditures, will go to people with incomes between $20,000 and $50,000. Two fifths of all households in this range will receive housing benefits and the average amount per recipient is $67 per month.

- Only $1.2 billion, or 4.0% of direct and indirect housing expenditures, will go to households with incomes between $5,000 and $10,000. Fewer than one household in ten in this income range will receive housing benefits, and the average monthly amount, per recipient, is $60.

In other words, only 18% of tax expenditures will go to people with incomes below $10,000; another 11% will go to people in the $10,000-$20,000 income range; all the rest will go to people with incomes over $20,000. And these expenditures are increasing at a rate that exceeds direct outlays for housing lower income families, whose need is clearly greater.

Surely, if we can afford the $3-5 billion annual increases that are occurring in tax expenditures, we can afford to double our level of support for assisted housing.

Recommendations and Some Possible Future Directions

We urge you, as you consider the 1981 housing budget, to do so in the light of the commitment needed to meet low income housing needs and to appropriate the full amount that is authorized for Section 8/public housing. Moreover, we believe it is unwise and inequitable to divert funds away from urgent low income housing needs to middle income housing, as would be done in the authorization legislation recently approved by the Banking Committee.

If a middle-income rental program is needed, funds should be obtained from other sources, not by penalizing low income people.

The National Low Income Housing Coalition is now embarked on an exploration of alternative ways of meeting the housing needs of low income people. We cannot, in decency, proceed at our present pace -- with the problem outstripping our efforts to solve it. We cannot afford to stretch out commitments to a limited number of units over 15-30 years, while leaving untouched the critical housing needs of millions of others.

To this end, the Coalition suggests, for consideration and discussion, the framework of a comprehensive approach to meeting low income housing needs. Our proposal has three major, interrelated components:

- An entitlement to housing assistance for all very low income households, probably through an expansion of the Section 8 existing housing program, which provides controls over the quality and cost of the housing occupied.

- A housing block grant program, to be closely tied to the community development block grant program, with assistance limited to housing programs assisting people presently eligible for Section 8 or FmHA programs. We believe that much of the activity here would be directed toward rehabilitating and conserving our existing stock for lower income people.

- A variety of new construction programs, to meet urgent housing needs.

Our approach would, we recognize, dramatically increase outlays for housing assistance within a fairly short period. But it would probably fit within our present levels of budget authority, and would be able to be more responsive to changes in needs, as well as meet them more adequately. The entitlement program would, we believe, cost about $10 billion, and would serve <u>all</u> very low income households, not a small fraction of them, as at present. Housing block grants at a level of $5 billion could generate a variety of programs suiting local needs. This would leave a substantial amount for a range of new construction efforts focussed on urgent, unmet needs and, if we moved to front-end or capital subsidies with suitable recapture provisions, could probably generate far more units than our present programs.

We believe that this approach will prove to be both sound and feasible, and we hope that it can be considered in future years. Meanwhile, we urge you, as a minimum, to appropriate the funds requested by the Administration.

ESTIMATED DISTRIBUTION OF TAX AND DIRECT HOUSING EXPENDITURES, BY INCOME CLASS, 1980

CHART I

Income	Millions of Dollars: Direct Expenditures	Tax Expenditures	Total	Percent
Under $5,000	$4,151	$39	$4,190	14.1%
$5,000-$10,000	898	288	1,186	4.0%
$10,000-$20,000	232	2,933	3,165	10.7%
$20,000-$50,000	--	13,547	13,547	45.7%
Over $50,000	--	7,549	7,549	25.5%
Total	$5,281	$24,340	$29,621	100.0%

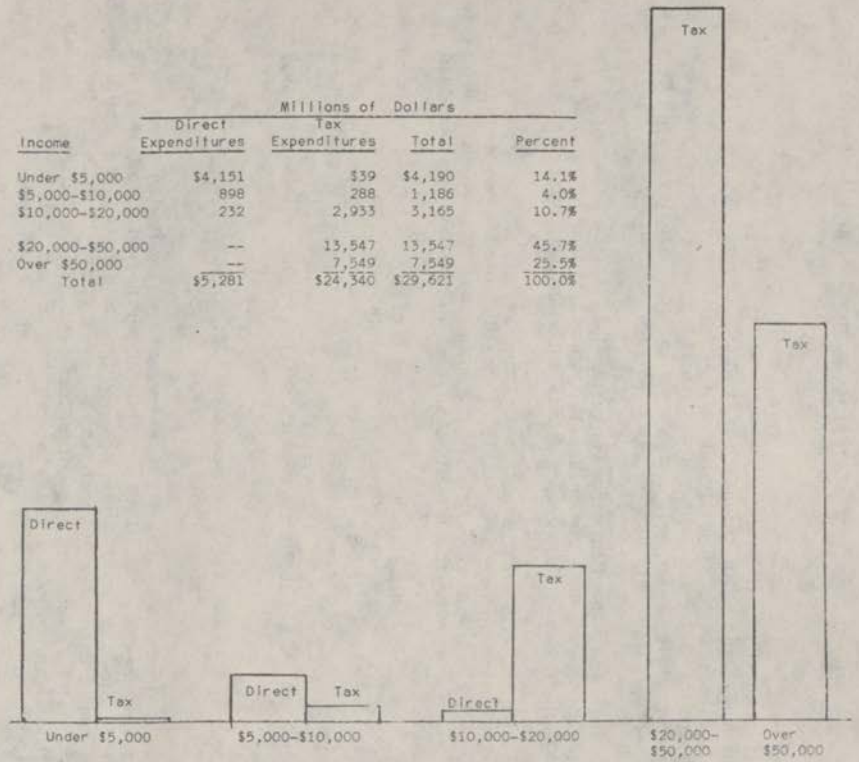
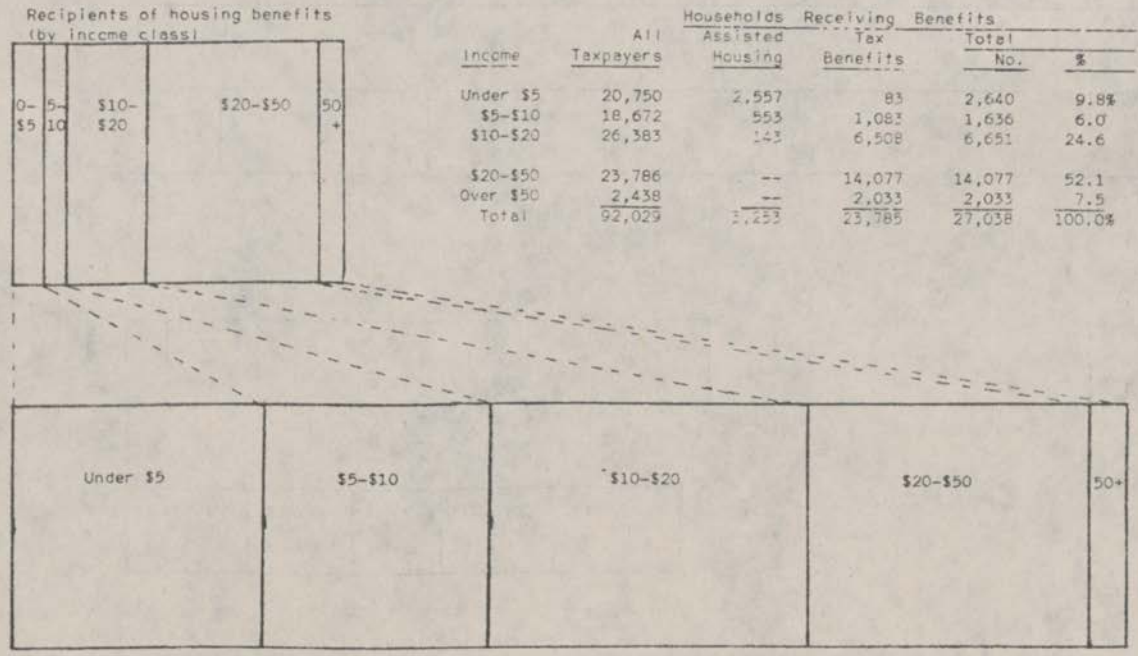


CHART II

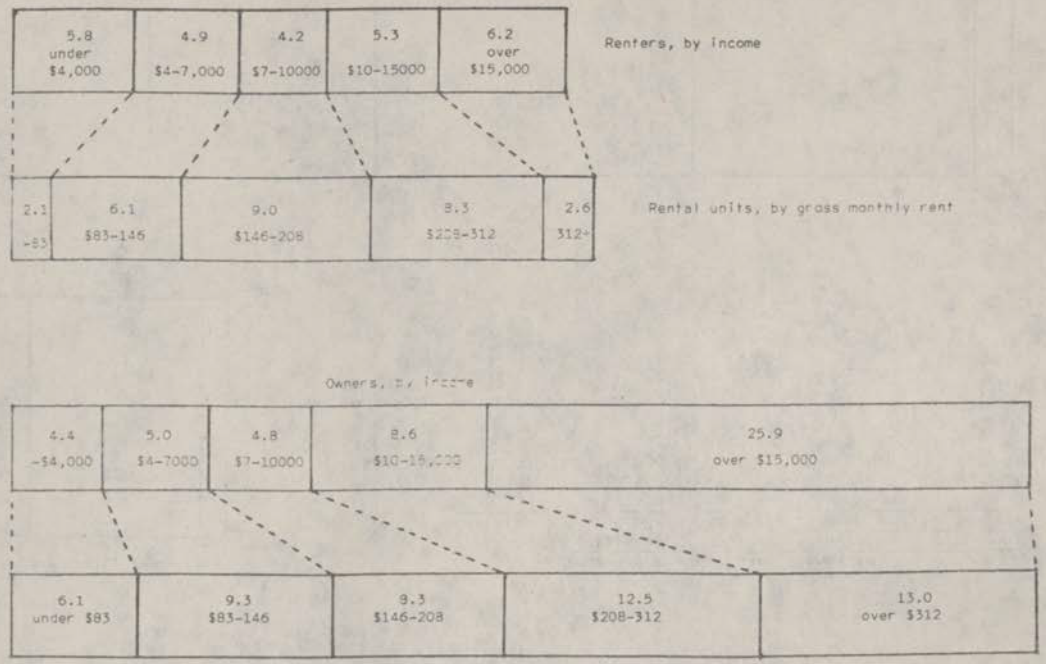
INCOMES OF BENEFICIARIES OF FEDERAL TAX AND DIRECT HOUSING EXPENDITURES AND INCOMES OF ALL TAXPAYERS, 1979-80
(Figures in Thousands)



Income	All Taxpayers	Households Receiving Benefits: Assisted Housing	Tax Benefits	Total No.	%
Under $5	20,750	2,557	83	2,640	9.8%
$5-$10	18,672	553	1,083	1,636	6.0
$10-$20	26,383	143	6,508	6,651	24.6
$20-$50	23,786	--	14,077	14,077	52.1
Over $50	2,438	--	2,033	2,033	7.5
Total	92,029	3,253	23,785	27,038	100.0%

HOUSING AFFORDABILITY: Comparison of Households, by Income, and Affordable Units at 25% Shelter/Income Ratio, 19
(numbers of households and units shown in millions)

CHART 1 II



Source: Estimated by Nat'l Low Income Housing Coalition from 1977 Annual Housing Survey Data

Mr. SABO. I am curious. I am in the process of having a bill drafted that would limit the amount of tax expenditures that we allow. I don't have numbers on it yet. I am curious if you have them in the proposal to limit the interest deducted on a mortgage to $150,000 or less.

Ms. DOLBEARE. The only numbers that we have used recently have been the numbers that CBO had in their study of possible ways of limiting federal expenditures, where they proposed turning the mortgage interest deduction into a 25 percent tax credit, and they estimated, I believe, that that would save $1 billion this year and $4 billion annually in three years.

I have played around with various other approaches. You can do it in two ways: You can try premises and see how the numbers come out, or you can set a number target and try to figure an equitable way of getting there. But I am delighted to hear that you are interested in it, and we certainly would be delighted to talk with you or your staff about it.

Mr. SABO. If you have some information, I would appreciate it if you would contact my staff.

Ms. DOLBEARE. I certainly will.

Mr. SABO. Mr. Woodstock, did you have some comments you want to make?

Mr. WOODSTOCK. I certainly will.

Mr. Sabo. I would just like to state I am representing the National Council of Senior Citizens, and we work very closely with Cushing. Our concerns, low-income housing, for obviously our major concern, of course, is the elderly and the people she is talking about to a large extent represent the numbers that she is making reference to.

We, of course, are equally concerned with the 202 program that does exist, and your consideration of expenditures relative to that program. I hope that you do recognize how good a program it is, how successful it is as a HUD program, and I state that we are here in full support of what Cushing has said.

As usual, she makes an excellent argument for our cause and for the needs of the people that we represent. We will be submitting written testimony for your consideration.

Mr. SABO. We will include that in the record at this point.

[The statement follows:]

Mr. Chairman, the National Council of Senior Citizens welcomes this opportunity to testify on HUD's 1981 budget proposals for lower income housing and, in particular, that budget's impact on the housing needs of this nation's senior citizens.

At the outset of this testimony, I would like to present a few facts which illustrate the deplorable housing situation facing this nation's senior citizen population.

- The median income for a senior citizen household is approximately $10,141 as compared to $17,640 for the total population.
- Senior citizens spend a higher proportion of their incomes on the basic necessities of food, health care and housing than does the population as a whole, with the highest proportion of their incomes going for housing.
- Three-fifths of those senior citizens whose incomes are below the poverty line spend in excess of thirty-five (35) percent of their incomes on housing.
- Forty (40) percent of all those senior citizens who rent spend over thirty-five (35) percent of their incomes on housing.
- Senior citizens are more likely than non-seniors to live in modest housing, older housing, and housing without central heat, air conditioning and complete plumbing and kitchen facilities. The United States Senate Committee on Aging estimates that "at least 30 percent live in substandard, deteriorating or delapidated housing."

- Only three (3) percent of this nation's senior citizens receive any form of housing assistance.
- Since 1960, the senior citizen population of this nation has increased twenty-one (21) percent as compared to a thirteen (13) percent increase in the total population, and this disparity is expected to increase in the future.

In response to such clear and increasing need for better housing at affordable cost, the government's performance has been disappointing to say the least. The number of units built under the Section 8 and the Section 202/8 Program, which provide decent, affordable housing for lower income senior citizens, have been cut rather than increased. Cuts in the production of the number of Section 8 and Section 202 units not only reduce the availability of new low-cost rental housing, they also drive up the already high cost of non-subsidized rental housing, by reducing supply in the face of increasing demand. This is a situation we can ill afford with an annual net loss of rental units as it is.

In addition to raising its cost, reduction in supply takes away an incentive for private owners to keep up the quality of their rental housing, with the result that lower income senior citizens are victims of one-sided competition in the housing marketplace. While there is no competition to provide housing for them, there is increased competition on their part to get what little is still available.

It is a cruel irony that many of our nation's senior citizens, those who fought to keep this nation free, are now held hostage by high cost, low-quality housing. They cannot afford their present housing, they cannot afford to improve the quality of their present housing, and they cannot afford alternative housing of better quality.

We realize that this is a time when Americans are being asked to sacrifice in order to bring inflation down, but what the National Council of Senior Citizens and its four million members, neither understand nor accept, is that senior citizens, who have already sacrificed again and again for their nation, are being told, not asked, to give up the hope of affordable, decent housing.

What senior citizens are asking for is not new and should come as no surprise to anyone for it has often been repeated here. We could submit last years testimony and, with just a few corrections, it would serve ably, for the areas of need are still the same--it is just that the need is greater.

What we are requesting are the following:

- At least 400,000 units of Section 8 housing assistance. We hear criticism of the Section 8 Program. However, until a better program is in actual operation we feel it is unconscionable to weaken the only real housing program now available for lower income people in this country. It is easy to criticize a program, we do a good deal of it ourselves, but we also realize it is difficult to write new legislation that is better, difficult to write coherent regulations for that new

program and even more difficult to implement the program. The worst thing would be to change or eliminate the Section 8 Program just when people have begun to understand how to use it so as to maximize its effectiveness.

- At least 30,000 units of Section 202 housing.

  The National Council of Senior Citizens was deeply involved in making the new Section 202 Program a reality. We have since worked with non-profit senior citizen groups around the country to get housing built under this program. It is a program proven to be effective and rather than cutting back the number of units constructed under this program, there should be an increase to at least the number originally intended for the program.

- Funds for technical assistance for non-profit sponsors of senior citizen housing.

  The National Council of Senior Citizens' experience in providing assistance to a number of non-profit groups wishing to develop Section 202 housing has convinced us that if competent technical assistance was made available to all non-profit groups seriously involved in housing development, it would dramatically increase the efficiency of our housing programs. This would result in more housing being built, higher quality housing being built, and reduction in the cost of many housing projects. Such assistance could be

provided in the form of grants from HUD, possibly through the 106(a) Program.

- Funding the Congregate Services Program at $20,000,000

  The Congregate Services Program has shown itself to be a vitally needed service and should not be considered a demonstration program. It allows senior citizen housing to effectively meet the needs of its residents by providing the services necessary to enable senior citizens to continue living independently at home rather than being forced into expensive and confining nursing facilities.

- Funds for adequately staffing HUD

  This is necessary so that processing time is not wasted, causing costs to rise which result in housing not being built at all because of HUD's inability to hire, train and keep qualified personnel.

Larry, do you have any questions?

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

I guess with all due deference to both Ms. Dolbeare and to the Chairman, I take very strenuous exception to the term "tax expenditures." That assumes that the government owns all the money and it gives back to the people what it wants people to have. I happen to believe that the people own the money and they give to the government what is required to take care of us working people. I also take some exception to your charts which show that people with very low incomes receive very little benefit from tax expenditures. That is generally because they don't pay taxes.

Ms. DOLBEARE. That is certainly true.

Mr. COUGHLIN. Or less taxes. So I guess I take some exception to that kind of a concept. Let me ask this. As you quite properly point out, the present law and regulations allow people at 75 percent of the median income to become eligible for assisted housing in one way or another. That really doesn't serve to channel the money to the poorest of the poor. Would you favor lowering that so you would, in effect, channel more of the money to the poorest of the poor in terms of housing dollars?

Ms. DOLBEARE. Last year in the Senate, Senator Armstrong introduced an amendment which would have limited new tenancy in public housing and Section 8 to very low-income people: below 50 percent of the median. We supported that amendment.

I think our board would want to review our position now, because that amendment was submitted prior to the change in legislation which now gives priority in Section 8 and public housing to people who are living in substandard housing or who are displaced. We certainly favor the concept as long as we don't have enough units to go around, of finding some way of targeting on very low income people.

I know, from discussing the matter with several of our board members that they feel maybe we should take another look at the specifics. It might be more important, for example, to provide assistance to a displaced household that had been living in substandard housing whose income was 60 percent of the median rather than to a person who was living in standard housing, paying a very high rent-income ratio with an income of 40 percent of median.

Those are difficult issues where reasonable people can disagree. Certainly the concept of targeting, without specifying precisely how you would target, is something that we support.

I would like, if I may, to respond to your comments on tax expenditures, because every now and then I think words get in the way of meanings. I would certainly concur with you on who owns the money. I don't mean to imply when I use the term "tax expenditures" that the money is the government's and people are allowed to keep their money by government suffrance.

Mr. COUGHLIN. Or largesse.

Ms. DOLBEARE. Or largesse. I really do agree with you that money belongs to the people. But the tax expenditure concept is based on deciding how much people with comparable incomes should be taxed. Query: Should households with incomes of $50,000 a year really be taxed at a higher rate if they are renters than if they are owners? The notion that I am concerned with is one of

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both horizontal and vertical equity. If a person with a high income has enough tax deductions so that their effective tax rate is lower than one with a lower income, it seems to me there are certain inequities, because then some people are getting money and keeping more of it than other people are getting.

Now, a further concern I have with the present provisions of the Internal Revenue Code has been that they are fueling housing inflation, and fueling condominium conversions. The way the code works with depreciation, owners have to sell periodically in order to protect their investment, and there is much more of a market now for homeowners than renters. Somebody in my tax bracket, frankly, would be crazy to rent, because it would cost much more for the same unit than if we purchased it. I think that some of those provisions of the tax code really need to be looked at, in addition to the cost to the Federal Government, with regard to these provisions.

Mr. COUGHLIN. As I said, I think the tax code can stand examination on a number of questions and in this area. I happen to think the tax code essentially encourages debt by allowing deduction for interest and discourages savings by taxing the interest earned. It has to be a funny kind of a tax code.

Mr. SABO. Excuse me for interrupting, Mr. Coughlin, if you would yield.

The proposal we are working on now only limits the amount of interest deduction you can take for a larger mortgage, but on the other hand allows a savings encouragement for somebody saving for the down payment on a first home, and also eliminates the tax on capital gains for somebody who buys down rather than buys up.

Mr. COUGHLIN. I brought this up in deference to the Chairman with whom we have collaborated with on many things along the same line. I just don't like the concept of treating money as belonging to the Government which, in its largesse, gives money back to the people. Money belongs to the people who contribute money to the Government to help those less fortunate and for other causes.

Ms. DOLBEARE. I will try to think of a better phrase next time.

Mr. SABO. I think it would be nice if we had a different phrase.

Ms. DOLBEARE. I learned that phrase from former Treasury Secretary Simon, and until now I always thought it was a pretty good one.

Mr. COUGHLIN. I disagree with him in many cases too.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESS

LOU JOLLY, REPRESENTING THE CREDIT COUNSELING CENTERS, INC., AND THE NATIONAL FOUNDATION FOR CONSUMER CREDIT

Mr. SABO. Welcome, Mr. Lou Jolly, to the committee. We will include your entire statement in the record.

Mr. JOLLY. Yes, if I may, Mr. Chairman.

For the record, I am Lou Jolly. I am here representing the Housing Committee of the National Foundation for Consumer Credit. Since 1967 I have served as a housing counselor, and at

present am responsible for supervising the operation of 15 counseling centers.

I am serving on this committee as a volunteer, because of my personal commitment to housing counseling, and for just a moment I would like to depart from my prepared text to offer this comment. I feel that this committee, to a large extent, has fostered the cause I refer to as housing counseling over the years, that it is interesting to note that HUD is supporting through its funding processes housing counseling, whereas Farmers Home, V.A. and others, federally insured mortgages, don't support housing counseling.

I make that observation because, as I understand it, those other agencies are not under the purview of this committee, so on behalf of the National Foundation for Consumer Credit, the National Federation of Housing Counselors, I thank the members of this committee for its years of support.

Returning to the subject of my presentation, the membership of the National Foundation for Consumer Credit includes many of the larger consumer credit lenders, but more importantly at this point, over 200 nonprofit consumer credit counseling services. These consumer credit counseling services are located in every state except Alaska, Delaware, and Mississippi.

CCCS agencies counseled more than 100,000 heads of families during 1979. The counseled were seeking solutions to money management problems. They were heavily in debt. Their problems almost invariably included delinquency in the payment of their rents or mortgage payments. Very often the problems were of such gravity as to include eviction or mortgage foreclosure among the likely consequences.

The Congress has realistically supported housing counseling and, after a number of false starts, led support, as I perceive it now. We understand that HUD proposed appropriations that would include the amount of some $30 million to be used to fund housing counseling services.

We can't recommend appropriation of funds at that precise level, or at 29 million or 31 million or some other number of millions. We jsut don't have the information necessary to judge it specifically. We can and do most strongly urge you to respond to HUD's request in a positive manner.

For reasons that will be made clear in this presentation, we believe a substantial increase in funds for housing limits called for, HUD's recommendation of $30 million be appropriated for this purpose seems reasonable.

We feel compelled to come forward at this time because we understand that the appropriations and the persons involved with that consider a further reduction from the level recommended by HUD. We especially appreciate the need to balance the budget of the nation, an effort long overdue, but eliminating funds from our budget that are needed for maintenance is a false economy.

The cost of preventive maintenance is nearly always less than the cost of rehabilitation. This is true of maintaining adequate mortgage servicing, as it has proven to be of maintaining our steel-producing facilities or mass transit facilities. Mortgages insured by HUD and other federal agencies as well must be maintained,

among other things, by providing services that help the mortgagor achieve self-help in resolving those problems that otherwise result from foreclosure, and the resulting claims against the insuring funds.

My written statement includes some statistical detail. It includes the result of a survey that we conducted among the membership of the National Foundation for Consumer Credit, only six agencies. Those six agencies were selected because the clientele they served during the year represents 10 percent of all those served by the National Foundation agencies. For that reason I think we might assume, even though it would be an assumption, that it represents a good cross-section of the efforts undertaken by CCCS agencies.

Through my membership with the National Federation of Housing Counselors, I believe that it represents the results that were attained by other agencies, not members of the NFCC.

I believe that housing counseling services have proven their cost effectiveness beyond any that was recognized by HUD. This morning I stopped by the HUD offices and asked for some basic information. What I obtained was simply this: During the month of March 1980, 4,153 single-family mortgage foreclosures were completed. The average loss per foreclosure is in excess of $4,000. I have heard numbers ranging from $12,000 to $14,000 each. At $12,000 each, these foreclosures will result in a cost of over $49,800,000 net after disposal of the property, a dead, flat loss.

As of March 31, HUD received reports indicating that 52,170 families were in default of mortgages 90 days or more. There are many HUD-approved counseling services. I believe over 50 percent of the approved group receive no financial assistance at all. My agency is terribly fortunate. We did receive a grant, but throughout this nation there are at least 300 agencies that receive no financial assistance whatsoever to carry out this effort. There are large geographic areas where there is no agency available at all.

My agency receives referrals from Manistee in the upper peninsula of Michigan, and the most northern location we have is in Saginaw, Michigan. Persons apply for assistance through our Muskegon office out of Travis City and Iron Mountain. There needs to be an availability of housing counseling services regardless of the place where a person lives, and that can only be brought about by realistic support.

Once again, I can't recommend a funding level, but I can recommend that realistic support be provided. It is urgently needed. It won't cost a penny. It will save money.

There are some other things that are needed as well, and perhaps this committee could address itself to these. First, there needs to be an effective referral process. Somehow mortgages have got to be required to make effective referrals and to cooperate with realistic, reasonable proposals in a way that won't allow it to be the nation's largest ghetto landlord, as they are now through the assignment program.

I applaud the assignment program. As alternative to foreclosure it is really a godsend, but at the same time I really reject the failure of substantial mortgage-servicing agencies and banks, those that are members of the National Foundation, I reject their failure

to provide patient, reaonable, good servicing, and to rely on our assignment as an alternative to this.

I had intended to share with you a couple of case histories, but my experience is limited. I have only dealt with a few hundred. There are thousands that are receiving services. As a matter of fact, under the HUD grant in 1979, 143,911 families received services, so I really can't address that. I can't say what a typical case is. I don't know. The typical case in my experience would fall in one of two areas.

The first client would be a low-income person, probably one of those included in the group that the prior speaker referred to. It might be represented by a case that I worked on.

A senior citizen, total income of $470 per month, a housing mortgage payment not including utilities obviously of $206 per month, facing that problem by itself, just looking at this as a ratio of expense to income, she had survived since 1971 with that kind of income. Even though she is disabled, she can't even rely on mass transit. She has a spinal injury. She is diabetic. Because she had a current default record at one point when she couldn't make a particular mortgage payment, the next month she took the payment in, the mortgage servicing agency refused to accept it, contrary to the requirements of 4191.4.

That scenario was carried out for three months. She finally reinstated the mortgage. She was hospitalized for surgery. The problem repeated. Again she offered all but one of the payments, and for four months the mortgage servicing agency refused to accept, and in the fourth month they began foreclosure. Because she wasn't aware of appropriate counseling services, she found herself in the hands of a second mortgage company that represented itself as a counseling agency.

They had obtained her name from legal means where foreclosure process had been published. They charged her $350 for counseling, and "an outside appraisal." Their counsel consisted of a referral to a bankruptcy attorney. He placed her in Chapter 13. The plan would have called for the payment of $125 per month into the Chapter 13 plan, and in addition, outside of this, she was to pay the $206 per month on her mortgage.

The attorney charged $495 for his fee. That was later reviewed. Judge Patton of the Eastern Federal District reviewed this. There were adjustments made. The plan was dismissed as being unnecessary in light of the fact that HUD finally agreed to accept an assignment. HUD extended a 48-month period in which she could retire that default. This occurred nearly a year ago.

She is still current in payment of her mortgage obligation. Long-term, some day at some point she will probably suffer foreclosure. I hope not, and we will do everything we can do to delay that point, to prevent it, but dollars and cents are a little less feeling, and some day she probably will eventuate in foreclosure. But in the mean time, here is a very elderly lady who has her own home, and that is the whole name of this process.

I said there were two general groups. Within Michigan that second group would be a person earning a median income or slightly more, a UAW or other organized labor member, a person that has been involved in money mismangement. He borrowed more

than he could pay at a particular point. He is in a precipitous position as it relates to a financial balance. Perhaps he is laid off. Perhaps he becomes ill. He becomes delinquent in the payment of obligations and various creditors take action. Included in the consequence of this is the default on his mortgage.

Without counseling services he is going to lose the largest thing he has to show for the 12, 14 or 16 years of work. That is his home.

Mr. SABO. Very good. Thank you.

Mr. JOLLY. Thank you.

Mr. SABO. We appreciate your coming with us today. It is excellent testimony.

Mr. JOLLY. Thank you.

[The statement follows:]

NATIONAL FOUNDATION FOR CONSUMER CREDIT, INC.

The National Foundation For Consumer Credit is an organization composed of many of the nations major consumer credit lenders and over 200 non profit consumer credit counseling services. These counseling services are located in every state excepting Alaska, Delaware and Mississippi.

During 1979, CCCS agencies counseled the adult heads of over 100,000 families. These citizens were seeking assistance in determining solutions to debt and credit problems that almost invariably included delinquency in payment of their rents or mortgage obligations. Often the problems were of sufficient gravity to include eviction or mortgage foreclosure amoung their likely consequences.

The Department of Housing and Urban Development has encouraged and fostered development of specialized financial and household management counseling that has been titled as Housing Counseling. The Congress, through its committees, has urged HUD to provide realistic support to this human service and after many years of repetitive study HUD has indeed agreed that Housing Counseling is both effective in reducing foreclosures and the costs attendant to these.

Early efforts in housing counseling were largly focused upon subsidized housing program participants, generally 235 mortgagors.

Studies on the cost effectiveness of housing counseling were conducted during that period. The cost of counseling was determined for the purposes of those studies to include subsidies of mortgage interest that could be expected to be paid out, for a number of years, in each case where counsling was judged to have prevented a foreclosure. Whether that cost is properly chargable as a cost of counseling or would be more appropriately termed to be a cost of our national effort to provide decent housing to the poor, may be long argued but is clearly a different discussion. The important point is that in spite of that questionable and substantial cost allocation, Housing Counseling was judged to be cost effective!

In 1979, the great majority of counselees were mortgagors insured under non-subsidized sections, predonimately 203. There is little question of costs for subsidies that could have been avoided through foreclosure in these cases.

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A survey of CCCS agencies was conducted by the National Foundation For Consumer Credit. Six agencies were included who counseled over 12,500 families during 1979, in aggregate total and are located in states representing a broad cross section of the continental United States. Both smaller cities and large urban areas are included in the sampling from which we drew our information.

The number of families counseled by the agencies selected, is relevant in that it represents 12% of those counseled by CCCS agencies during the period and is therefore, a valid sampling of the activities of all CCCS agencies.

The bottom line is this. HUD provided just over $216,000 in grants to the six agencies involved and through the services so assisted, averted 312 foreclosures at a minimum. In 1979, the average cost of the insuring fund of each foreclosure was twelve thousand dollars. Had these 312 mortgagors been foreclosed upon, these costs would have totaled $3,744,000.00.

The members of the National Foundation For Consumer Credit are not quick to encourage lavish social spending or increasing the public dole. Helping people to help themselves has always been a good and rewarding investment and has certainly proven to be in these cases. We urge appropriation of the full amount requested by HUD for use in supporting Housing Counseling activities. Through this appropriation, you can achieve a substantial savings.

1979 NATIONAL FOUNDATION CLIENT STATISTICAL INFORMATION

Number of clients counseled	103,800
Number referred elsewhere	12,000
Number helped by financial counseling only	26,800
Financial counseling and debt management	34,400
*Debt owed by these families $301,979,200	
Number of active cases year end	45,600
Number of cases terminated	
a. Paid in full	6,000
b. Released for self-administration	9,000
c. Non-payment	15,000
d. Chapter XIII	400
e. Bankruptcy	800
Number of public presentations (schools, community groups, etc.)	5,400
Approximate number of people reached during these sessions	511,600

* This does not include mortgage obligations.

Signed: R O Fowler Title: Member of Board of Trustees

1979 CALENDAR YEAR

RESULTS OF COUNSELING DEFAULTED MORTGAGORS

AGENCY LOCATION	PIKES PEAK, COLORADO	PORTLAND, MAINE	DETROIT, MICH.	CONCORD, NEW HAMPSHIRE	PITTSBURGH, PENNSYLVANIA	LOS ANGELES, CALIFORNIA
Grant Document Number	7558	7633	7648	7669	7633	7543
Total Counseled	55	127	1106	331	1155	258
Total Unit Claim	139	232	2402	810	7246	2179
Default Counseled	36	64	863	98	664	131
Default Units	110	126	1890	281	3986	1211
Counseling Outcomes						
Forebearance	0	0	84	2	0	11
Payment Plan	30	24	88	29	251	70
Reinstated	2	1	194	0	54	12
Assigned	0	0	111	0	1	2
Sold Property	0	0	77	0	17	5
Deed-in-lieu	0	0	0	0	1	0
Foreclosed	0	0	62	0	33	29
Continuing Counseling	4	39	247	67	307	2
Total Relief Obtained *	32	25	554	31	324	100

* Continuing Counseling cases are not included in group relieved even though this will probably be the outcome.

Benefit Estimate

It may be safely assumed that approximately 1/2 of those counseled who were in default would have been the subjects of foreclosure had counseling assistance not been available. The nature of the problems affecting this group at the intake point is demonstrated through two case histories attached. Some further insight is possible through examination of the National Foundation for Consumer Credit (NFCC) statistics of 1979. The average debt of families counseled by these agencies in 1979 was $8,778.00 involving 17 creditors and this in no case includes a mortgage obligation. (The average debt level of bankruptcy petitioners was $9,420.00)

Total default cases counseled	1,856
Assumed rate of foreclosure without counseling	50%
Reasonable estimate of expected foreclosures .	928
Number who would have avoided foreclosure without counseling	928
Number dependent upon counseling to avoid foreclosure	928
Number foreclosed who had been counseled	124
Number assisted through counseling	804
Success Rate $\frac{\text{Number dependent upon counseling}}{\text{Number assisted by counseling}}$ . . .	86.6%
Cost of foreclosures expected ($12,000 ea.)	$11,136,000
Cost of foreclosures avoided (Gross Benefit)	$ 9,648,000
Cost of HUD funding	$ 208,128
Net savings to insuring fund	$ 9,439,872

METHOD 1 - (Total agency budget ÷ all clients served), includes HUD and Non HUD

AGENCY				
Pikes Peak	$ 66,500 ÷	181 families =	$367.40 per family served.
Portland	$ 59,533 ÷	408 families =	$145.91 per family served.
Detroit	$1,189,981 ÷	6362 families =	$187.04 per family served.
Concord	$ 141,278 ÷	935 families =	$151.09 per family served.
Pittsburgh	$ 202,980 ÷	1469 families =	$138.17 per family served.
Los Angeles	$ 411,480 ÷	3213 families =	$128.06 per family served.
	Total $2,071,752 ÷	12,568 families =	Average = $164.84

METHOD 2 - (HUD funding @ $16.00 per unit X number units ÷ All HUD Cases)

Pikes Peak	139 units X $16.00 =	$ 2,224 ÷	55 HUD clients =	$ 40.43	per HUD client served.
Portland	232 units X $16.00 =	$ 3,712 ÷	127 HUD clients =	$ 29.22	per HUD client served.
Detroit	2402 units X $16.00 =	$ 38,432 ÷	1106 HUD clients =	$ 34.75	per HUD client served.
Concord	810 units X $16.00 =	$ 12,960 ÷	331 HUD clients =	$ 39.15	per HUD client served.
Pittsburgh	7246 units X $16.00 =	$115,936 ÷	1155 HUD clients =	$100.37	per HUD client served.
Los Angeles	2179 units X $16.00 =	$ 34,864 ÷	258 HUD clients =	$135.13	per HUD client served.
	Total $208,128 ÷	3032 Average =	$68.64		

METHOD 3 - HUD funding total ÷ only those receiving default services

Pikes Peak	Total HUD funding	2,224 ÷	36 default clients =	cost per default counseling $61.7
Portland	Total HUD funding	3,712 ÷	64 defalut clients =	cost per default counseling $58.0
Detroit	Total HUD funding	38,432 ÷	863 default clients =	cost per default counseling $44.5
Concord	Total HUD funding	12,960 ÷	98 default clients =	cost per default counseling $132.2
Pittsburgh	Total HUD funding	115,936 ÷	664 default clients =	cost per default counseling $174.6
Los Angeles	Total HUD funding	34,864 ÷	131 default clients =	cost per default counseling $266.0
	Total	208,128 ÷	1856 Average =	$112.13

METHOD 4 - (HUD funding ÷ HUD default clients RELIEVED)

Pikes Peak	HUD funding = $ 2,224 ÷	32 =	$ 69.50	per HUD client relieved.
Portland	HUD funding = $ 3,712 ÷	25 =	$148.48	per HUD client relieved.
Detroit	HUD funding = $ 38,432 ÷	554 =	$ 69.37	per HUD client relieved.
Concord	HUD funding = $ 12,960 ÷	31 =	$418.06	per HUD client relieved.
Pittsburgh	HUD funding = $115,936 ÷	324 =	$357.82	per HUD client relieved.
Los Angeles	HUD funding = $ 34,864 ÷	100 =	$348.64	per HUD client relieved.
	Total $208,128 ÷	1066 =	$195.24	AVERAGE per relief obtained.

PROGRAM HIGHLIGHTS

1) In round numbers, the HUD Housing Counseling Program provided nearly 200,000 client services in calendar year 1979. 152,000 of these were "individual" clients, and 48,000 were persons counseled in groups.

These figures are based on an extrapolation of a 72% sample of client data. The specifics are these:

- 269 grantees out of the roster of 296 reported at least once by the cut-off date of February 14, 1980.
- These 269 grantees submitted a total of 2,560 reports, or 9.5 reports per grantee.
- These reports contained a total of 143,911 client entries.
- The 2,560 reports constitute 72% of 3,552 reports, the number which would have been received had all 296 agencies submitted twelve monthly reports.

2) Nearly one-third of all individual clients had a mortgage default problem, and received "default counseling." Nearly two-thirds of these default cases resulted in some alleviation or remedy. Specifically: the following outcomes were achieved:

- mortgagee forbearance arrangements (9%)
- alternate payment plans (17%)
- mortgage loan reinstatement (40%)

Other results were:

- mortgage foreclosure (12%)
- sale of home (8%)

Department of Housing and Urban Development

WITNESSES

GEORGIANNA G. TIGER, ADMINISTRATOR, THE NATIONAL CONGRESS OF AMERICAN INDIANS, AND NATIONAL AMERICAN INDIAN HOUSING COUNCIL

ROBIN SHIELD, STAFF MEMBER

Mr. Sabo. Georgianna Tiger, representing National Congress of American Indians.

Welcome to the committee. We will put your entire statement in the record.

Ms. Tiger. Thank you. On behalf of the National Congress of American Indians, we appreciate this opportunity to be here. We are testifying jointly on behalf of the National American Indian Housing Council, and the NCAI represents in membership 150 member tribes, which is roughly 400,000 Indian citizens in this country.

I will try not to read from my prepared statement but I would like to start out by stating to you the statistics in 1980 on page 3, substandard housing for Indian people. To Indian people living on reservation, substandard housing means 47.7 percent of their housing units are without indoor bathrooms, 29.1 percent are without piped-in water, and the highest death rate for infant children is four times the national average.

I would like to respectfully remind this committee that the Federal Government has a legal trust responsibility, the entire Federal Government, to Indian people supported by statutes, executive orders, Supreme Court decisions, et cetera, and certainly a moral responsibiltiy for having contributed more than significantly to creating statistics that I just cited.

We are here to talk about two things. One is the Administration has proposed to cut back the current level of 6,000 Indian housing units by one third, by 2,000 units for fiscal year 1981. Secondly, HUD has effectively crippled the tribes' efforts to plan for future housing needs by writing the Indian tribes out of the 701 planning grants program in 1981.

The Department of Housing and Urban Development misinformed the House Subcommittee on Housing and Community Development in March of this year that plenty of money was available from the BIA and Economic Development Administration to fund Indian housing. This is not true. Those agencies do not have funds for this specific purpose. Only HUD has housing planning funds.

Defending the cost of Indian housing: HUD compares Indian housing, the bulk of which is located obviously in isolated rural areas, with public housing in urban oriented programs. Indian housing does cost, with Indian projects being situated where higher costs are unavoidable. That is not to say we defend excessive costs, but the statement that Indian housing in and of itself is so much more expensive when compared to other housing programs is too broad and too simplistic.

There are factors involved which contributed significantly to increased costs that do not affect urban projects such as inaccessibil-

ity to readily available and easily transportable building materials, labor, existing water and sewer systems, and existing well-maintained roads. It is felt by OMB that project development contributes to Indian housing costs, but we are made to apologize for inadequate roads, water and sewer systems, and are made to apologize for HUD's inability to coordinate its housing program with BIA for roads and Indian Health Service for sewage.

HUD's idea of cutting the number of units that will decrease the cost of housing is not logical in the sense that cutting units will not stop cost increases. The remaining units will still take money to build and maintain. If that is HUD's approach to cost containment, then will it continue to cut units? Will their policy be that the cheapest Indian housing is no Indian housing?

The Indian housing program was administratively created in 1961. However, no final rules and regulations were promulgated until 15 years later. Last year, basic rules and regulations were published in final form; even though the regulations will enable Indian housing authorities to construct quality housing on a timely basis at a 6,000-unit level or better, there is still no finalized handbook to go with them. It has taken 18 years to develop the delivery system for Indian housing which is capable of delivering 6,000 units, but HUD's inability to process these units has been laid at the feet of Indian tribes and the Indian housing authorities.

We feel it is neither fair nor wise to reduce the federal commitment to Indian housing at this time. The 1970 census report on housing characteristics indicated 62.4 percent of the housing units on Indian reservations were substandard compared to less than 13 percent for the total United States population.

In 1978 the GAO report on Indian housing pointed out that the percentage of Indian families living in substandard housing remained in the vicinity of 60 percent, eight years later. Between 1970 and 1976 the Federal Government provided assistance to build 27,000 new homes on Indian reservations, but during the same period of time the number of Indian families living in substandard housing increased at an average annual rate of nearly 4,000. Funding Indian housing at the 45,000-unit level would just barely keep pace with this annual increase in families, and would not reduce the overall number of Indian families in substandard housing.

This is the third year that Indian tribes have come to this committee to fight unit cuts in the Indian housing program. We will cite the same statistics that remain unchanged. The study released by the Census Bureau in 1970 indicated the total number of substandard housing was 8,758,000. Assuming no change in this figure, the number of housing units assisted or financed by the Federal Government exclusive of FHA, VA and GNMA was 509,000, or 5.8 percent of the need.

By comparison, GAO figures indicate that the number of Indian families in substandard housing by 1980 would be approximately 102,000. If the fiscal year 1980 budget request for Indian housing units was set at 5.8 percent of need, then the number of Indian units should be 5,802, or approximately 6,000 units. That remains unchanged this year.

On January 26, in the White House budget briefing, NCAI was assured by Mr. W. Bowman Cutter, Executive Associate Director

for Budget in the Office of Management and Budget, that the 2,000 units would be restored and the 6,000-unit level maintained. We ask this subcommittee to help the White House live up to its commitment and restore to Indian people 2,000 units of Indian housing, which we desperately need.

We further ask that the tribes be put back into the 701 planning grants program so that they can continue to prepare for their future.

I have attached as an addendum for the record some justification for an elaboration on the 701.

[The statement follows:]

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

MY NAME IS GEORGIANNA G. TIGER. I AM THE ADMINISTRATOR OF THE NATIONAL CONGRESS OF AMERICAN INDIANS. WITH ME TODAY IS ROBIN SHIELD OF MY STAFF. ON BEHALF OF THE NATIONAL AMERICAN INDIAN HOUSING COUNCIL AND THE OFFICERS AND 150 TRIBES OF THIS ORGANIZATION, I WANT TO THANK YOU FOR GIVING US THIS OPPORTUNITY TO PRESENT TESTIMONY BEFORE THE MEMBERS OF THIS COMMITTEE.

WHEN THE TRUST RELATIONSHIP BETWEEN TRIBES AND THE FEDERAL GOVERNMENT WAS ESTABLISHED MANY YEARS AGO, A COMMITMENT WAS MADE TO INDIAN PEOPLE THAT THE NEEDS FOR THEIR WELL-BEING WOULD BE MET. DECENT HOUSING IS PART OF THAT NEED AND THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT HAS THE RESPONSIBILITY TO PROCIDE INDIAN FAMILIES WITH DECENT, SAGE AND SANITARY HOUSING. IN FACT, HUD HOUSING IS THE PRIMARY HOUSING PROGRAM ON INDIAN RESERVATIONS TODAY.

IN ANY GIVEN RESERVATION COMMUNITY ONE HOUSING PROJECT DOES AT LEAST FOUR THINGS: GENERATES EMPLOYMENT, INCREASES POPULATION, ALTERS THE ENVIRONMENT AND, ABOVE ALL ELSE, RAISES PEOPLE'S HOPES FOR DECENT HOMES FOR THEMSELVES AND THEIR FAMILIES. WITH THE INDIAN HOUSING PROGRAM BEING AS FAR-REACHING AS IT IS, ONE CAN IMAGINE HOW TREMENDOUSLY THIS SINGLE PROGRAM IMPACTS ON TRIBAL ALL ACROSS THE COUNTRY. YET HUD, WHOSE ROLE IN PROVIDING HOUSING TO INDIAN PEOPLE IS SO LARGE, HAS PROPOSED TO CUT BACK THE CURRENT LEVEL OF 6,000 UNITS BY ONE-THIRD FOR FISCAL YEAR 1981.

FURTHERMORE, HUD HAS EFFECTIVELY CRIPPLED THE TRIBES' EFFORTS TO PLAN FOR FUTURE HOUSING NEEDS BY WRITING THEM OUT OF THE 701 PLANNING GRANTS PROGRAM IN FY'81. TO JUSTIFY THIS ACTION THE DEPARTMENT MISINFORMED THE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT IN MARCH OF THIS YEAR THAT PLENTY OF MONEY WAS AVILABLE FROM THE BUREAU OF INDIAN AFFAIRS AND ECONOMIC DEVELOPMENT ADMINISTRATION TO FUND HOUSING PLANNING. THIS IS NOT TRUE; THOSE AGENCIES DO NOT HAVE FUNDS FOR THIS SPECIFIC PURPOSE. ONLY HUD HAS HOUSING PLANNING FUNDS. HOW ARE TRIBAL GOVERNMENTS EXPECTED TO PREPARE FOR THEIR HOUSING NEEDS IF DENIED ASSISTANCE BY THE VERY AGENCY CHARGED WITH THE MAJORITY OF

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INDIAN HOUSING?

HUD COMPARES INDIAN HOUSING, THE BULK OF WHICH IS LOCATED IN ISOLATED RURAL AREAS, WITH PUBLIC HOUSING, AN URBAN-ORIENTED PROGRAM, AND CRIES "INDIAN HOUSING COSTS TOO MUCH." INDIAN HOUSING DOES COST. IT TAKES ALOT OF MONEY TO BUILD HOUSES THESE DAYS AND WITH INDIAN PROJECTS SITUATED WHERE THEY ARE, HIGHER COSTS ARE UNAVOIDABLE. THIS IS NOT TO SAY THAT WE DEFEND UNLIMITED OR EXCESSIVE COSTS, BUT THE STATEMENT THAT INDIAN HOUSING IN AND OF ITSELF IS SO MUCH MORE EXPENSIVE WHEN COMPARED TO OTHER HOUSING PROGRAMS IS TOO BROAD AND SIMPLISTIC A STATEMENT TO MAKE. THERE ARE FACTORS INVOLVED WHICH CONTRIBUTE SIGNIFICANTLY TO INCREASED COSTS THAT DO NOT AFFECT URBAN PROJECTS SUCH AS INACCESSIBILITY TO READILY AVAILABLE AND EASILY TRANSPORTABLE BUILDING MATERIALS, LABOR, EXISTING WATER AND SEWER SYSTEMS, AND EXISTING WELL MAINTAINED ROADS. IT IS ACCEPTED BY OMB THAT PROJECT DEVELOPMENT CONTRIBUTES TO INDIAN HOUSING'S HIGH COST. BUT WE, TO DEFEND INDIAN HOUSING'S COST, ARE MADE TO APOLOGIZE FOR INADEQUATE ROADS AND WATER AND SEWER SYSTEMS, AND WE ARE MADE TO APOLOGIZE FOR HUD'S INABILITY TO COORDINATE ITS HOUSING PROGRAM WITH THE BIA AND INDIAN HEALTH SERVICE.

HUD'S IDEA THAT CUTTING THE NUMBER OF UNITS WILL DECREASE THE COST OF HOUSING IS NOT LOGICAL IN THE SENSE THAT CUTTING UNITS WILL NOT STOP COST INCREASES: THE REMAINING UNITS WILL STILL TAKE MONEY TO BUILD AND MAINTAIN. IF THAT IS HUD'S APPROACH TO COST CONTAINMENT THEN IT WILL CONTINUE TO CUT UNITS UNTIL THERE IS NOTHING LEFT. IN OTHER WORDS, THE CHEAPEST INDIAN HOUSING IS NO INDIAN HOUSING.

ALTHOUGH THE INDIAN HOUSING PROGRAM WAS ADMINISTRATIVELY CREATED IN 1961, NO FEDERAL REGULATIONS WERE PROMULGATED UNTIL 1976 — A PERIOD OF 15 YEARS. ONLY LAST YEAR WERE THE BASIC RULES AND REGULATIONS PUBLISHED IN FINAL FORM. EVEN THOUGH THE REGULATIONS WILL ENABLE INDIAN HOUSING AUTHORITIES TO CONSTRUCT QUALITY HOUSING ON A TIMELY BASIS AT A 6,000-UNIT LEVEL OR BETTER, THERE IS STILL NO

FINALIZED HANDBOOK TO GO WITH THEM. FURTHERMORE, IT HAS TAKEN 18 YEARS TO DEVELOP A DELIVERY SYSTEM FOR INDIAN HOUSING WHICH IS CAPABLE OF DELIVERING 6,000 UNITS. BUT HUD'S INABILITY TO PROCESS THESE UNITS IS BEING LAID AT THE FEET OF THE TRIBES AND IHAs. WHATEVER PROBLEMS EXIST WITH THE SYSTEM SHOULD BE SOLVED IN A POSITIVE WAY, HOWEVER, A CUT IN FUNDING OF THE MAGNITUDE PROPOSED IS NOT THE ANSWER SINCE IT WILL ONLY SERVE TO FURTHER JEOPARDIZE THIS RECENTLY-ACHIEVED PRODUCTION CAPABILITY.

WE FEEL THAT IT IS NEITHER FAIR NOR WISE TO REDUCE THE FEDERAL COMMITMENT TO INDIAN HOUSING AT THIS TIME. THE 1970 CENSUS BUREAU REPORT ON HOUSING CHARACTERISTICS INDICATED THAT 62.4% OF THE HOUSING UNITS ON INDIAN RESERVATIONS WERE SUBSTANDARD COMPARED TO 12.9% FOR THE TOTAL U. S. POPULATION. THE MARCH 1978 GAO REPORT ON INDIAN HOUSING POINTED OUT THAT THE PERCENTAGE OF INDIAN FAMILIES LIVING IN SUB-STANDARD HOUSING REMAINS IN THE VICINITY OF 60%. BETWEEN 1970 AND 1976 THE FEDERAL GOVERNMENT PROVIDED ASSISTANCE TO BUILD 27,000 NEW HOMES ON INDIAN RESERVATIONS, BUT DURING THE SAME PERIOD OF TIME THE NUMBER OF INDIAN FAMILIES LIVING IN SUB-STANDARD HOUSING INCREASED AT AN AVERAGE ANNUAL RATE OF 3,916. FUNDING INDIAN HOUSING AT THE 4,000 UNIT LEVEL WOULD JUST BARELY KEEP PACE WITH THIS ANNUAL INCREASE IN FAMILIES AND WOULD NOT REDUCE THE OVERALL NUMBER OF INDIAN FAMILIES IN SUBSTANDARD HOUSING.

SOMETIMES WE FORGET WHAT SUBSTANDARD HOUSING REALLY MEANS. TO INDIAN PEOPLE LIVING ON RESERVATIONS IT IS 47.7% OF THEIR HOUSING UNITS WITHOUT INDOOR BATHROOMS, 29.1% WITHOUT PIPED-IN WATER, AND THE HIGHEST DEATH RATE FOR INFANT CHILDREN.

A STUDY RELEASED BY THE CENSUS BUREAU IN 1970 STATED THE TOTAL NUMBER OF SUBSTANDARD HOUSING UNITS IN THE U. S. WAS 8,758,679. ASSUMING NO DRAMATIC CHANGE IN THIS FIGURE, THE NUMBER OF HOUSING UNITS ASSISTED OR FINANCED BY THE FEDERAL GOVERNMENT (EXCLUSIVE OF FHA, VA AND GNMA PROGRAMS) UNDER THE FY 1980 BUDGET REQUEST WAS 509,050 or 5.8% OF NEED. BY COMPARISON, GAO FIGURES INDICATE THAT THE NUMBER

OF INDIAN FAMILIES IN SUBSTANDARD HOUSING BY 1980 WOULD BE APPROXIMATELY 101,764. IF THE FY 1980 BUDGET REQUEST FOR INDIAN HOUSING UNITS WAS SET AT 5.8% OF NEED, THEN THE NUMBER OF INDIAN UNITS SHOULD BE 5,902 OR APPROXIMATELY 6,000 UNITS.

FOR THE THIRD YEAR IN A ROW WE HAVE COME TO FIGHT UNIT CUTS IN THE INDIAN HOUSING PROGRAM. THE STATISTICS WE USED HERE TODAY ARE THE SAME FIGURES THAT WERE PRESENTED AT LEAT YEAR'S APPROPRIATION HEARINGS. WE HAVE DONE THIS TO SHOW THAT NOTHING HAS REALLY CHANGED. HOW MANY YEARS MUST WE RECANT THE SAME STATISTICS BEFORE HUD CLEARLY UNDERSTANDS AND RESPONDS TO OUR HOUSING NEEDS.

IN THE JANUARY 26, 1980 WHITE HOUSE BUDGET BRIEFING, WE WERE ASSURED BY MR. W. BOWMAN CUTTER, EXECUTIVE ASSOCIATE DIRECTOR FOR BUDGET IN THE OFFICE OF MANAGEMENT AND BUDGET, THAT THE 2,000 UNITS WOULD BE RESTORED AND THE 6,000-UNIT LEVEL MAINTAINED. WE ASK THIS SUBCOMMITTEE TO HELP THE WHITE HOUSE LIVE UP TO ITS COMMITMENT AND RESTORE TO THE INDIAN PEOPLE 2,000 UNITS OF INDIAN HOUSING WHICH WE DESPARATELY NEED. WE FURTHER ASK THAT TRIBES BE PUT BACK INTO THE 701 PLANNING GRANTS PROGRAM SO THAT THEY CAN CONTINUE TO PREPARE FOR THEIR FUTURE.

THANK YOU FOR LETTING US PRESENT THIS STATEMENT. AS ADDENDUM TO THIS STATEMENT, WE ARE INCLUDING NCAI'S STATEMENT ON THE 701 PLANNING GRANTS PROGRAM WHICH WAS SUBMITTED MARCH 14, 1980 TO THE HOUSE OF REPRESENTATIVES' SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT.

ADDENDUM

NATIONAL CONGRESS OF AMERICAN INDIANS

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Alabama Creek

STATEMENT

OF THE

NATIONAL CONGRESS OF AMERICAN INDIANS

FOR THE

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

ON THE

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
701 PLANNING GRANTS PROGRAM

SUBMITTED

MARCH 14, 1980
WASHINGTON, D. C.

The National Congress of American Indians is alarmed at the direction the Department of Housing and Urban Development appears to be taking in effectively minimizing its responsibility to Indian tribes by reducing its involvement in the area of Indian Housing through its decision to not include tribes in the Department's budget for Fiscal Year 1981 as eligible recipients of 701 planning grants.

In testimony before this Committee, HUD misled and misinformed you regarding the monies available to Tribal Governments for general community planning. HUD would have you believe that there are extensive funds available from both the Economic Development Administration and the Bureau of Indian Affairs for this purpose. In fact, EDA allocated only $4 million in 1980 to Tribal Governments for specific economic development projects. This is the allocation that EDA has had for the past five years with no increases to off-set inflation. The BIA has no specific budget item comparable to 701 planning grants. The intent of the funds that are available from BIA is for assisting tribes manage and improve their instruments of government such as elections, constitutions, memberships and tribal status; providing new home construction and rehab for existing homes; and increasing tribal ability to operate federal programs under contract as well as enhancing the overall quality and effectiveness of Tribal Government.

HUD's assertion that Community Planning and Development Block Grants can be used for comprehensive planning is further misleading. Monies allocated from CDBG are used for specific activities which are normally the result of prior planning--planning which has generally been done with the support of 701 grants. Under the present allocation

system for CDBG, funds are used to complete a specific portion of a community plan. How are Tribal Governments expected to qualify for CDBG if they are unable to adequately prepare for a project, especially when they are denied assistance from an agency whose programs have such a massive impact on reservation communities?

In its 1979 Report on Indian Housing, the Senate Select Committee on Indian Affairs made specific recommendations regarding comprehensive planning funding for tribes: "Each agency and particularly HUD, should fund and otherwise encourage the development and use of comprehensive plans by IHAs* in shaping housing projects. The scale at which planning activities funded should be sufficient to ensure the development of meaningful plans. HUD should immediately allocate more (rather than less) of the section 701 planning grants to Indian tribes and should monitor the HUD field administration of that program to guarantee an efficient application of these scarce dollars." (emphasis added by NCAI)

The recent rendering of tribes as being ineligible for 701 monies is the final step HUD has taken over the past few years to remove itself entirely from its responsibility for assisting tribes to effectively and efficiently plan their housing programs. For Fiscal Years 1976-1978, the annual Indian set-aside each year was only $1.25 million. For Fiscal Years 1979-1980, HUD had reduced it to $1.0 million. Given this backsliding record, it appears to us that HUD does not consider the recommendations of a Congressional Committee worth heeding.

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*Indian Housing Authorities

The National Congress of American Indians recognizes the value of planning for the future, however, we question HUD's recognition of that value. Therefore, we recommend that tribes be reinstated as eligible recipients under HUD's 1981 701 program budget with an increased appropriation funding level of $4 million which is at the very least comparable to EDA's allocation level. In Fiscal Year 1979, approximately 34 tribes were funded through the 701 program even though there are in excess of 400 Federally-recognized tribes and Alaska Native groups. The average size grant was approximately $26,500 per project with a majority of the grants ranging between $10,000 and $20,000 (see addendum). The recommended amount would provide a base appropriation for these entities which would enable them to effectively plan for their communities as well as enable them to continue plans already begun. Although the total HUD 701 budget allocation for Fiscal Year 1979 was $53 million, tribes actually recieved only $904,030. At this time we have been unable to determine funding figures for Fiscal Year 1980 since they have not yet been compiled by HUD.

NCAI cannot over-emphasize the need for planning assistance and we look to Congress to provide the impetus to ensure that HUD continues in its responsibility to Indian people with respect to the 701 planning grants program.

ADDENDUM

701 COMPREHENSIVE PLANNING ASSISTANCE PROGRAM

Indian Planning Assistance
FISCAL YEAR 1979

RECIPIENTS	GRANT AMOUNT
Passamaquoddy Tribe (ME)	$13,000
Penobscot Tribe (ME)	$13,000
Seneca Nation (NY)	$14,000
St. Regis Band of Mohawks (NY)	$14,000
United Southeastern Tribes (intertribal)	$72,000
Leech Lake Band of Chippewas (MN)	$10,100
Boise Forte Band of Chippewas (MN)	$10,200
Grant Portage Band of Chippewas (MN)	$10,100
Great Lakes Intertribal Council (WI)	$18,000
Oneida Tribe (WI)	$12,000
Menominee Tribe (WI)	$11,600
Oklahoma Office of Indian Affairs	$70,000
Kickapoo Tribe (KS)	$11,000
Winnebago Tribe (NE)	$11,000
Ute Mountain Tribe (CO)	$32,000
Northern Cheyenne Tribe (MT)	$29,280
Crow Tribe (MT)	$22,250
Chippewa-Cree Tribe (MT)	$22,000
Turtle Mountain Band of Chippewa-Crees (ND)	$22,000
Fort Berthold Reservation (ND)	$28,000
Devils Lake Sioux Tribe (ND)	$35,000
Flandreau Santee Sioux Tribe (SD)	$22,500
Shoshone and Arapahoe Tribes (WY)	$35,000
Gila River Indian Community (AZ)	$25,000
Navajo Tribe (AZ)	$50,000
Pascua Yaqui Tribe (AZ)	$20,000
State of Arizona	$21,000
Southern California Reservation Planning Organization	$35,000
Owens Valley Board of Trustees (CA) (intertribal)	$20,000
E.A.R.T.H. (CA) (intertribal)	$60,000
State of New Mexico	$50,000
Eight Northern Indian Pueblos Council (NM)	$25,000
Southern Puget Sound Intertribal Council (WA)	$30,000
Central Organization of Puget Sound Assn. of Corporating Indians (WA)	$30,000
TOTAL	$904,030

Mr. SABO. Do you know in the Interior Committee what is being requested as related to Indian Health Service for sewer and water services?

Ms. TIGER. I don't know that off the top of my head. I can get that information back to you.

Mr. SABO. They had a request in for a rescission, which was denied, to maintain those funds for existing units.

Ms. SHIELD. I know the figure you are talking about, and I don't have it right in my hands, but I do know that they have been cut $18 million, which is going to desperately affect whatever housing activities are going to be carried on.

Mr. SABO. Have you requested to testify in relationship to that request as to what happens?

Ms. TIGER. Yes.

Mr. SABO. Mr. Chairman.

Mr. BOLAND. I am sorry that I was late, I had another commitment, but I want to welcome you to this committee. I think you probably realize that this committee, perhaps more than any other Appropriations Committee, has assured that there would be housing for the Indians, and actually it was led by members of this subcommittee. Some of them have departed, but Mr. Sabo, who now sits here, evinces very deep interest in Indian housing and Indian affairs, and has ever since he came to the Congress.

We are delighted to have him on this committee to give the committee the advice that he can give and the knowledge he has of the problems of Indians. So we welcome you and we will be careful and we will be sure that the Indians are not forgotten when housing is considered by this subcommittee.

Thank you very much.

Ms. TIGER. Thank you for this opportunity.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

LOUIS G. MILAN, REPRESENTING THE NATIONAL ASSOCIATION OF HOUSING AUTHORITY REDEVELOPMENT OFFICIALS

MARY CLUTE, DIRECTOR OF LEGISLATIVE SERVICES

Mr. BOLAND. We will turn to Louis G. Milan from the Denver National Association of Housing Authority Redevelopment Officials from NAHRO.

Mr. MILAN. There has been a little confusion. Actually, I am from Harrisburg, Pennsylvania. I am filling in for Mr. Ratzlaff, who is from Denver, who was originally scheduled.

Mr. BOLAND. We are glad to have you. Where is he from?

Mr. MILAN. He is from Denver.

Mr. BOLAND. Go ahead with your statement. We are glad to have you.

Mr. MILAN. Thank you very much. You have, I understand, our written testimony, and with one eye on the clock I will simply summarize and be as brief as possible and will be pleased to respond to any questions you may have.

Briefly, we at NAHRO support the administration's original request for CDBG and assisted housing. These figures as originally proposed are substantially below what is needed.

Mr. BOLAND. Isn't that true for every program?

Mr. MILAN. I suspect it is. I point it out in that area in which I am vitally concerned, and I suspect as is this committee——

Mr. BOLAND. Sure.

Mr. MILAN [continuing]. A further reduction from the original request we do feel would be devastating. The CDBG at $3.95 billion represents less than a 4 percent increase in the dollar level, which due to inflation and additional commitments is an actual reduction in program, and further underscoring the inadeqacies of the proposal. The 400,000 deep subsidy units is the minimum that NAHRO feels is required to keep pace with our housing needs.

HUD's requested $33.2 billion level would provide only 283,000 units. We feel, too, that it is important to maintain the UDAG funding level at $675 million. This program, if it has a fault, is that it has been very successful, both in the number of communities that have received UDAG grants, the large number hoping to receive such grants, and the tremendous amount of private investment that has been leveraged through the UDAG mechanism.

Mr. BOLAND. How much of a part do the NAHRO officials play in the UDAG program? Do they play much of a part in that?

Mr. MILAN. Inasmuch as our membership is made up of people practicing in the field, I would say that probably 50 percent of our members at least are directly involved.

Mr. BOLAND. Involved in the UDAG program?

Mr. MILAN. Yes, sir.

The next item, the 312 program. We feel it is a critical revitalization tool. It has been one of those programs again that suffered from success, and especially suffered from the uncertainty of funding. We understand that one of the reasons that HUD has cut its request is because it affects the immediate budget outlay. Monies are allocated and they are spent immediately.

We consider that to be one of the strong points of the program, and one of the most discouraging things is to have an applicant right on the verge of receiving an application and has funds cut off again, which has been occurring over the years.

The $862 million level for PHA operating subsidies we feel is too low. It is predicated on a 7 percent inflation rate—and that is, I think, conservative. HUD's original estimate of what is needed to keep pace with inflation is $953 million. As long as we continue to underfund operating subsidies, we will have to play catch-up in some other area, for example, modernization.

We commend you, Mr. Chairman, for agreeing to appropriate $25 million in the 1980 supplemental to help erase PHA deficits.

Mr. BOLAND. Above that, we restored $25 million.

Mr. MILAN. Yes. We would urge you to consider the funding of the full $25 million request in order to make all PHAs whole, to get out from the hole they are in. We support the House authorization committee's proposal for $100 million comprehensive modernization program. This will go a long way toward addressing the long-term needs of PHAs in getting units back into the inventory. The size of the investment in public housing units in this country

deserves this kind of an appropriation, so that we don't lose that investment.

Technical assistance: We would hope that the level of funding for technical assistance would continue as proposed. There are many programs. One that comes to mind is a community rehabilitation training program, which NAHRO, in cooperation with the University Research Center, has been conducting training sessions for rehabilitation technicians around the country. It seems foolish to make community devleopment block grants, and then have communities that do not have the technical capacity to carry out the program. We feel that the technical assistance program is a much needed additional tool.

Mr. Chairman, it is not a part of our testimony, but we would hope that the House might consider following the Senate's lead in addressing a program to help communities in the field of energy. The monies are needed. We think we can use the same systems we now have in place for delivering housing and community revitalization to deliver energy-saving programs.

We do appreciate this opportunity, again. I have been, I trust, as brief as I promised. We will be pleased to respond to any questions.

Mr. BOLAND. Thank you very much. This committee is cognizant of the fact that NAHRO over the years has been a very effective voice in the programs that are so important to local communities, particularly in the housing area, and conscious of the fact that some of the reductions that have been suggested from other sources would seriously impact upon the ability of the local housing redevelopment officials to do the job that has to be done, if we are going to keep pace and not fall back, and then some years from now try to catch up again.

We appreciate very much your testimony.

[The statement follows:]

Mr. Chairman and members of the subcommittee, I am Louis Milan, the Vice-President for Community Revitalization and Development of NAHRO and Executive Director of the Redevelopment Authority of the City of Harrisburg, Pennsylvania. I am accompanied by Mary Clute, Director of Legislative Services for NAHRO. I appreciate the opportunity to appear before you this morning to present NAHRO's comments and recommendations on HUD appropriations for fiscal year 1981. As always, these recommendations reflect the input and local administrative experience of NAHRO's 7,000 individual and 2,000 public agency members.

All of the major federal housing and community development programs -- the Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Section 312 loan, and assisted housing programs -- must be reauthorized this year. We believe that, in general, these programs are working very well and deserve the full support of the subcommittee. While periodic administrative modifications may be appropriate, we caution the subcommittee against proposing legislative remedies to problems that are best addressed through regulatory change.

COMMUNITY DEVELOPMENT

We strongly support an appropriation of $3.95 billion for the CDBG program, as proposed in HUD's original FY 1981 budget request. This level represents an increase over the current CDBG program level of less than four percent, which will mean a net loss in program activity. In addition, entitlement communities face a further dilution of program funds, as additional cities and urban counties reach the entitlement population threshold.

Our monitoring of five years of local experience under the block grant program demonstrates that local administrative capacity and adherence to statutory objectives have improved in the last two years: communities are spending their CD funds more rapidly, and are improving their capacity to utilize the funds in innovative ways to meet pressing local priorities, and to leverage private dollars more effectively. We noted in testimony two years ago before this subcommittee that CDBG funds were being used to leverage private monies and other public funds in a minority of cases; we have seen a marked improvement over the past two years, as cities have developed greater sophistication, particularly in rehabilitation and economic development activities. We would be happy to provide case examples for the record in support of these trends.

Last spring, HUD requested NAHRO's assistance in reviewing the CDBG regulations in order to identify and amend those regulations which created local difficulties in program administration. To this end, NAHRO surveyed its membership and assembled a task force, the objectives of which were twofold: 1) work with HUD in improving CDBG program administration, and 2) develop recommendations for legislative change, if appropriate. While numerous suggestions for administrative modifications were raised, the overwhelming consensus of the task force and NAHRO membership is that the CDBG program is operating more smoothly and effectively than it has in the past, that further tampering would likely create more problems than it would solve, and that it should be reauthorized without legislative amendment. Specifically:

1) the dual formula allocation system and the percentage set-asides for entitlement and non-entitlement communities should remain intact. The move to a three-year planning cycle for entitlement communities and the creation of a comprehensive multi-year program for small cities in 1977 have improved local capacity and performance, according to our members.

2) No changes in eligible activities are warranted at this time. Our membership feels particularly strongly that an increase in eligible activities would seriously hamper the ability of local governments to concentrate CDBG resources effectively, since so many competing priorities already exist. In that context, we would urge the subcommittee in its assessment of the block grant program to acknowledge the fact that the program is not and cannot be considered a bottomless reservoir out of which all community development-related activities can be funded. Nor can the CDBG program alone in all cases be used to remedy local problems, such as condominium conversions, which are in large part due to private market forces. We cannot expect communities to effectively target their CDBG funds and address exhaustively all their problems.

3) Existing rules and regulations are sufficient to permit effective HUD oversight of local CDBG performance. The vast majority of administrative concerns raised by our members involved problems with HUD area offices, not with the program itself or with the regulations. While NAHRO has, as you know, always pushed for monitoring and oversight, we caution the subcommittee against increasing administrative requirements for local governments, at the same time that pressure perhaps justifiably exists to reduce administrative costs.

4) Our members unanimously support the concept of the Housing Assistance Plan (HAP) as an important local planning tool, a link between housing and community development, and a guideline for the allocation of federal resources. At the same time, they have raised concerns about the HAP process as it has been implemented in the past.

These concerns centered primarily around two issues: 1) inadequate funding to substantially address local needs and goals; and 2) rigid "proportionality" requirements which inhibit a locality's ability to respond effectively to a dynamic housing market.

The problem of adequate housing resources is one that we all deal with daily, and have yet to resolve. Clearly, formulation of more effective housing goals would be greatly enhanced if cities could be certain of receiving a substantial portion of the housing funds they need. This problem, however, cannot be rectified by changing the HAP process.

With regard to "proportionality", the HUD regulations require that local goals for housing type, tenure and recipient proportionally mirror the housing need in the community. These regulations respond in part to statutory language regarding HAP requirements and in part to abuses in communities which were not addressing the housing needs of certain classes of constituents. We support the concept of proportionally meeting the need of all client groups within a community; however, we believe that the system must have a degree of flexibility - particularly for communities with good records in providing balanced housing opportunities - in order to accommodate changing housing markets, developers' proposals, and available sites and resources.

HUD is aware of our concerns and has been very receptive in working with us to find satisfactory solutions to these problems. As you know, HUD has already instituted a new procedure for establishing major central cities as separate allocation areas and to provide for chief executive consultation in the development of allocation plans. This procedure, in itself, is significantly improving the HAP process in these localities.

In short, NAHRO strongly supports the HAP concept. It would be a tremendous step backward to drop or significantly alter this important community development and housing linkage. We are aware of the problems in the implementation of the HAP process, but

believe that, in general, the process is improving. As with all federal programs, the HAP process evolves and changes as we have more experience with it and learn of its strengths and weaknesses. We believe that HUD is being receptive to working with constituent groups in resolving HAP difficulties, and that they are moving the process in the direction of greater local control. We support these efforts, and do not believe that legislative remedies are appropriate at this time.

We share the subcommittee's concern that funds provided under the Secretary's Discretionary Fund be used properly and effectively. We are disturbed, however, over the subcommittee's recent decision to rescind $10 million in FY 1980 technical assistance funds. In our view, technical assistance is an integral adjunct to federal housing and community development programs particularly to help ensure that smaller communities can utilize CDBG funds effectively. If the subcommittee believes the money is not now being well spent, then it should provide direct guidelines for its use, instead of simply reducing available funds.

UDAG

For three years, the UDAG program has afforded both small and large communities with fundamental fiscal and economic problems an opportunity to address these problems directly and immediately, and at a small cost to the federal government relative to the return in employment, neighborhood revitalization, and private investment. While the figures on the number of jobs created and private dollars leveraged under the UDAG program are important indicators of performance, we think it important also to point out that the demand for UDAG assistance continues to far exceed the available funding: in the most recent quarter for which UDAG awards were made to cities over 50,000 population, 138 applications, for $509.8 million in grants were received. More importantly, the quality of UDAG proposals has improved, in our opinion; as cities have become more creative in the use of CDBG funds, they have also grown more sophisticated in both developing and packaging UDAG projects. Further, HUD has actively promoted the development of UDAG proposals for neighborhood revitalization, as well as economic development, and is currently working with a number of cities on UDAGs involving major energy conservation projects. HUD is to be commended for its administration of a program initiated only three years ago. The UDAG program has proven itself and should be reauthorized for three more years at no less than its current level of $675 million.

SECTION 312 LOANS

Just as the UDAG program has been utilized by cities to complement ongoing community development efforts through the generation of large-scale revitalization projects, the 312 loan program has become an integral part of local neighborhood conservation efforts. In addition, it has provided a source of rehabilitation financing for urban homesteading and self-help housing programs, where no other financing was available. We are particularly heartened by the preliminary results of HUD's evaluation of the 312 multi-family program, which indicate widespread local useage and effective targeting of multi-family loans to low- and moderate-income buildings. In many cities, small 95-30 unit) multi-family buildings form the back-bone of the low- and moderate-income rental housing stock, and the 312 program is proving to be a useful tool in preserving that stock. In addition, HUD has reduced the delinquency rate for loan payments from over 15% to less than 10% in less than a year, and exceeded its projections by obligating over 85% of the FY 1979 312 appropriation, including loan repayments and the burden of what was then a new multi-family component. NAHRO supports an appropriation of $188 million as requested in the Administration's original budget request in January.

We strongly support HUD's proposal to increase 312 loan limits from $27,000 to $35,000, and to permit per unit limits of $28,000 in congregate housing. The loan limit increase is essential if communities are to comply with energy conservation standards and make other needed improvements.

HOUSING

As this subcommittee has recognized, the capacity of local governments to achieve locally identified community development and neighborhood conservation objectives is dependent on the availability of decent, affordable housing for the residents of those communities and neighborhoods. As the General Accounting Office (GAO) and others have documented, however, we are confronted with a serious shortage of rental housing, and a rental housing stock that is diminishing in both quantity and quality. Further, more and more households are being forced to devote a higher portion of their income for rent.

This shortage has serious implications for both the short- and longer-term, as evidenced by the following indicators of increased demand for housing:

1) In the 1970's, 32 million people reached the age of 30. In the 1980's, estimates are that 43 million people will reach that age. There will thus be a significant increase in the number of independent households reaching the point at which demand for housing is typically the greatest.

2) The Census Bureau has observed a dramatic increase in the number of one-person households, and estimates that the total number of households in the United States will climb from 76.5 million in 1970 to 97 million in 1990. In addition, the elderly population will continue to increase. Both of these trends signal increasing pressure on the rental housing market.

3) According to the 1977 Annual Housing Survey, approximately 41% of all rental units nationally were in structures built before 1939. Combined with the rapidly escalating cost of maintaining and operating rental housing, this aging of the stock, if untreated, will continue to result in disinvestment in rental housing, since older housing tends to be more costly to operate.

All of these trends, if unheeded now, will aggravate problems of displacement and overcrowding that we are already witnessing in many of our cities and, increasingly, rural areas which have little replacement stock. In our view, the displacement problem is largely a function of an inadequate supply of decent, affordable housing, and will continue to worsen until incentives to increase that supply are enacted. In addition, the increasing tightness in the rental market contributes to inflation in housing prices, by bidding up the cost of existing units. At the same time, we are neglecting opportunities to utilize new housing construction as a positive force to balance our declining economy.

Low-income people, of course, bear the greatest burden, occupy the least desirable housing, and stand to suffer the most as rental vacancy rates decline. We are currently faced with a dual problem in this regard: we are not producing enough new housing to meet our low- and moderate-income housing needs; at the same time, we are losing existing lower-income units from the stock due to an inadequate commitment to maintenance and modernization needs. Our recommendations to you are aimed at responding to these needs.

Increase the Level of Section 8 and Public Housing

While we were encouraged by the Administration's decision to increase the budget for Section 8 and public housing over the FY 1980 level, we must also recognize that the increase does not fully redress the previous year's cutback, from a level of 325,000 units in FY 1979 down to the FY 1980 level of roughly 240,000 units. Nor does the proposed authorization approach a level of 400,000 units, which NAHRO believes is the minimum necessary to keep pace with the growing need for low-income housing. In fact, the Congressional Budget Office has recently estimated that the HUD request, adjusted for the actual rate of inflation, will be sufficient to produce no more than 280,000 to 285,000 units, rather than the 300,000 projected by HUD. This number could drop even further if actual Housing Assistance Plan figures for new construction and substantial rehabilitation exceed the 60% of total Section 8 authority figure that HUD used in estimating the program mix. We strongly urge the subcommittee to ensure that the FY 1981 appropriation for Section 8 and public housing be sufficient to fund at least a true 300,000 units, which would require an approximate increase of $1.8 billion to $2 billion in budget authority over the HUD requested level.

Tangible evidence exists that the need for assisted housing is growing. Our feedback from large housing authorities across the country indicates an across the board decline in the turnover rate in public housing: there are more demands for public housing, but fewer households moving out. Further, waiting lists for Section 8 existing housing alone are running four to six times the number of available units. For example, in St. Paul recently, the housing authority received 1,455 new applicants for Section 8 existing certificates after opening the waiting list for just one month. Likewise, in Denver, over 4,000 families have been waiting more than nine months on a waiting list, while the city currently has fewer than 1,500 Section 8 existing units in total.

NAHRO has supported the authorization of a new program to spur the construction of rental housing for moderate- and middle-income persons, subject to certain conditions. It is our preference that funding for such a program be in addition to appropriations for Section 8 and public housing at the levels mentioned above. If funds are appropriated for a new rental housing program from the $33 billion in budget authority requested by HUD for assisted housing, however, we strongly urge the subcommittee to allow for flexibility between contract authority for Section 8 and for the new program, with a ceiling on appropriations for the new program. Such an initiative should be started up gradually, to insure project viability and effective local response.

Financing of Assisted Housing: A Need for More Flexibility

At a time when so many pressures are being exerted on the federal budget, we are disturbed by HUD's proposal to convert existing public housing obligations from their current tax-exempt status to taxable obligations, to be sold through the Federal Financing Bank. The resultant interest rate differential, reflecting the difference between taxable and tax-exempt interest rates, would be reduced for FY 1981 by adding almost $1.3 billion to budget authority to the HUD budget for assisted housing, without adding a single new unit. We believe that the jurisdiction given for this shift--that the short-term cost to the government will be outweighed by the long-term tax savings from elimination of the tax-exemption to wealthy investors in public housing bonds--is a specious one. In practice, those investors would simply shift their investment dollars to another tax shelter, and out of low-income housing. The current mechanism for financing public housing is a legitimate and time-proven method, and shifting of investment dollars away from low-income housing is not, in our opinion, good public policy. The subcommittee should reject the HUD proposal.

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Needed: A Comprehensive Approach to the Maintenance and Modernization of Public Housing

In NAHRO's testimony before this subcommittee a year ago, we identified major flaws and inequities in the method by which public housing authorities (PHAs) receive operating subsidies, and documented through a survey of 39 large PHAs (all with over 4,000 units under management) the resultant accumulation of deferred maintenance. Our concern then and now is the same: at a time when there is a diminishing supply of affordable rental housing for low-income people, many PHAs are in danger of losing (or have already lost) viable units from their public housing stock due to a lack of needed operating assistance, and are discouraged from producing sorely needed new units by the lack of a predictable and equitable system to ensure that those units can be operated and maintained over time.

While we will suggest some amplification of HUD's proposals for the modernization program for FY 1981, we think it important that the subcommittee be made aware of the commitment within the Department to devote time and resources to improving the delivery of assistance to the public housing stock. Secretary Landrieu has demonstrated a personal commitment to this effort, and we are confident that the Department is making every effort to increase administrative efficiency and institute needed reforms.

At the risk of over-simplifying a very complex issue, I would like to outline for the subcommittee's consideration some adjustments in the system through which operating subsidies are allocated to PHAs, and a restructured approach to modernization funding, which we believe will enable PHAs both to make needed repairs and property improvements and to better maintain their existing housing units, thereby reducing over time the build-up of vacant, vandalized, and deteriorated public housing stock.

The Current Need and Problem: According to a nearly completed survey of modernization needs in 400 housing authorities, commissioned by HUD, upwards of 80% of the nation's 1.2 million public housing units require little or no improvement to be considered standard. The other 15-20% (approximately 200,000 units) require varying degrees of major repairs or rehabilitation, however. This problem has resulted in large part from: 1) an inequitable system of operating assistance, which annually has forced many PHAs to reduce services, defer maintenance, and/or dip into reserves to meet daily operating and utility expenses. A NAHRO survey now underway is demonstrating that almost every large PHA has been utilizing reserve funds to pay regular operating expenses. The survey results will be filed for the record upon completion; and 2) a system for allocating modernization authority which results in a piecemeal approach to mounting repair and rehabilitation needs.

Since 1975, operating subsidy levels for PHAs have been set according to the performance funding system (PFS) formula, which is calculated on a comparative estimate of the subsidy required to operate "well-managed" units of similar size, location, and physical characteristics. The operating subsidy is used to make up the difference between tenant rent payments, which cannot by law (and, we believe, should not) exceed 25% of adjusted annual incomes, and the cost of operating the units. The inflation factor used to calculate the PFS level, however, has consistently lagged well behind the actual rate of inflation: in FY 1980, for example, the PFS inflation factor was set at 7.1%, while actual inflation has exceeded 10%. In addition, little, if any, provision is made in the PFS formula for services and maintenance needs not apparent or significantly severe at the time of the initial base year used in calculating the subsidy, including increases in insurance and labor costs, vandalism and security costs, and unusual expenses such as snow removal. These "costs beyond PHA control" have been concentrated in the larger PHAs which own and manage the vast majority of the nation's public housing units.

In fact, Mr. Chairman, the current system of operating and modernization assistance provides neither incentives for good management nor sufficient accountability at the local level. PHAs are expected to operate their units under inherently counterproductive management principles and conditions, that are different from those under which most privately-owned rental housing is operated.

An Adjustment in the Operating Assistance System: Some adjustment in the operating assistance system is necessary for FY 1981. Findings to date in HUD's evaluation of the PFS formula document many short-falls, particularly for larger PHAs. The fundamental principle behind NAHRO's proposals for an ajdusted system is a multi-year approach, with short-term costs that will yield far greater benefits in helping to preserve the nation's $19 billion dollar investment in public housing. First, the subcommittee should appropriate $953 million in operating subsidies for FY 1981, the amount needed to fully fund the PFS formula. In order to ensure that this money is both used effectively and directed to PHAs which need it to operate at a basic level of service, the level of funding which corresponds to the lower range of the PFS formula should be set aside, and allocated under the current formula allocation system (the PFS formula yields a range of total PHA need, based on different cost assumptions; existing allocations have typically funded PHAs at or below the mid-range, regardless of severity of need). The remainder, approximately 10-20% of the authorization, would be designated for use in a separate account, to which PHAs would have to apply. The account could be used for two purposes: 1) "Costs beyond PHA control" which, as mentioned earlier, are not accommodated by the PFS formula. The FY 1980 HUD Authorization bill (H.R. 3875) includes a provision, section 207(d) which formally authorizes such payments; and 2) Immediate budget crises that have arisen as inadequately funded PHAs exhaust reserves to pay their basic expenses. Currently, $52.6 million is needed (and included in HUD's FY 1980 supplemental appropriation request) to eliminate the existing budget deficits of some PHAs, and must be funded to permit these authorities to return to normal operations.

This system would better target operating subsidies to those PHAs with pressing needs, and would help fiscally troubled authorities to get out from under the cycle of deficit spending and deferred maintenance. At the same time, however, receipt of funding from this "appeals" fund would not be automatic: PHAs would have to document the specific need and the way in which the funding would be used to improve efficiency in their operations. Finally, the system would better enable PHAs to maintain reserve accounts, which could help pay for maintenance and repairs in future years. Establishment of an adequate capital replacement fund is a fundamental principle in the maintenance of privately owned rental housing and its application to public housing is long overdue.

A Comprehensive Approach to Meeting Modernization Needs: As HUD has recognized in its FY 1981 legislative proposal, an increased commitment to modernization is essential both to make available additional safe and sanitary housing units for lower-income people and to remove the barriers facing PHAs which are trying to build needed new housing at the same time. Likewise, HUD has recognized that a multi-year approach is needed to do the job effectively. In our opinion, a sensible, cost-effective approach to modernization should include the following components:

1) An appropriation of at least $100 million in contract authority. We believe that this appropriation level reflects locally identified estimates of need and capacity, set within the context of the multi-year approach outlined below. By setting the level in the authorization, rather than opening the figure for later determination, as suggested in HUD's "local option" proposal, significant savings in long-term budget authority can be realized, since the contract term for modernization is less than for new construction.

This proposal is clearly intended to increase the number of habitable public housing units through varying levels of rehabilitation; to the extent that unoccupied units are brought back into the stock, they should be counted in the attainment of local Housing Assistance Plan goals. I must make clear for the record that NAHRO's support of an increased commitment to modernization represents part of a commitment to increase PHA capacity to produce new public housing, not a substitute for it; in many communities, particularly small- and medium-sized cities and rural areas, public housing has been the most viable, cost-effective means of building low-income housing.

2) Modernization funding for FY 1981 should fit within the overall framework of a multi-year strategy for meeting immediate and longer range needs. PHAs should first be required to provide an assessment of their overall needs, including both deferred maintenance and major renovation and second, to prepare a five-year operating and modernization plan, which would describe a staged strategy for addressing physical improvement needs and a management plan for implementing the strategy and monitoring progress. This approach would allow for the funding of immediate priority repairs, such as roof or boiler replacements, as well as what HUD has called "comprehensive modernization", in which the accumulated repair needs of an individual project are addressed over a multi-year cycle. Because of the immediacy of the need, funding for FY 1981 should be allocated on the basis of a needs assessment; additional funding, however, would be contigent on the completion of the multi-year plan. Some PHAs have taken the initiative to develop such a plan already. A summary of one now in use in Norfolk, Virginia, together with the collective recommendations of several larger PHAs on this matter, is appended to my statement to provide the subcommittee with an idea of what such a plan might entail.

3) In order to ensure that these objectives can be met, the subcommittee should appropriate management assistance funds to help PHAs in the preparation of multi-year plans, and to incorporate sound management techniques, life-cycle costing principles, and energy conservation measures into their operations. This is critically important to the accomplishment of the program's statutory objectives, yet there are currently no incentives for PHAs to proceed in a manner designed to achieve long-run cost efficiencies.

Mr. Chairman, we realize that the process outlined above raises many questions, not all of which can realistically be addressed within the context of this statement. An adjustment of the method by which operating subsidies and a new system under which modernization funds are allocated is essential to improving the stock of public housing and preserving it for lower-income tenants. As more and more projects near the end of their 40-year annual contributions contracts, they can now be preserved through the payment of operating subsidies and periodic modernization funding alone, at a greatly reduced cost to the government since the debt service on the projects will have been amortized. We would be happy to provide additional information at the subcommittee's request in support of these recommendations.

I appreciate the opportunity to appear before you this morning. I would be happy to answer any questions the subcommittee may have. Thank you.

REVENUE SHARING

WITNESSES

HARRIET HENTGES, EXECUTIVE DIRECTOR, NATIONAL LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

WOODROW GINSBURG, CENTER FOR COMMUNITY CHANGE

MORTON SKLAR, CENTER FOR NATIONAL POLICY REVIEW

RICHARD McKINNEY, THE NATIONAL URBAN COALITION

Mr. BOLAND. We will turn to revenue sharing. There are a number of individuals here who are interested in that program. As I understand it, Harriet Hentges, representing the National League of Women Voters. We are delighted to have you here. Woodrow Ginsburg, representing the Center for Community Change; Richard McKinney, representing the National Urban Coalition; and Morton Sklar, representing the Center for National Policy Review.

Who is the spokeswoman?

Ms. HENTGES. We each have comments we would like to make.

Mr. BOLAND. Don't read all of that. You can highlight what you have.

Ms. HENTGES. I am Harriet Hentges, Executive Director, League of Women Voters of the United States, and I am here to present testimony on behalf of Florence Rubin, the Urban Policy Chair of the League of Women Voters. You are familiar with the League, so I will spare you some of the details of the national organization.

Mr. BOLAND. They were all down last week, weren't they?

Ms. HENTGES. They certainly were.

Mr. BOLAND. All over the Hill.

Ms. HENTGES. I hope they came to see you.

Mr. BOLAND. They certainly did.

Ms. HENTGES. They hope you are voting right on fair housing.

Mr. BOLAND. They come up and say, give us a yes or no, on questions you can't answer within that period of time. Amendments are going to be offered to the Fair Housing Bill and they want a yes or no right that minute. I told them they won't get it from me, and they didn't. Some of the amendments are areas that you have to look at before you give an answer, but in any event they are great to have, and I am delighted with the activities of the League, at least in my area. Where are you from, incidentally?

Ms. HENTGES. I am based here in Washington, originally from Minneapolis, Minnesota.

Mr. BOLAND. Where is Florence Rubin from?

Ms. HENTGES. Newton Center.

Mr. BOLAND. Go ahead.

Ms. HENTGES. We are here today to reinforce the League's support of the reauthorization of the general revenue sharing by requesting adequate funding for the Office of Revenue Sharing to insure implementation of the compliance provisions added to the State and Local Fiscal Assistance Act. In 1975 and 1976 the League participated in a major coalition effort in favor of mandated citizen participation, civil rights enforcement and auditing requirements which were enacted as amendments to the Assistance Act.

We believe that these provisions have had a beneficial influence on the program, and want to underscore our support for their continuation.

We would be remiss in our support of these amendments if we did not bring to your attention a serious defect in their implementation. Focusing particularly on the citizen participation requirements, we are deeply concerned that the Office of Revenue Sharing is falling far behind in handling noncompliance cases and has failed to mount an outreach capacity to assist local officials and citizens to realize the full potential of this amendment.

With the approach of the renewal debate, we canvassed League leaders across the country for their perceptions on how the 1976 amendments are working. Using these results and the League's long experience with citizen participation in government programs, the League of Women Voters Education Fund has prepared an analysis on the impact of the amendment mandating citizen participation.

We have submitted a paper that is more extensive, but I will summarize some of these things.

Using increased citizen access to decision-making as an initial yardstick, the League observers find that the GRS requirements have been successful; virtually all local governments are making some effort at compliance, although often at such minimal level that it constitutes a violation of the provision. GRS does not fit the best conditions for citizen participation since it involves year-round involvement in the local budget process, and the success of the next steps—citizen response and impact—is mixed. Citizens are not convinced that they can have a real impact on decision-making in this program because:

There involvement is often sought at the end of the priority setting process rather than at the beginning; and

Officials often openly discourage or fail to solicit effectively citizen interest and input.

To overcome these obstacles, League members call on the ORS to foster a greater effort on the part of local officials to involve citizens year round in the budget process. Many public officials are not clear on the benefits of citizen participation and do not know how to promote it effectively.

The state of the art of citizen participation can be advanced on two fronts:

Research and development of effective techniques and models of citizen participation. Sixty years of first-hand experience in citizen participation has enabled the League of Women Voters to develop and identify methods of bringing citizens in the decision making process early and effectively, budget advisory committees, neighborhood task forces, systematic surveys on citizen priorities, and revival of regular town meetings. But clearly much more research and experimentation is needed.

Training for public officials, both in the value of citizen participation and technical assistance in proven techniques.

We submit that this is an agenda that the Office of Revenue Sharing should adopt. For its part the League of Women Voters will continue to foster greater participation among citizens to help make this model legislation live up to its potential.

We are concerned, however, that this cannot be accomplished without providing far greater resources for the Office of Revenue Sharing. At the present time, the Public Participation Compliance Branch of the Office of Revenue Sharing has a staff of six, four of whom are professionals. This is not even sufficient to handle the current level of complaints.

As of May 1, 1980, there was a backlog of 426 incidents of noncompliance that had not yet been assigned to a case analyst. However, the Department of the Treasury has not requested an increase in staff.

Yet we can expect that the number of cases will increase, and that the extent of noncompliance with citizen participation provisions is even greater than the present number of cases would indicate.

The League of Women Voters' survey of 176 jurisdictions revealed 180 instances of noncompliance in 85 communities. The Center for Community Change surveyed 22 jurisdictions ranging from large central cities to small rural communities, and they found similar problems.

Even if GAO's conservative figure of 30 percent noncompliance is used and applied only to the 11,000 communities which are required to file an audit report, this would mean 3,300 cases to be processed. About 80 percent of citizen participation violations come to the attention of the Public Participation Compliance Branch through the compliance portion of the required audit report.

The final date by which audits must be received is September 1, 1980. Less than half had been submitted by March 25, 1980. It is clear that the present backlog of 426 cases is only a portion of the cases that will have to be processed and settled by the staff of six in the Public Participation Compliance Branch. If the recommendation that audits be submitted every other year is included in the new legislation, a recommendation that the League supports, the caseload will probably be larger.

It is clear that a greater effort should be expended in preventing noncompliance by informing local public officials about the requirements and offering them technical assistance and training in the implementation of the provisions.

The resources in funds and personnel necessary for this effort are not now available, nor are they requested in the pending budget. Outreach does not have a high priority in the Office of Revenue Sharing. The Public Participation staff is not even able to attend regional conferences.

Printed information is sent out with Revenue Sharing payments and occasional workshops have been held at conventions of citizens' groups, but there is no opportunity to work directly with local officials.

Another reason for the low level of compliance is a reluctance to apply sanctions. Since the requirement went into effect on January 1, 1977, 356 cases have been investigated and 260 processed to closing. Although some governments have had their payments temporarily withheld because they did not respond to Office of Revenue Sharing inquiries, no government has had its payments suspended for noncompliance with Citizen Participation requirements.

Mr. Chairman, the League of Women Voters reiterates its support for the compliance provisions of the General Revenue Sharing program and urges their retention in the renewal legislation.

However, it also strongly urges that the Office of Revenue Sharing be given adequate resources to implement these provisions. This means that there should be monitoring for noncompliance, information and training for citizens and officials of recipient governments and vigorous enforcement of the law.

While we are not in a position to provide a dollar figure, we request this committee to obtain from ORS an estimate of the funding needed to ensure compliance with the letter of the law and to begin an outreach program to ensure compliance with the spirit of the law.

Thank you.

[The statement follows:]

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TESTIMONY BEFORE THE SUBCOMMITTEE ON

HUD AND INDEPENDENT AGENCIES

OF THE HOUSE APPROPRIATIONS COMMITTEE

ON THE BUDGET FOR THE OFFICE OF REVENUE SHARING

BY FLORENCE R. RUBIN, URBAN POLICY CHAIR
LEAGUE OF WOMEN VOTERS OF THE UNITED STATES

May 13, 1980

Mr. Chairman, members of the Committee, I am Florence R. Rubin, Urban Policy Chair of the League of Women Voters of the United States. The League is a multi-issue citizen's education and political action organization with 1,400 state and local Leagues in all fifty states, Puerto Rico, the Virgin Islands and the District of Columbia.

I am here today to reinforce the League of Women Voters' support for reauthorization of General Revenue Sharing by requesting adequate funding for the Office of Revenue Sharing to ensure implementation of the compliance provisions added to the State and Local Fiscal Assistance Act.

In 1975 and 1976, the League participated in a major coalition in favor of mandated citizen participation, civil rights enforcement and auditing requirements, which were enacted as amendments to the State and Local Fiscal Assistance Act. We believe these provisions have had a beneficial influence on the program and I want to underscore our support for their continuation.

We would be remiss in our support of these amendments if we did not bring to your attention a serious defect in their implementation. Focusing particularly on the citizen participation requirements, we are deeply concerned that the Office of Revenue Sharing is falling far behind in handling noncompliance cases and has failed to mount an outreach capacity to assist local officials and citizens to realize the full potential of this amendment.

With the approach of the renewal debate, we canvassed League leaders across the country for their perceptions on how the 1976 amendments are working. Using these results and the League's long experience with citizen participation in government programs, the League of Women Voters Education Fund has prepared an analysis on the impact of the amendment mandating citizen participation. I will summarize some of the major points from this paper, which we have submitted to the committee.

Using increased citizen access to decision making as an initial yardstick, League observers find that the GRS requirements have been successful; virtually all local governments are making some effort at compliance, although often at such a minimal level that it constitutes a violation of the provision. GRS does not fit the best conditions for citizen participation since it involves year-round involvement in the local budget process, and the success of the next steps--citizen response and impact--is mixed. Citizens are not convinced that they can have a real impact on decision making in this program because:

--their involvement is often sought at the end of the priority setting

process rather than at the beginning; and

--officials often openly discourage or fail to solicit effectively citizen interest and input.

To overcome these obstacles, League members call on the ORS to foster a greater effort on the part of local officials to involve citizens year round in the budget process. Many public officials are not clear on the benefits of citizen participation and do not know how to promote it effectively. League observers reported that where local officials are committed to citizen participation and encourage it, citizens do have an impact on setting budget priorities.

The state of the art of citizen participation can be advanced on two fronts:

--Research and development of effective techniques and models of citizen participation. Sixty years of first-hand experience in citizen participation has enabled the League of Women Voters to develop and identify methods of bringing citizens into the decision making process early and effectively--budget advisory committees, neighborhood task forces, systematic surveys of citizen priorities, and revival of regular town meetings. But clearly much more research and experimentation is needed.

--Training for public officials, both in the value of citizen participation and technical assistance in proven techniques.

We submit that this is an agenda that the Office of Revenue Sharing should adopt. For its part the League of Women Voters will continue to foster greater participation among citizens to help make this model legislation live up to its potential.

We are concerned, however, that this cannot be accomplished without providing far greater resources for the Office of Revenue Sharing. At the present time, the Public Participation Compliance Branch of the Office of Revenue Sharing has a staff of six, four of whom are professionals. This is not even sufficient to handle the current level of complaints. As of May 1, 1980, there was a backlog of 426 incidents of non-compliance that had not yet been assigned to a case analyst. However, the Department of the Treasury has not requested an increase in staff.

Yet it is expected that the number of cases will increase, and that the extent of non-compliance with citizen participation provisions is even greater than the present number of cases would indicate. The League of Women Voters' survey of 176 jurisdictions revealed 180 instances of non-compliance in 85 communities. The Center for Community Change surveyed 22 jurisdictions ranging from large central cities to small rural communities. Interviews with public officials and community leaders disclosed 21 instances of non-compliance in 10 jurisdictions. The GAO surveyed 13 state and 168 local governments and found that 30 percent of smaller communities failed to hold the required first hearing.

Even if GAO's conservative figure of 30 percent non-compliance is used and applied only to the 11,000 communities which are required to file an audit report, this would mean 3,300 cases to be processed. About 80 percent of citizen participation violations come to the attention of the Public Participation Compliance Branch through the compliance portion of the required audit report. The final date by which audits must be received is September 1,

1980. Less than half had been submitted by March 25, 1980. It is clear that the present backlog of 426 cases is only a portion of the cases that will have to be processed and settled by the staff of six in the Public Participation Compliance Branch. If the recommendation that audits be submitted every other year is included in the new legislation, a recommendation that the League supports, the case load will probably be larger.

It is clear that a greater effort should be expended in preventing non-compliance by informing local public officials about the requirements and offering them technical assistance and training in the implementation of the provisions. The resources in funds and personnel necessary for this effort are not now available, nor are they requested in the pending budget. Outreach does not have a high priority in the Office of Revenue Sharing. The Public Participation staff is not even able to attend regional conferences. Printed information is sent out with Revenue Sharing payments and occasional workshops have been held at conventions of citizen's groups, but there is no opportunity to work directly with local officials. Herman Penner, Chief of the Public Participation Compliance Branch, attributes much of the non-compliance to lack of understanding of the provisions on the part of local officials.

Another reason for the low level of compliance is a reluctance to apply sanctions. Since the requirement went into effect on January 1, 1977, 356 cases have been investigated and 260 processed to closing. Only 5 cases have been referred to the legal staff for hearings. Although some governments have had their payments temporarily withheld because they did not respond to

Office of Revenue Sharing inquiries, no government has had its payments suspended for non-compliance with Citizen Participation requirements.

Mr. Chairman, the League of Women Voters reiterates its support for the compliance provisions of the General Revenue Sharing program and urges their retention in the renewal legislation. However, it also strongly urges that the Office of Revenue Sharing be given adequate resources to implement these provisions. This means that there should be monitoring for non-compliance, information and training for citizens and officials of recipient governments and vigorous enforcement of the law.

While we are not in a position to provide a dollar figure, we request this committee to obtain from ORS an estimate of the funding needed to ensure compliance with the letter of the law and to begin an outreach program to ensure compliance with the spirit of the law.

Mr. BOLAND. Thank you very much.

Who is the next spokesman?

Mr. GINSBURG. I will add a few words to what the league has said.

The four organizations you see here before you have been involved in revenue sharing review and monitoring for at least six years, funded by the Clark Foundation, supplemented with funds from the Rockefeller Foundation.

We start with the simple belief that virgorous and informed citizen participation in GRS is fundamental to the effective functioning of the law. Without it all the rhetoric about providing decision-making capability to those closest to the problem, local officials and citizens, never translates into action.

Without the ORS doing careful monitoring, too many of the 39,000 jurisdictions which receive GRS will not comply with the legislation and its regulations.

We feel in a strange position to be here urging more funds for an agency where Treasury, in whose jurisdictions it falls, has not asked for those additional funds, but we think it is a very small accomplishment to boast, as the Office of Revenue Sharing does, that its administrative costs are only one-tenth of one percent of the total GRS allocations when that small, tiny amount only permits, such an inadequate, small staff to fulfill the task imposed by Congress.

As the League said, our own survey of 22 jurisdictions identifies many of the same kinds of deficiencies which the League found in its much larger survey.

Our main point is that both Congress and the public deserve to have a careful review of what local officials are doing in the way of implementing the law with provisions we think are very sound, very solid, and would indeed contribute greatly to effective citizen involvement and participation in decision-making.

The fact that there is low citizen involvement, as many studies show, we think is partly a result of the fact that there has not been as vigorous and careful monitoring of the GRS by the Office of Revenue Sharing. There has not been enough outreach, as the League points out.

There has not been any kind of technical assistance to local groups, and there has not been any regular identification of mechanisms at the local level that operate effectively to promote citizen participation. A program of $6.9 billion with 39,000 jurisdictions is certainly deserving of a much larger degree of assessment and evaluation and careful review by the Office of Revenue Sharing which has jurisdiction over it.

We hope the committee will consider giving it normal adequate funds to carry out that job.

[The statement follows:]

Testimony
Center for Community Change
Subcommittee on HUD and Independent Agencies
of House Appropriations Committee

May 13, 1980

My name is Woodrow Ginsburg and I serve as director of research and public policy for the Center for Community Change. The Center is a private nonprofit organization working to improve conditions for low income and disadvantaged citizens and the communities where they live. Currently, the Center provides various forms of technical assistance to several hundred local groups serving these constituencies on economic development, housing, employment, training, community anti-crime activities and similar programs.

Several years ago the Center cooperating with the same organizations appearing on this panel today conducted a major monitoring of General Revenue Sharing (GRS). The findings from that study led us along with others to actively support the 1976 amendments to GRS for strengthening provisions on citizen participation, public hearings for GRS and the overall budget, civil rights and nondiscrimination, and publicity for GRS actions by local government officials.

Earlier this year we canvassed public officials and community leaders in 22 urban and rural jurisdictions on the implementation of GRS during the current fiscal year. Those jurisdictions were located in the northeast, south, southeast and the mid west. The survey examined how the various amendments of 1976 influenced local government decisions. How local governments allocated GRS funds? What changes occurred in the extent of citizen participation? Did the public have better information on hearings, the budget, and similar questions? What kind of civil rights and nondiscrimination cases had been raised?

In all, the 22 jurisdictions during this last fiscal year received a total of $118.3 million in GRS funds. The smallest amount, $49,000, went to a county in Mississippi, the largest $23 million was for Boston, Massachusetts.

I will focus on the findings from the survey on citizen participation and related issues and their implications for the level of activities by the Office of Revenue Sharing (ORS). To begin with we believe vigorous, informed citizen participation in GRS is fundamental to the effective functioning of the law. Without it, all the rhetoric about providing power for decision making to those closest to the problems--local officials and citizens--never translates into action. Further, without careful monitoring by the ORS--which has the responsibility for administering the law, and assuring that Congressional intent becomes operational--too many of the 39,000 jurisdictions which receive GRS will not comply with the legislation and its regulations.

We believe the ORS compliance staff is far too small to fulfill the task imposed by Congress when it revised the law in 1976 and greatly tightened requirements on citizen participation, civil rights, auditing and other provisions. While we focus on the question of citizen participation in this testimony, our organization also strongly endorses the recommendations by the members of the Revenue Sharing Reform Project on other compliance activities and staffing of ORS.

The findings from our survey provides ample evidence in all too many jurisdictions that local officials do not adequately publicize notices of hearings on GRS, that notices still are carried only in the classified section of the paper under legal notices, that senior citizens are not encouraged to become involved, that the overall budget and the GRS support for various programs are not publicized and that meetings on GRS are not held at times that are convenient to many citizens.

Attached is a listing based on our survey of the jurisdictions which failed to comply with various citizen participation requirements. In summary there were 10 jurisdictions of the 22 covered where our interviewers identified 21 examples of non-compliance. Citizen awareness of GRS was reported as being typically low, and participation and involvement in GRS decisions was understandably also limited.

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A very low level of awareness of GRS and the opportunities it provides for citizens to participate in the budget process are also reported by regular Center staff which work with hundreds of groups across the nation.

The ORS staff assigned to the citizen participation total six persons. At best so small a staff can prepare some limited printed materials on citizen participation questions and hope those documents get wide circulation. Little in the way of outreach is possible to communicate to local citizen groups how to play a more active role in their governments' GRS spending and the closely related broader budget questions. No form of expert technical assistance can be offered to even a sample of citizen groups to equip them with the capability of understanding and dealing with some of the complexities of local budgets and GRS. Yet without such skills all too often local groups are at a sharp disadvantage in assessing and affecting the fiscal decisions of their elected officials.

Also lacking is a regular reporting of mechanisms for citizen participation that have been employed effectively--models that could encourage groups elsewhere to adopt similar models.

Nor can so small a staff make even a tiny dent in auditing compliance by local officials on the various requirements on notices, hearings, access to budget documents and similar questions. Without such auditing and some form of sanction, local officials, in many jurisdictions, will ignore the law's provisions.

We would therefore recommend that this Committee increase the size of the ORS staff responsible for the citizen participation aspects of the law so it can carry out its responsibilities more effectively. While clearly with 39,000 jurisdictions involved in GRS, only a sample of jurisdictions can be audited regularly, following up on complaints for non-compliance will be far more timely than is possible now. Also it is clear from ample evidence that citizen participation features of the law are not being implemented as Congress intended. A more adequate public participation unit in ORS could help correct that deficiency with technical assistance to local groups, reports on successful models of citizen participation, guides to the law and how citizens can be involved effectively, including how to identify and file complaints for non-compliance, publicity to cases of non-compliances and ORS steps to remedy such situations, and other related activities.

In light of the substantial size of the GRS program, the 6-9 billion dollars allocated each year to over 39,000 jurisdictions, Congress and the public should be assured that at the local level procedures and administration of GRS reflect the spirit and letter of the law. A more adequately staffed Office of Revenue Sharing is essential to achieve that objective.

WGinsburg:5/7/80

February 1980

CENTER FOR COMMUNITY CHANGE
Revenue Sharing Reform Project
Survey of 22 Jurisdictions

Information on Jurisdictions Which Did Not Comply Fully With Citizen Participation Requirements

Cumberland County, Tenn.: Did not publicize hearings through radio, television, minority press.

Did not publish a summary of overall budget with GRS allocations prior to hearing

Did not notify public of availability of budget and supporting documents

Time of meeting not convenient for good attendance.

Sharkey County, Miss.: Did not publicize hearings through radio, television, and minority press.

Hollandale, Miss.: Did not publicize hearings through radio, television, and minority press.

Did not publish a summary of overall budget with GRS allocations prior to hearing.

Did not notify public of availability of budget and supporting documents.

Marks, Miss.: Took no special steps to involve senior citizens.

Did not notify public of availability of budget and supporting documents.

Birmingham, Alabama: Took no special steps to involve senior citizens.

New Orleans, La.: Time of meeting not convenient for good attendance. Held early on weekday mornings.

Toledo, Ohio: Did not publish a summary of overall budget with GRS allocations prior to hearing.

Took no special steps to involve senior citizens in hearings.

Lucas County, Ohio: Did not publicize hearings for GRS on radio, television or minority press.

Did not publish a summary of the overall budget with GRS allocations prior to hearing. Did not invite public comment on the budget and relationship to GRS.

Took no special steps to involve senior citizens.

Time of hearings not convenient for encouraging attendance.

Wayne County, Michigan: Took no special steps to involve senior citizens.

St. Louis, Missouri: Did not publish a summary of overall budget with GRS allocations prior to hearing.

Time of hearings not convenient for good attendance. Held early on weekday mornings.

Mr. BOLAND. Thank you very much.

Mr. McKinney?

Mr. MCKINNEY. Thank you very much.

Mr. Chairman, we are pleased to be here and speak on adequate funding for the Office of Revenue Sharing.

The primary emphasis of the Coalition in this project has been focused on the auditing portion of revenue sharing.

As you are probably aware, the Revenue Sharing Act, as it was amended in 1976, required every State or local unit receive $25,000 or more in revenue sharing funds to have an independent audit of its financial statements conducted in accordance with generally accepted auditing standards not less than once every three years.

Now, to this end we prepared a paper written by Philip Dearborn who is well recommended in the field. He is a lecturer at Howard University and also Vice President of the Greater Washington Research Center.

Mr. BOLAND. Was he appointed into some position recently?

Mr. MCKINNEY. He is working closely with the government of the District of Columbia in increasing their accounting capabilities.

Anyway, you should have his paper that he developed, and we would like to submit that as an addendum.

Mr. BOLAND. That will be included with your remarks.

Mr. MCKINNEY. From our study we can say that the present authorized audit staff of 25 positions, of which 19 are presently filled, is, in our opinion, inadequate to cope with existing or foreseeable workloads. Even with all positions filled, it provides only one professional staff member for each 608 governments required to be audited; the current understaffed ratio is one to 842.

A staffing ratio this high permits only a very perfunctory audit review at the ORS and permits few field visits. The ORS staff must rely heavily on State and private auditors to verify that the audits are being performed according to generally accepted auditing standards and to verify compliance with such important requirements as those involving civil rights, Davis-Bacon, citizen participation and other requirements.

As of May 1, 1980, some 32 percent of the nearly 11,000 governments subject to the audit had not yet submitted one. Of those submitted nearly 2,000 were yet to be reviewed and of those reviewed 30 percent were found either unacceptable or only partially acceptable.

There are still some 600 governments which have not yet responded with even the audit plan required by March 1, 1980, and yet they had three years to do so; the most recent audit year having ended in December of 1979.

Currently, the audit division, which is reviewing roughly 500-600 audits per month, has a professional staff of 13, many of whom are not accountants. Even if half of these reviews are done by State audit agencies, as ORS has said, the burden per staff member is enormous.

Under such circumstances it is doubtful whether any audit receives the careful scrutiny it deserves, especially when the 13-part non-financial audit includes scrutiny of:

Compliance with the Davis-Bacon Act when money is used for capital expenditures, with civil rights and citizen participation re-

quirements, with requirements that accounts be maintained so that funds may be traced, with prohibition on use of funds for lobbying, as well as others.

At a minimum, a good audit review would necessitate detailed examination of audit work papers, something which the ORS has been unable to do to any significant degree. The Office has contracted out to the CPA firm, Deloitte, Haskins and Sells, roughly 800 reviews, but the Coalition feels this may not always be the best way to build accountability in the expenditure of public funds.

ORS claims that few jurisdictions will miss the September 1 deadline. Those which do not submit at least an audit plan are not supposed to receive their July entitlements. Some of this delay in receiving audits may be attributed to the lack of clearly defined timetables and penalties in the early enforcement period.

During that time most of the attention of the auditing division was directed toward reviewing and working with State audit agencies and independent public accountants to ensure that their practices were in line with the requirements of the Act. Some 36 percent of State agencies and 41 percent of independent public accountants were found to have unsatisfactory practices and steps have been taken to work with these organizations to try to bring them up to standards.

The ORS should be congratulated for their job in working with the State audit agencies and the independent public accountants. I understand that has produced a significant change in the public accounting field.

Nonetheless, clearly the inability of some of these auditors to perform their work according to generally accepted auditing standards has also delayed submission of audits. Because some State auditors are mandated to perform all local audits in their States this inefficiency has in several cases involved whole States.

In order to maintain a high quality of audits even after all State agencies and independent public accountants have been endorsed as using generally accepted auditing standards, the Coalition recommends that ORS perform detailed on-site reviews of auditors' work by sampling them or perhaps periodically, over a few years, checking them all.

This would be impossible given current staff levels. Indeed, there appears to be heavy reliance on State audit agencies and big CPA firms to perform adequate audits and even upon State agencies to review those audits once they are completed. Responsibility for compliance rests finally with the Office of Revenue Sharing but, clearly, given affairs, ORS doesn't have the resources necessary to meet this responsibility.

In its paper, the Coalition recommends performance of sample audits of jurisdictions receiving less than $25,000 and to require annual audits of all others since sound auditing of cumulative funding records is not possible otherwise. Annual audits would be even more advisable were the General Revenue Sharing Program to become an authorization program. And increased ORS staff capacity would be absolutely necessary under these circumstances.

In summary, because there is a continuous need to monitor State auditing agencies and independent public accounts, because of the advisability of making periodic on-site audit reviews, because of the

massive number of audits to be reviewed and because of the time it takes to establish adequate verification of compliance requirements, the Office of Revenue Sharing needs increased support to ensure that it has the capacity to carry out its responsibilities under the law thoroughly and effectively.

Thank you.

[The report follows:]

GENERAL REVENUE SHARING AUDIT REQUIREMENTS

Prepared By

Philip M. Dearborn

Under Contract With

The National Urban Coalition
1201 Connecticut Ave., N.W.
Washington, D.C. 20036

For The

Revenue Sharing Reform Project

Under a Grant From

The Rockefeller Foundation
(Grant Number GA-EO 8009)

April 1980

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General Revenue Sharing Audit Requirements

Introduction

The 1976 amendments to the general revenue sharing act require, in simple terms, that all state governments, and those local governments receiving $25,000 or more in annual revenue sharing payments, be audited at least once by an independent auditor in accordance with generally accepted auditing standards, within the three calendar years 1977, 1978 and 1979.

While the amended law requires that the audit is to be conducted "for the purpose of determining compliance with this title (general revenue sharing)" (Section 123, (c), (1), the implementing regulations define the scope of the audits to include a financial audit of all monies of a recipient government, as well as a compliance audit. This enlargement of the requirements was necessary because revenue sharing money can be used interchangeably with a government's own money for any activity performed by the government. In instances when a recipient government gives revenue sharing money to another organization to spend, then the secondary recipient must also have its use of the revenue sharing money audited by an independent auditor.

The specific objectives for the required audits are to: (1) perform a financial audit of all of the recipient government's funds, including a review of internal controls; (2) insure compliance with the requirements of the revenue sharing act and regulations; and (3) reconcile the information supplied to the Census Bureau with audited figures (Office of Revenue Sharing, Audit Guide for Revenue Sharing and Antirecession Fiscal Assistance Recipients, December, 1977, p. I-2). It is also expected that the audit will verify the information contained in the required revenue sharing report on use of funds.

A copy of the audit report must be made available to the public and to the local news media. In addition, a copy must be filed with the Office of Revenue Sharing, except this provision is waived in those instances where a filing of the audit report with a state audit agency is required by state law, and is reviewed by the state agency for revenue sharing purposes.

The 1976 audit requirements make a sharp distinction between the duties imposed on the auditor who conducts the audit and the recipient government that accounts for its money. The intent of the requirement is to impose strict duties on the auditors in performing audits- but to give wide latitude to the governments in the way they account and report their funds.

If revenue sharing for states is not renewed, then states not conforming to the audit requirements by the September 1 deadline, could be penalized only the quarterly payment due September 30, 1980.

Implied Goals

It is apparent that the policy implications of the revenue sharing audit requirements, at least as they have been interpreted and applied, are much greater then merely insuring compliance with the revenue sharing legislation. One report, for example, has suggested that as a result of the independent audit requirement, "Local voters would have a better idea of the reality of municipal spending. The federal government would have a better idea of the true needs and management capacity of state and local recipients of the funds. Confidence in democracy, at a low point after the Watergate crisis, would be strengthened," (John Tepper Marlin, Spending Blind: Non-Compliance with the Revenue Sharing Audit Requirements, Council on Municipal Performance, July 30, 1979.)

The former manager of audits for the revenue sharing program has noted the effect of the program on the quality of auditing. He concludes that "The audit requirements of the revenue sharing act have done more to improve the caliber of state and local government audits than any other action taken to date at the national level," (T. Jack Gary, Jr., "A Single Audit of Federally Assisted Programs?", Public Administration Review, No. 4, July/August, 1979).

Another revenue sharing official has concluded that, "the 1976 amendments to the Revenue Sharing Act have had and will continue to have a substantial and favorable impact on the audit of state and local governments," (Glenn E. Funkhouser, "Experiences with the Revenue Sharing Audit Requirements," Governmental Finance, Vol. 8, No. 2, September, 1979).

The Comptroller General, Elmer Staats, in a statement before the Senate Subcommittee on Intergovernmental Relations on March 20, 1980, pointed out that, "The Office of Revenue Sharing's quality control efforts have led to actual and planned corrective actions which are improving the quality of state and local governments' audits. State agencies and public accounting firms are placing more emphasis on internal control evaluations, audit planning, training, and personnel qualification requirements."

Indeed, it is clear that an implicit purpose of the general revenue sharing audit requirement has been to generally improve the financial management of state and local governments on a national basis. However, it should be noted that many recipient governments already go much beyond the minimum

requirements of the revenue sharing act. For example, of 28 large cities recently surveyed, all 28 regularly have an annual audit, and 13 had received certificates of conformity to generally accepted accounting principles from the Municipal Finance Officers Association. While not all the audits may have been conducted in accordance with generally accepted audit standards, 19 were audited by "big eight" firms that generally comply with the standards. Thus the real issue is the extent to which audit requirements are needed for those governments that do not currently meet, or exceed the audit requirements.

Use of Revenue Sharing to Improve State and Local Financial Management

Assuming there is need for action by the federal government to improve state and local government financial management, then use of the revenue sharing program for this purpose is reasonable. In the aftermath of the federal government's loss in National League of Cities v. Usery, there have been doubts about the ability of the federal government to directly mandate, by statue, requirements on state and local governments. As a result, there has been renewed attention given to imposing requirements indirectly as a condition of federal grant programs.

General revenue sharing is an especially good vehicle for such requirements because it provides a significant amount of discretionary money to every state and general purpose local government. Even with the $25,000 cutoff for imposing the audit requirements, 10,946 governments will be subject to the requirements, (Kent A. Peterson, "Statement Before the Subcommittee on Intergovernmental Relations of the Senate Committee on Intergovernmental Affairs," March 25, 1980). And this does not include secondary recipients, such as school districts. While it is possible that some governments may intentionally refuse revenue sharing rather than comply with the accompanying requirements, there is no indication that this is likely to occur.

The difficult public policy aspect of using revenue sharing to improve state and local government financial management is determining what should specifically be required, and enforcing what is required. Decisions regarding revenue sharing audits were made to specifically include some requirements while excluding others. Those requirements included are: a financial audit for all funds; the audit to be performed in accordance with generally accepted auditing standards; the auditors to be independent, with a strict definition of independence; auditing of secondary recipients; and a compliance audit, but only for general revenue sharing requirements. Excluded were such potential requirements as: financial statements in accord-

ance with generally accepted accounting principles; auditing for compliance with other federal grant requirements; auditing for efficiency and effectiveness; annual audits; and auditing smaller governments receiving less than $25,000.

A representative of the Municipal Finance Officers Association has stated that professional finance officers would like to see, "state and local governments audited on an annual basis according to generally accepted auditing standards and our governments to follow generally acepted accounting," (Fountain, p. 10). However, they believe this should be brought about by state action, perhaps through the state commissions proposed by the President.

In comparison with this broad goal, the 1976 amendments to the general revenue sharing act were much more modest. Instead of auditing all state and local governments, only those receiving $25,000 or more annually were covered. Instead of annual audits, audits only once every three years were required. And while the audits are required to be done in accordance with generally accepted auditing standards, there is no requirement for following generally accepted accounting principles.

This evaluation of the 1976 revenue sharing audit amendments will look in two directions: have the requirements achieved their goals; and should changes be made to them in considering the 1980 renewal of revenue sharing?

Success to Date

Judging the effect of the audit provisions of revenue sharing requires consideration of three basic issues:

1. Has it induced unaudited cities to become audited?

2. Have previously audited cities improved their audits; and their financial management?

3. Have the required audits provided satisfactory assurance that the requirements of the revenue sharing act have been met?

While some of the key information needed to answer these questions is not available, there is general evidence available on which to make judgments.

- Have previously unaudited cities become audited?

  The 1976 amendments require almost 11,000 revenue sharing recipients to have an audit. Some of those 11,000 governments were certainly not audited prior to the revenue sharing

requirements. However, the exact number that will be audited for the first time is impossible to determine exactly for several reasons.

First, there is no accurate count of how many governments were already audited prior to the revenue sharing requirements. A 1977 survey found that 44 states requires counties to be audited, and 42 states required municipalities to be audited, (James R. Fountain, Jr., "Testimony on General Revenue Sharing," Senate Subcommittee on Intergovernmental Relations, Committee on Governmental Affairs, March 25, 1980; Appendix, Table II). There is, of course, no assurance that just because state laws in most states have required audits, the states have vigorously enforced the requirements. In those states that do not require audits, such as Texas and Virginia (municipalities), it appears that most major jurisdictions were being audited. Thus, there were probably not a large number of unaudited governments at the time of the amendments.

The other difficulty with answering the question is the fact that 4,529 governments had not filed their required audits by March 21, 1980 (Peterson, p. 5). A judgment about whether these governments will comply with the requirements cannot be made until the September 1, 1980 final deadline for filing audit reports has passed.

Therefore, while some governments were previously unaudited, there is still uncertainty over the exact number, and whether all of them will comply with the audit requirement.

o <u>Have audited cities improved their audits?</u>

Two features of the revenue sharing audit requirements were expected to improve the audits of recipient governments. These features are the requirement that the auditors by truly "independent," and that the audits be conducted in accordance with generally accepted auditing standards. In these two areas the Office of Revenue Sharing has directed much of its enforcement efforts. All 63 states audit agencies involved in conducting audits at the state and local levels have been reviewed to determine both independence and conformity to audit standards. In addition, 217 independent public accountants have been reviewed for conformity to audit standards (Ibid, Peterson).

The initial review of the 63 state audit agencies found that 23 or 36% of them had audit practices or procedures not in compliance with revenue sharing requirements, or were unable to do revenue sharing audits. By January 31, 1980, 8 changed their auditing practices to comply; 2 states elected to have the required audits done by independent public accountants instead of the state auditors; and 13 states were in the process of changing their policies so as to comply by December 31, 1981 (Altman, p. 11).

Similarly, the Office of Revenue Sharing review of the work of 217 independent public accountants, picked because they were thought most likely to need improvement, found 90 firms or 41% did not fully meet the auditing requirements. However, 95% have subsequently indicated they will make changes to conform with the audit standards (Altman, p. 11).

There are several ways in which improvements might be caused by auditing. For example, auditors must assure themselves that minimum criteria are met, and must state in their audit opinion, if they are not. These criteria include: accounting that makes it possible to safeguard resources and to prepare financial statements in conformity with generally accepted accounting principles; ability to produce financial information in a current and accurate condition directly from the government's books; and safeguarding of records.

The General Accounting Office examined 161 state and local audit reports and accompanying public accounting firms' management letters in a recent survey, and found 886 deficiencies in financial management were cited. While most of the deficiencies were minor, some were reported to be "major weaknesses in the governments' financial management systems." (GAO, p. 15). That the audits improved financial management deficiencies was verified by a subsequent General Accounting Office certification that 87% of the deficiencies have been corrected by the governments. If this record continues in the future, it will mean substantial improvements have occurred across the country in government internal control procedures and other aspects of basic financial management systems.

- Have the audit requirements provided assurance that other revenue sharing requirements have been met?

This is the key question because it provides the raison d'etre for the entire auditing requirements. Auditors, in addition to completing a financial audit of the recipient government, are specifically required to determine compliance with the following provisions in the law:

- Separate trust fund or bank account
- Spend funds within 24 months
- Follow state and local laws applicable to own funds
- Proper use of funds spent for redemption of debt
- Compliance with Davis-Bacon Act, when applicable
- Pay wages at rates prevailing for other government employees
- Maintenance of transfer effort (applicable to states only)
- Spend Indian tribe and Alaskan village funds only for benefit of members
- Maintain accounts so as to permit tracing of funds to a level adequate to establish compliance
- Maintain accounts so as to permit preparation of use report
- Publish reports, hold required hearings, and provide notification of hearings
- Civil rights restrictions
- Prohibition on use of funds for lobbying

This means that not only should the auditor determine that money spent for capital improvements is properly accounted for and recorded, but for example, that the revenue sharing act's Davis-Bacon requirements were complied with in the spending of revenue sharing for capital purposes. They should also verify the accuracy of the census data submitted by the government, and the revenue sharing use report.

There should be few problems with auditors verifying the existence of a trust fund or separate bank accounts, but these requirements are hardly a major concern of most people. On the other hand, determining compliance with the civil rights or Davis-Bacon requirements, two important provisions, may be very difficult for auditors to do effectively.

The Office of Revenue Sharing reports that through early 1980, it has processed 1,900 compliance cases involving such issues as whether a trust fund has been established, compliance with the Davis-Bacon requirement, and compliance with the procedural requirements of state and local laws. (Peterson, p. 5). Most of these cases have been derived from the audit reports. No categorization of the exact nature or severity of the 1,900 cases is available.

An accurate determination of the effectiveness of the auditors in enforcing compliance would require at the least, a detailed review of the audit workpapers, something that has not been done to any significant extent by the Office of Revenue Sharing, or General Accounting Office. It appears that the primary emphasis has been placed on improving financial audits, and that a judgment on the effectiveness of compliance audits will require further analysis.

Conclusions

In summary, the answers to the above questions show that the beneficial effects of the 1976 audit amendments while hoped for, are still not as clearly apparent as some reports have indicated. The problems of evaluation are basically twofold--the status of the governments' financial management prior to the imposition of the audit requirements is not clear, and the extent to which the governments will fully comply with the requirements remains uncertain. Nevertheless, the goals of the 1976 audit amendments seem valid, and most observers express confidence that over the longer term they will be beneficial and will assure compliance with the revenue sharing act.

Possible 1980 Amendments

The question then arises as to what audit changes now need to be made to improve the law, as it is considered for renewal in 1980. Several issues are likely to be considered, and each needs to be considered in the light of experience to date. These issues can be considered in the form of questions as follows:

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- Should state and local governments be required to maintain their accounts and report in accordance with generally accepted accounting principles?

The existing revenue sharing audit requirements do not require financial statements prepared in conformity with generally accepted accounting principles. Some have suggested taking the next step by requiring the recipient governments' financial statements to be prepared in conformity with accepted accounting principles, as a requisite for receiving revenue sharing funds. While there is general agreement on the desirability of conforming to accepted accounting principles, several significant objections exist to including such a requirement in the 1980 amendments to the law.

First, and perhaps most important, there is no information available on the feasibility or cost of such a requirement. To enact a requirement that significant numbers of governments could not legally, practically, or financially comply with would mean either arbitrarily stopping revenue sharing payments to many governments, or setting up a maze of waiver provisions. The requirement would be particularly troublesome for governments that are currently required by state law to account or report on some other basis. Through January 1980, the Office of Revenue Sharing has found that only about half of the recipients governments had reports prepared on generally accepted accounting principles basis.

Second, there would be problems of definition and interpretation. Unless the federal government is willing to prescribe generally accepted accounting principles, it would have to rely on non-governmental authorities to do so. At present, the appropriate non-governmental agencies to establish such principles is in dispute.

Third, the job of enforcing the present accepted audit standards appears to be tougher than anticipated, and may require several more years to complete. To now add additional accounting and reporting requirements would be disruptive at best, and could jeopardize the entire effort by galvanizing political opposition. Delaying, at least until there is full compliance with the audit standards, would permit improvements in more manageable steps.

And finally, the Advisory Commission on Intergovernmental Relations and others have urged that under our system of federalism, the regulation of state and local government accounting should appropriately be left to the states. State constitutions, government organization, and local customs have resulted in a wide diversity of accounting procedures among governments. While all governments should adhere to the same basic national accounting principles, it is argued that the timing and means of reaching such a point can best be determined by each state. It was in reflection of this view that the President suggested that the revenue sharing act be amended to provide an incentive for states to take the necessary steps to begin such a process by appointing fiscal study commissions.

o Should the audits be required more frequently then once every three years?

Most private organizations and many governments are routinely audited every year. Auditing only once every three years implies that improper use of public money or non-compliance with the law is acceptable in some years but not in others. As a practical matter, balance sheet assets and liabilities are cumulative, and it is hard to understand how they can even be accurately determined when some prior years have not been audited. The General Accounting Office, for this reason, has declared that, "an audit restricted to financial transactions for the designated year (1 out of 3 years now required to be audited) is, of necessity, incomplete," (U.S. General Accounting Office, Draft of a Proposed Report, Revenue Sharing Act Audit Requirements are Improving Audits of State and Local Governments, undated). The objections to annual audits are based on costs and lack of auditors to make the audit.

Only limited cost data is available for the existing requirements, but this information estimates the audit costs have been from .08 percent to 2.30 percent of the three-year revenue sharing payment. One large county had costs of only .23 percent of its three-year revenue sharing receipts (GAO, p. 19). It is likely that these costs are higher for the initial audits, and would be less on an annual basis because of the audits being routine and continuous from year to year. Therefore, it is unlikely that the cost of annual audits should exceed 1% of revenue sharing receipts, and for most governments it would be much less. It should also be noted that for the large number of governments already being audited annually, there would be little or no increased cost.

The more difficult objection to annual audits is that many state audit staffs are inadequate to audit all local governments in the state every year. One way to solve this problem would be to add and train new state staff. However, many state auditors are presently experiencing severe problems in getting and training good staff. While a solution of adding staff may work over the longer term, it is likely that the extra burden of annual audits at this time would merely impede the state efforts to meet existing requirements.

A simple alternative does exist, however, and that is to shift part of all of the increased burden of annual audits to private auditors. Some states require local governments to be audited only by state auditors, but even if the law could not reasonably be changed in those states, it should not prohibit the state auditor from contracting with private auditors on a temporary basis until the state audit staff could be augmented. Since the cost can be assessed to the local governments in most of the states and paid by the local governments out of their revenue sharing money, such a solution should not cause state auditors any budget problems.

o Should the procedures for waiving the present audit requirements be liberalized?

The 1976 amendments provided that the audit requirements can be waived when a finding is made that a government's accountants are not auditable, provided substantial progress is being made toward making them auditable. The implementing regulations provided that a request for waiver based on accounts not being auditable had to be requested by March 31, 1978. Only a handfull of governments applied for a waiver, probably because most governments had not seriously addressed the audit requirements before the deadline passed. As a result, the Office of Revenue Sharing published draft regulations on December 31, 1979 to remove the deadline for applying for a waiver. This should relieve the problem for those governments that are unauditable, but are making a diligent effort to become auditable. Present indications are that the number of governments that are unauditable will be few. Through January 31, 1980 the Office of Revenue Sharing reports that only 11 had been identified as having unauditable books (Roger C. Altman, Letter to Allen R. Voss, GAO, March 6, 1980).

The more difficult audit problem is what to do about governments that are auditable, but have unacceptable audits, as a result of a state auditors' failure to meet audit standards. Neither the law nor regulations provide procedures to cope with such a situation. As a result, a recipient government may find itself in full compliance with revenue sharing requirements, but because of the inability of a state auditor to perform an acceptable audit, it is in jeopardy of losing future revenue sharing payments.

A solution to this problem would be to ask Congress to amend the law to permit waiver of the audit requirements for those governments audited by state audit agencies not following accepted audit standards, provided they are making progress in complying with the standards. This recommendation is being considered by the Treasury Department and the GAO (GAO, p. 21).

The problem with this approach is that it shifts the purpose of the revenue sharing audit requirements from assuring that the governments have complied with revenue sharing requirements, to improving the performance of state audit agencies. While the latter goal is commendable, it offers little assurance to Congress about the use of revenue sharing money in those states. As a practical matter, some form of waiver may be necessary on a temporary basis to protect the local governments that are endangered by inept state action, and that have passed a point at which alternative action can be taken to get a satisfactory 1979 audit.

However, to avoid a recurrence of this problem, it may be wise to require in the law that future revenue sharing audits are to be conducted by an independent certified public accountant, or firm of accountants, and only if a state auditor is able to provide comparable auditing services, may the Office of Revenue Sharing permit the audits to be performed by the state auditor. The effect of such a provision would be to require the audits to be done by private auditors until there is assurance that the state auditors have the staff to perform the audits and can meet accepted auditing standards. In some states this might mean that initially most audits would be done by private auditors, but as the state auditors gained qualified staff and improved proficiency, an increasing number could be done by the state auditor. For those states in which this would present legal problems, the previously suggested solution of using private auditors hired by the state could be used.

- Should the revenue sharing audit requirements incorporate the single federal audit concept?

The revenue sharing act specifically provides that, "an audit conducted in accordance with the provisions of any federal law ... shall be accepted" (section 123, (c), (6)), provided it complies with the revenue sharing audit requirements. There is no evidence that this provision has been used to date, probably because no other federal law requires a complete financial audit of a state or local government, as well as compliance audit. In fact, most federal programs require audits limited to the handling and use of only federal money.

It is estimated that 14 federal agencies have issued 80 audit guides concerned with specific program areas (Gary, p. 390). Needless to say, for state or local governments with large numbers of federal grants, this creates considerable confusion and complexity in accounting and auditing them.

The simple solution that has been endorsed in principle by virtually everybody that has focused on the problem, is to have a single financial audit of each recipient government, accompanied by an audit to insure compliance with all federal grant requirements. The House Committee on Government Operations reported on November 1, 1979 that, "Auditing of federal grants is haphazard and ineffective." It went on to recommend that, "The Director of the Office of Management and Budget should provide for prompt implementation of the single audit concept ..."

The obvious vehicle for such a single audit for general purpose governments is the already existing comprehensive financial audit required by general revenue sharing. Despite the problems that have been encountered in implementing the 1976 amendments, the revenue sharing effort is further along in getting the covered governments to a full audited position, then is any other federal program. If, as has been suggested earlier, the revenue sharing audit is required annually and is performed fully in conformity with accepted auditing standards, then it would seem a relatively simple process to extend the requirements to cover a test of compliance for all federal grants received by the government.

As the Committee on Government Operations observed, "... single, coordinated audits on a government-wide basis should significantly improve the resource situation. It will eliminate wasteful duplication and require fewer audits to plan, perform, and report on audits of large, multifunded grant recipients. As the same time, it would provide a better look at the grantee's overall performance."

In view of the general agreement on the need and advantages of a single audit, the revenue sharing act should go beyond its present consent to a single audit, and should provide for adding the auditing requirements of other federal programs to the revenue sharing audit. This might be accomplished by explicitly stating in the revenue sharing act that the revenue sharing audits will constitute the single audit for all general purpose state and local governments. Elmer Staats, the Comptroller General, recently endorsed such a change in his March 20, 1980 statement before the Senate Subcommittee on Intergovernmental Affairs, (p. 16).

o Should the audit requirements be extended to recipients of less than $25,00 annually?

The 1976 decision to limit the applicability of audit requirements to larger governments was a wise one in view of the implementation problems that have been encountered. It reduced the coverage from over 38,000 units of government to less than 11,000. However, the logic of excepting 27,000 recipients, other then for practical reasons, is unclear and should be reconsidered. There is no evidence to show that small units are less inclined to misuse of funds than large units. In fact, because such smaller governments are often administered by part-time or less skilled officials, there may be more potential for inadvertent misuse of funds. Larger governments have extensive experience with federal requirements for Davis-Bacon, civil rights compliance, and grant accounting, and may be more likely to comply with these requirements as a result.

If the intention is to be less stringent in enforcing compliance on smaller governments, then it might be better to amend the law to require less rigid compliance by smaller governments. Otherwise, there should be some provision to apply audits to all governments. Because the cost of such audits could become excessive for the really small recipient governments, it may be desirable to limit the audits to a ramdom sampling, with the audit done by Office of Revenue Sharing auditors. A sampling approach would reveal the extent to which such audits are necessary and desirable, without imposing an unnecessary burden on the smaller governments.

o Should the audit staff of the Office of Revenue Sharing be Increased?

The present authorized audit staff of 25 positions (19 actually filled at present) appears to be inadequate to cope with existing workloads. Even with all positions filled, it provides only one professional staff person for each 608 governments required to be audited. A staffing ratio this high can permit only a perfunctory office review of audits. While a theory of relying on state and private auditors is good, the revenue sharing audit staff must still assume responsibility for the proper use of funds. This means, at the very least, a sample checking of the quality of audit work being performed, and field checking of the quality of audit work being performed, including field visits to the governments on a periodic basis.

A doubling of the authorized staff would lower the ratio to 304 governments per auditor, and could provide greater assurance that effective audits are being performed, yet even this ratio could be inadequate considering the detailed attention that compliance requirements should be given.

If further analysis of the audit work of state and private auditors reveals that their compliance audits are not effective, then additional increases in staff will be necessary to supplement the financial audit reviews. It may even become necessary for Office of Revenue Sharing auditors to conduct compliance audits on a sampling or even comprehensive basis. However, any decision in this regard should await further testing of the present procedures for compliance audit.

Until additional staff are authorized and hired, the extra demands on audit staff can perhaps be met by contracting with private firms. A recent report indicates that a nationally recognized CPA firm is currently reviewing 800 audits, and may have its contract extended (Altman, p. 8). This may be a satisfactory solution to insure that at least the initial screening of all audit reports is completed properly.

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Mr. BOLAND. Mr. Sklar?

Mr. SKLAR. I would like to make a few remarks in summary of what we have submitted to you about the nondiscrimination issue.

Our group is the Center for National Policy Review. It is a public interest law group that has been working on civil rights issues under the General Revenue Sharing program for some years.

We received a grant from the National Science Foundation to do a special review of what the Office of Revenue Sharing civil rights activities were accomplishing. A copy of our report to NSF, *Civil Rights Under GRS*, has been submitted to your committee, and I understand it will be made part of your hearing file.

Just after that review was made, about four years ago we appeared before Congress to talk about the civil rights problems under the GRS program. As a result of our testimony and the testimony of others about the ineffectiveness of the Office of Revenue Sharing and its nondiscrimination efforts, Congress saw fit to substantially improve the civil rights requirements in the GRS statute.

Since that time four years ago, we are very distressed to report that there has not been a substantial improvement in the civil rights activities of the Office of Revenue Sharing.

Some of the reasons for that ineffectiveness are of special concern to this committee.

The first issue I would particularly stress is the fact that ORS seems unwilling to obtain and use sufficient staff to deal with the backlog of cases which has now become quite substantial. It is growing progressively larger as time goes by.

If you take a look at our testimony on page 11, you will see that the average level of civil rights staffing at ORS over the past four years has fallen behind their authorized strength by from 2 to 9 people, and it seems that ORS and the Department of the Treasury have been very slow in filling those positions.

The second point that I would stress about the staffing is that even if authorized levels of staff were filled promptly by ORS, they still would not stand a chance of dealing effectively with the level of incoming cases. It is a staggering backlog of cases, and the amount of complaints coming in is so substantial that there is no way for existing staff to keep up with it.

Because of this fact, appearing before your Senate Budget Committee counterpart earlier this year, Roger Altman, the Assistant Secretary of the Treasury, was invited by Senator Proxmire to increase the staff request that was being made by ORS. Mr. Altman said he would not increase the request that ORS was making.

These two deficiencies, the failure of ORS to build up their staff to authorized levels, and their refusal to seek additional civil rights staff resources, are used by the Office of Revenue Sharing to justify the very significant failures and inadequacies of their civil rights monitoring and compliance efforts.

We don't believe that Congress, particularly after making clear four years ago that they were firm about the importance of civil rights standards in general revenue sharing, should tolerate this kind of sham by the Office of Revenue Sharing.

We hope through your budget review process you will be able to exert some pressure on the Office of Revenue Sharing to help bring about a more effective observance by them of the nondiscrimination standards that you have established.

We ask three things in particular to help that happen: Increase the Office of Revenue Sharing civil rights staff to the point where effective handling of incoming cases and a reduction of the current caseload are possible.

Second, we would ask that you require of the Office of Revenue Sharing more effective use of its civil rights staff. Its operations should not be geared solely to responding to complaints but rather should include regularly scheduled periodic reviews and some sort of ongoing process for following up on settlement agreements that are made.

Third, we would ask you to exert a more careful ongoing monitoring of the way the Office of Revenue Sharing carries out its civil rights activities. The absence of that ongoing review has played a part in the difficulty that ORS is now facing with its substantial backlog of cases.

The Congress and the public have a right to expect the Office of Revenue Sharing to carry through on the national commitment that the Congress has made to nondiscrimination in general revenue sharing.

That means equitable treatment for many of those who are most in need of services and assistance at the local level. At a time when so many vital Federal programs are being cut back, there is no excuse for allowing general revenue sharing to continue to operate if it does not allow allocation of its benefits in a nondiscriminatory way.

Thank you.

[The statement follows:]

The Center for National Policy Review is a civil rights research and advocacy group affiliated with the Catholic University Law School.

In 1975, the Center received a grant from the National Science Foundation (NSF) to evaluate and report on how nondiscrimination standards were being observed and enforced under the General Revenue Sharing (GRS) program. Our report, Civil Rights Under General Revenue Sharing, was published by NSF as part of a comprehensive research effort designed to assist Congress in its consideration of GRS reauthorization in 1976.

The Center also was one of four co-sponsors of a large scale evaluation of the impact of GRS from the perspective of public interest and community-based concerns. The other principal groups in this effort were the Center for Community Change, the League of Women Voters Education Fund and the National Urban Coalition.

Our work played a major role in strengthening the GRS reauthorization statute's provisions on citizen participation and nondiscrimination.

I. Background

During the first several years after the General Revenue Sharing program's enactment in 1972, serious civil rights problems were encountered in the operation of the program, and in methods used by the Office of Revenue Sharing (ORS) to monitor and enforce nondiscrimination standards.

Evaluations conducted by our own Center under a National Science Foundation grant, by the General Accounting Office, by the U. S. Department of Justice and by the U. S. Commission on Civil Rights:

A. documented the existence of widespread discrimination in many programs and activities administered by state and local government agencies receiving GRS funds--longstanding bias against minorities and women in the employment practices of many agencies of state and local government, particularly in the public safety area, was a primary concern; and

B. found gross deficiencies in the way ORS investigated complaints and generally handled its compliance responsibilities, with special criticism of long delays in the processing of cases, and of ORS's refusal to invoke fund termination sanctions even where civil rights violations had been confirmed.

Because of these well-documented findings, when GRS was reauthorized in 1976, Congress adopted new, stringent standards to assure more effective performance by ORS in its oversight of nondiscrimination requirements.

- Timetables for the handling of complaints were established, requiring ORS to complete its investigations and make a formal determination of whether a violation existed within 130 days from the date a complaint was received;
- Automatic suspension of GRS payments was mandated for governments determined to be in noncompliance after the 130 day period;
- Victims of discrimination were assured the right to file lawsuits in federal court if prompt compliance action was not forthcoming from ORS;
- ORS was required to take compliance action against recipient governments found to be discriminating by courts or other federal agencies;
- Because the uses of revenue sharing funds are essentially untraceable, a presumption was established that GRS funds are implicated in any claimed discrimination by a recipient government, unless the recipient proves otherwise; and
- The protections of the law were broadened to include people discriminated against because of age or handicap.

Our recent follow-up review of current ORS compliance activity indicates that the revisions made by Congress in 1976 in the anti-discrimination sections of the statute have had a positive impact. Nevertheless, in the face of clear mandates from Congress, substantial civil rights problems continue to exist in the use of GRS funds, and in ORS's methods of enforcement. ORS's handling of its budget and staffing needs has played a critical part in these deficiencies.

As the Comptroller General stated in his testimony on March 20th, little progress has been made by ORS in dealing with the serious compliance deficiencies that forced Congress to impose stricter compliance standards in the 1976 reauthorization statute. Small gains were initially made in eliminating the extensive case backlog and in reducing inordinate delays in handling complaints. These gains have been largely overshadowed in the past two years, to the point where the case backlog and the delays are even in excess of where they were in 1976. With its present staff, ORS simply does not have the capability of keeping abreast, let alone making progress, on its growing volume of civil rights cases.

On the positive side, ORS has taken initiatives in dealing with several major cases of noncompliance affecting large urban areas that give promise of reducing discrimination in public sector employment practices, and that could serve as a useful model for application to other jurisdictions.

II. Specific Deficiencies

Itemized below are the major deficiencies that continue to cause ORS to be in substantial violation of Congress' 1976 compliance standards:

A. Delay in processing complaints. ORS's handling of complaints is still marked by unconscionable delay, with most cases taking considerably more than the statute's 130 day limit to be resolved.

ORS estimates that, on the average, a complaint is pending before a finding is made more than ten (10) months. That is six (6) months over the Congressionally-established time limit for the completion of the investigative and finding phase.

Other sources indicate that even this figure is far on the low side. The General Accounting Office, Congress' investigative arm, claims the average case processing time is closer to 18 months. A study of a random sample of cases by the U. S. Commission on Civil Rights found cases unresolved an average of 20 months.

Whether the correct figure is 10, 18 or 20, the ORS default of its statutory obligations is major and it is increasing as the number of cases being filed continue to rise each year.

B. Case backlog. Because of the long delays in ORS's complaint processing, and the fact that the number of complaints being filed are steadily increasing, the backlog of unresolved cases on ORS's books continues to rise. The following chart indicates the increasing rate of pending cases:

Fiscal	# Cases Filed	# Cases Resolved (pre and post-1977 filings)	Backlog
1977	276	143	556
1978	352	253	655
1979	511	178 (as of Aug., '79)	800 +

Of the 800 + current backlog, 91 cases are still pending from prior to 1977, which means they have been on ORS's books for three years or more.

The figures do suggest that because the law is stronger than it was before 1976 and because the mandate against discrimination has been broadened, more people have brought complaints to ORS. The agency is resolving cases at a faster rate as time progresses, though not fast enough to keep up with the incoming caseload.

C. Reluctance to apply sanctions. Of the 1,069 complaints filed since 1976, ORS has seen the need to hold hearings in only 4 cases, and to apply the sanction of fund termination in only 5.* ORS reports an increased willingness on the part of recipients to negotiate settlements without first going through hearings and termination proceedings. But, given the large proportion of cases in which ORS investigations have found non-compliance after an on-site investigation (271 of 359 or 75%) it seems unlikely that the paucity of termination proceedings can be accounted for entirely by a widespread willingness on the part of recipients

* In some termination proceedings, recipients have not requested hearings.

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to come into compliance. Apparently, ORS, lacking the staff to adequately pursue these cases more forcefully is simply entering into settlement agreements that do not realistically deal with all elements of noncompliance that have been identified.

D. Failure to monitor settlements. An accurate evaluation of the progress made under the 1976 Amendments depends in the final analysis on tangible results--increases in the public sector job opportunities for minorities, women, handicapped people and others who have been subjected to discrimination, and the elimination of racial disparities in the availability of municipal services. Since settlement agreements are the chief instrument relied by ORS to carry out its civil rights responsibilities, much depends upon whether the provisions of those agreements are being carried out by recipients.

In one respect, things have improved since 1976, for some settlement agreements are far more specific in their terms than the pre-1976 agreements in which recipients made general and vague promises to comply with the law. ORS is making an effort in negotiating these agreements to follow Equal Employment Opportunity Commission (EEOC) guidelines in addressing specifically such matters as the use of minority recruitment sources, testing procedures, promotion procedures and the like. Agreements that contain these specifics are capable of being monitored for compliance.

Unfortunately, however, though ORS procedures call for periodic reports to be reviewed by agency personnel, these and

other follow-up views of negotiated settlements rarely take place. The agency has very little idea whether its agreements are being observed, and again, lack of staff is the reason given for this important oversight.

E. Failure to conduct self-initiated reviews. Federal compliance specialists generally acknowledge that an effective monitoring and enforcement program requires a mix of periodic, self-generated reviews, with the more frequent complaint investigations. Periodic reviews allow an agency to target some of its resources to problem areas and geographic locations where the more specific violations might be expected to exist, instead of having to rely solely on random, incoming requests for assistance. Yet ORS has not conducted a single periodic review since 1973, and no plans for such reviews are currently being considered. They cite the major backlog of cases arising from complaints as justification for not allocating staff resources to periodic reviews.

F. Inadequate treatment cases. In part because of the pressures faced by ORS staffers dealing with a large and growing backlog, there have been problems with the adequacy of their treatment of cases. Random reviews of case files by the U. S. Commission on Civil Rights uncovered several instances where cases were closed prematurely, without major problem areas receiving the attention they deserved. In more than one instance, ORS simply accepted the submission of an affirmative action plan as adequate to consider a case resolved, without a more careful

examination of the content of the plan, and without any means being provided to monitor the jurisdiction's actual performance in carrying through on promised reforms.

As noted, the lack of follow-up monitoring of closed cases has been a pervasive problem, with the bulk of the responsibility for assuring observance of settlement agreements left to the aggrieved parties, who are informed that they can renew their complaint if there are any additional problems.

Problems also have been noted with respect to ORS's reluctance to follow through with time limits they themselves set for actions required of recipients. The U. S. Commission on Civil Rights reviewers found many instances where months passed before ORS would get back to recipients that failed to send requested information within the suggested 10 or 15 days.

G. Failure to use resources of other agencies. ORS should be working closely with EEOC, the other federal agency with a similar mission on the vital issue of nondiscrimination in the public employment sector, where about two-thirds of ORS's civil rights complaints emanate. Although a coordination agreement exists between ORS and EEOC, it has not produced effective sharing of monitoring and investigative responsibilities over public sector employment matters. ORS describes its exchange with EEOC as being limited to consultations over the treatment of general issues, and the preparation of regulations and guidelines. ORS has yet to make systematic use of perhaps the most

effective resource EEOC can provide, i.e., the annual compilations of EEO 4 forms containing statistical breakdowns of the hiring practices of every state and local government. These statistics, which are broken down by race, national origin and sex, as well as by different job types and salary ranges for every major area of government activity, could be used to help ORS to set priorities, by identifying recipient governments with the most substantial potential violations of nondiscrimination requirements. In part because of ORS's failure to recognize the importance of self-initiated reviews, these invaluable resources have not been used to set priorities, although they are referred to for individual governments that have been made the subject of a complaint.

III. Reasons For Deficient Performance

While the problems described above are attributable to several causes, the major reason, and the one most susceptible to legislative redress, is the failure of the Department of Treasury to seek or obtain adequate resources to carry out the civil rights mandate. Although the number of civil rights cases filed with ORS have been increasing steadily, the numbers of staffers assigned to the civil rights office have been decreasing, with a large proportion of authorized positions unaccountably remaining unfilled for long periods of time. The following chart indicates the number of authorized positions remaining unfilled for the past three fiscal years:

Fiscal Year	Authorized Level Assigned	Actual Level (Average over the year)	# Unfilled Civil Rights Positions (Average per year)
1977	50	41	9
1978	51	49	2
1979	51	45	6
1980	45	36	7

In terms of the staffers who perform on-site investigative duties, the picture is even more distressing. ORS presently has 26 civil rights investigators actually on board, almost 20 percent fewer than the number of investigators a year ago. This decrease resulted in large part from ORS's failure to promptly replace investigators who leave their positions. Eight new investigators were recently hired by ORS to try to bridge this gap a bit more effectively. The following chart indicates the number of civil rights investigators available for complaint investigation and handling:

Fiscal Year Fiscal Year	Average # On Board
1977	32
1978	38
1979	35
1980	29

Not only has ORS failed to fill available compliance positions, it has declined to seek increases in compliance staff authorizations to meet the obvious, growing need. This refusal

persisted even when Robert Altman, Assistant Secretary of Treasury for Domestic Finance in a March 7th appearance before the Senate Appropriations Committee, was criticized by Senator Proxmire for failure to request funds for additional civil compliance staff, given the enormous case backlog and the increasing number of cases being filed.

Proposals have been considered but rejected for the temporary use of compliance personnel, ordinarily assigned to areas other than civil rights, to assist in handling the extensive civil rights complaint backlog and to allow for more use of periodic reviews. This approach would ease the burden on civil rights staff, but would raise a potential problem if the reassigned investigators have not been properly trained to deal with nondiscrimination matters. On the whole, it may be useful as a stop-gap, temporary measure to help ORS substantially reduce the existing backlog of cases. But, as a general practice, it is not desirable to encourage the use of investigators who are not trained civil rights specialists to handle nondiscrimination cases.

While ORS prides itself on dispensing huge sums with a very small bureaucracy, the inadequacy of civil rights staffing should not be permitted to continue. Certainly increased staff would entail small increases in federal expenditures during a time of budget stringency. But such increases are minuscule compared to the costs of lost productivity and diminished confidence in government that result from continued discrimination

in public employment. Judged even by the limited standards of cost-effectiveness, an increase in ORS staff would more than repay the investment.

IV. Positive Steps

Despite the major deficiencies in the ORS compliance program, enforcement has improved in a number of respects. Among the positive developments are the following:

A. Keeping track of cases. When the Center conducted its first civil rights review of of ORS in 1975 there were many gaps in the agency's procedures for tracking cases. Considerable difficulties were experienced in determining the status of cases, their treatment and the time periods taken in their handling.

ORS now has an effective computer based system for providing this information. What has not been done uniformly is to key this tracking system into a method for keeping ORS staff (and the ORS Director) informed of upcoming time targets and overdue actions for particular cases.

B. Acting on holdings. Under the 1976 Amendments, ORS is obligated to take enforcement action when it receives a holding of discrimination by a federal or state court or a federal administrative law judge. At first ORS, in contrast to the Law Enforcement Assistance Administration, took a passive role, relying upon victims or recipients to notify the agency of such holdings. More recently, however, ORS has recognized its responsibilities under the law and established a system to inform itself of holdings. As a result, in several cases including Buffalo, New York; New York,

New York; and Baltimore, Maryland, the agency has taken enforcement action based on holdings and in a few instances has helped facilitate a remedy for victims of discrimination by obtaining compliance agreements even before final court orders. This is an important aspect of the agency's authority. In Chicago, where compliance was finally obtained after more than $100 million in revenue sharing funds was withheld from the Chicago police department, a federal judge noted that use of the administrative sanction was a very effective instrument for resolving a dispute that had dragged on in the courts for years.

C. Major settlements. In a few cases, after lengthy negotiations, ORS has been able to achieve agreements calling for systemic changes in municipal employment to eliminate barriers that impeded the hiring and advancement of blacks, Hispanic Americans and women. Such agreements have been reached in San Francisco, Baltimore and Mobile.

The San Francisco agreement also contained an innovative method for monitoring compliance with provisions that called for increased hiring of minorities and women over a period of years. The San Francisco Human Rights Commission was designated a monitor of the plan, with provision made for a special staff of three at the Commission to carry out these duties. Unfortunately, this attention to the importance of monitoring has not been extended to other cases.

V. Conclusion

Because it reaches nearly every state and local government,

and affects the financing of so many governmental activities, General Revenue Sharing can play a pivotal role in securing observance of nondiscrimination standards, particularly in public sector employment. The steps taken by Congress during GRS's reauthorization in 1976 to strengthen the civil rights standards, and to mandate timely remedies, provided additional support for this goal.

Yet, as this report and the reports of governmental bodies have demonstrated, major problems remain. Victims of discrimination do not receive timely responses when they complain to ORS and federal funds still subsidize discriminatory activities. Yet the few notable successes that have been attained show that it is not that the statute is inherently unworkable, but that the agency itself has failed to carry out the statutory mandate.

The standards required for more effective civil rights compliance under GRS are already in the statute. As GRS once again comes before Congress for reauthorization, and its current budget is submitted for review by this committee, Congress should be prepared to provide the additional staff resources necessary for an adequate compliance program and should, in committee reports and elsewhere, make clear that it expects more effective performance from ORS in carrying out its duties under the 1976 Amendments.

Mr. BOLAND. Thank you very much, Mr. Sklar.

Mr. Sabo?

Mr. SABO. This presentation can spark a whole host of questions on my part, but I will try to keep them to just a few.

Given that general revenue sharing really has been considered part of the basic budget of State or local government, in your judgment is there more citizen access to Federal Government than there is to State or local government?

Mr. GINSBURG. I would say that two things have happened since general revenue sharing.

Mr. SABO. I am curious, yes or no? It is unrelated?

Mr. GINSBURG. It is hard to give a yes or no answer. There has been definitely an increase in citizen participation at the local budget level, but in many communities citizens still believe they have better access to Federal programs and Federal program administrators than they do to local level administrators.

Mr. SABO. Have you got any basis for that?

Mr. GINSBURG. Yes; because in lots of communities what they sense is that general revenue sharing now is a regular part of the taxes, the moneys which the local government has to spend, and when that happens because of the pressures that many local governments had, when they develop their budget they just count the GRS funds as part of their regular funds.

When a local citizen group comes up and questions the priorities, they say there are no opportunities for examining those priorities, because it would require a tax increase. But if you have a community development block grant which is targeted to community development programs a local citizen advisory committee is called in as to where those funds should go.

Mr. SABO. General Revenue Sharing by the very definition is broad. You are telling me the person in a community in Minneapolis has more access to me in the total congressional structure here than they have to the city councilman in Minneapolis?

That is my question.

Mr. GINSBURG. They believe that the GRS funds are so intermingled with local funds that the chance to do much about them is less than in making decisions on where CETA funds and——

Mr. SABO. You are telling me you prefer block grants over general revenue sharing; that is not my question. General revenue sharing is integrated with the balance of tax receipts.

Mr. GINSBURG. With the clear intent by Congress, as you read the sharp amplification of the citizen participation in the 1976 law for citizens to become involved, there are too many cases, sir, they do not believe they have that opportunity.

Mr. SABO. I would strongly suggest to you that the capacity and potential for citizens' involvement as it exists today, with or without revenue sharing, is much larger at the local and State level than it is at the Federal level.

I was on the opposite side of this four or five years ago when we renewed revenue sharing, holding the position of the leadership in the Legislature.

I found it very offensive for the Federal Congressman tell me as a leader of a State Legislature how to run our Legislature. When I know full well that the access of people to myself and the balance

of Legislature, because they were close at hand was far greater than the access to Congressmen. All of us were accessible by telephone and in person and to pretend that somehow we didn't have citizen involvement, in comparison to the Federal system, was ridiculous.

Plus the basic responsibilty for running State government rests with State government and basic responsibility for regulating local government rests with the State government.

If we want to have revenue sharing, I guess basically we have to have some confidence in the ability of State and local government to know how to run itself. If we don't have that confidence, let's not have it.

I happen to have it, and I make no argument that we have achieved perfection, but in comparison, in terms of the access of citizens to the decision-making process, it is substantially greater at the State and local level.

Mr. GINSBURG. I am not disagreeing with that. The one point that I am urging is the Office of Revenue Sharing exercise a little bit more initiative. There should not be tension between the Federal Government telling a local government what the law mandates and a local government complying with the very sound rules and opportunities the law provides.

That is what I am saying.

Mr. SABO. I happen to think that to pretend that the Federal Government enforce that in a massive way in all the governments in the country is the height of illusion. There is nothing more wasteful than the special ads run in newspapers throughout the country advertising some sort of, what has to be not a serious, budget hearing on the special allocation of revenue sharing funds.

It is a great subsidy for the newspapers and accomplishes nothing in bringing people into the normal ongoing budget process of State and local government which revenue sharing is part of.

If you want something other than revenue sharing so the options of making the spending decisions are not at the local government, you should say you are against revenue sharing.

By its very nature that has to be part of the ongoing process and that is something you have to develop on a State and local basis, and unless we want the Federal Government to take over the detailed administration and operation of State and local government. I think that would be the most horrendous thing that could happen.

Ms. HENTGES. Mr. Chairman, to address your concern, or the point, Congressman Sabo, logic would tell us that access on the State and local level should be easier. What we are talking about is a particular type of access, a citizen participation requirement which in the history of government is fairly new.

I think some communities do this better than others, and we find this. The other part of this we would like to stress is citizens' awareness of both the part that they can have in an input in decisions on general revenue sharing is relatively new, and this is what we found in——

Mr. SABO. But that has to be related to the input and the total budget-making process for state and local government——

Ms. HENTGES. Absolutely.

Mr. SABO [continuing]. Because that is what revenue sharing is.

Ms. HENTGES. Absolutely.

Mr. SABO. It is the same as your locally collected property tax, your sales tax, your state income tax, excise fees. It is part of the total budget.

Ms. HENTGES. There is no question.

Mr. SABO. That is the philosophy of it.

Ms. HENTGES. I think that is right. I think what we are suggesting is that the ORS can in some cases provide some nudging to those communities where they do not do it.

Mr. SABO. You are suggesting that the Federal government should sit up here as the big regulator governing the whole decisionmaking process for State and local governments throughout the country.

Mr. BOLAND. I suppose this is a matter that is going to be resolved if and when general revenue sharing is extended. We have had general revenue sharing since 1972. Then we got the amendments in 1976, there were none of these proscriptions in the 1972 law, of course.

Then in 1974 we passed the Community Development and Housing Redevelopment Act—which transferred some seven categorical grant programs into the local communities and block grant programs. There was considerable citizen participation. I know there is in mine, but it poses the question whether or not there ought to be citizen participation in a program which was passed ostensibly to assist local communities in meeting some of the problems they have budgetwise. Whether or not as Mr. Sabo has indicated, at its inception revenue sharing was done for that express purpose, to pump money into the local communities, and to have them use it just about the way they want. They have been doing it that way, of course.

Of course, with the 1976 amendments, the contention here is that they ought to comply with the law. I guess nobody can quarrel with that very much, but you can't have it both ways. You can have I think the most significant programs that are attuned to the public are in the community block grants development program. There is no doubt about it in my mind. They are the ones that actually touch most of the people, while this is the program which, as I say, was intended for the purpose of assisting the local communities in meeting some of their burdens back home, particularly the tax burdens.

I guess this will be a matter which will be addressed more perhaps in the effort to extend revenue sharing when it expires.

Mr. SKLAR. Sir, I guess the question that your comments put the finger on, I think, is the issue of whether or not a program like general revenue sharing, which was intended to be generally applicable, becomes something more like a slush fund, which local officials could use without targeting the money to areas that serve those most in need.

The purpose of our comments here about citizen participation is to try to make sure that general revenue sharing is not that sort of a program, that it is one that has as much citizen involvement; has as much citizen interest in helping to decide priorities for its use as the other programs. It is natural that the other programs would

generate more public interest. The fact is that revenue sharing tends not to, because it is lost in the whole process, and we are trying to make sure that doesn't happen.

Mr. BOLAND. I don't know whether that really is so. That was not so in the basic law when it was passed in 1973, was it? That wasn't the concept, that there would be greater participation in the general revenue sharing program.

Mr. SKLAR. No, that is right.

Mr. BOLAND. But, of course, then the change came in the 1976 amendments, in which this was clearly called for. I guess if the law is there it ought to be enforced. That is what you are saying?

Ms. HENTGES. Yes, sir.

Mr. SKLAR. There was a reason for the change, which was a recognition of the fact that the way the money was being used when there were no citizen participation standards was less satisfactory than if citizens were given the opportunity to help guide their public officials more directly.

Mr. BOLAND. Are you familiar with the debate on the 1976 amendments? Were you around then?

Mr. SKLAR. Oh, yes.

Mr. BOLAND. That was not an easy thing to put into that bill, in the general revenue sharing that year, was it? There was considerable discussion within the Government Operations Committee.

Mr. GINSBURG. People should know how these dollars are being spent. Here is the audit which you as a congressman would like to see submitted to assure accountability. But when the GAO shows at least 30 percent of the 11,000 jurisdictions which have to file these audits are not filing them on time, are filing them replete with errors, are filing them filled with deficiencies, then we say at least let's make those who receive the funds comply with congressional intent.

Mr. SABO. That really relates to the basic problem of developing good auditing systems——

Mr. GINSBURG. Yes.

Mr. SABO [continuing]. In the State and local governments, it has nothing particularly to do with general revenue sharing. If we want to have technical assistance programs for auditing again, I think in our State we have developed a fairly good auditing system.

Mr. MCKINNEY. Many States according to our study do not. The GAO when they went around to all these State auditors and interviewed them in regard to the revenue sharing, indicated that they welcomed the corrective assistance they received because it made their job easier in their dealing with local jurisdictions and State agencies. They expressly welcomed this general revenue sharing audit, because much of the public accounting field has been in disarray, not meeting generally accepted accounting standards, to say nothing of generally accepted accounting principles. It has improved their capabilities, they say.

Mr. BOLAND. Thank you very much. This has been a very interesting discussion. We appreciate it very much.

Mr. SKLAR. Thank you. It was an interesting discussion.

Environmental Protection Agency

STATEMENT OF HON. JEROME A. AMBRO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Boland. The Committee has received a statement from the distinguished Member of Congress, Jerome Ambro. This statement will be placed in the record at this point.

[The statement follows:]

STATEMENT
BY
HON. JEROME A. AMBRO
OF NEW YORK
BEFORE THE
SUBCOMMITTEE ON HUD--INDEPENDENT AGENCIES
OF THE
HOUSE COMMITTEE ON APPROPRIATIONS
ON
EPA FISCAL YEAR 1981
OFFICE OF RESEARCH AND DEVELOPMENT APROPRIATIONS

MAY 7, 1980

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE. MY PURPOSE FOR BEING HERE IS TO SHARE WITH YOU THE RESULTS OF THE ACTIONS TAKEN BY THE SUBCOMMITTEE ON NATURAL RESOURCES AND ENVIRONMENT, WHICH I HAVE THE HONOR TO CHAIR, AND THE FULL COMMITTEE ON SCIENCE AND TECHNOLOGY, WHICH HAS ENDORSED THE ACTIONS OF THE SUBCOMMITTEE, IN ORDERING REPORTED THE BILL, H.R. 7099, WHICH AUTHORIZES FISCAL YEAR 1981 APPROPRIATIONS FOR THE EPA OFFICE OF RESEARCH AND DEVELOPMENT. THE COMMITTEE REPORT WILL BE FILED AND PRINTED IN THE NEXT COUPLE OF DAYS AND OF COURSE, WE WILL MAKE COPIES AVAILABLE TO YOU AT THAT TIME. TODAY, THEREFORE, I WILL GIVE YOU ONLY A BRIEF SUMMARY OF WHAT WE HAVE DONE IN THIS BILL.

MR. CHAIRMAN, WE LOOKED VERY HARD AT EPA'S RESEARCH BUDGET THIS YEAR AND TO MAKE A LONG STORY SHORT, WE FOUND SEVERAL AREAS THAT WE THOUGHT COULD BE CUT. THE PRESIDENT'S REQUEST TOTALED $396,166,000 AND WE AUTHORIZED $385,712,000. I MUST POINT OUT THAT THIS REQUEST AND AUTHORIZATION INCLUDES PROGRAM SUPPORT FUNDING FOR RESEARCH. THIS WAS NOT PART OF THE PRESIDENT'S REQUEST BUT WE FELT THAT PROGRAM SUPPORT WAS AN INTEGRAL PART OF THE RESEARCH PROGRAM AND

THEREFORE, WE AUTHORIZED ITS APPROPRIATION.

THE FINAL TOTAL WE ARRIVED AT IN THIS AUTHORIZATION REPRESENTS A $10,454,000 CUT FROM THE PRESIDENT'S REQUEST. THIS NET REDUCTION IS MADE UP OF SOME CUTS AND ADDITIONS THAT I WOULD LIKE TO DESCRIBE IN MORE DETAIL. BUT BEFORE I DO, I WOULD LIKE TO SAY A FEW GENERAL WORDS ABOUT OUR APPROACH.

FIRST, I DON'T BELIEVE THAT THE CUTS WE HAVE MADE WILL ADVERSELY IMPACT THE RESEARCH PROGRAM OR THE AGENCY'S ABILITY TO FULFILL ITS MISSION. THIS IS BECAUSE THE CUTS WERE TAKEN PRINCIPALLY IN AREAS WHERE THE AGENCY HAD REQUESTED VERY LARGE INCREASES AND WE WERE NOT CONVINCED THAT THEY COULD INDEED HANDLE THESE ADDITIONAL FUNDS. CUTS WERE ALSO MADE IN AREAS WHERE THE AGENCY HAD LARGE CONTRACTING EFFORTS WITH RELATIVELY SMALL IN-HOUSE RESEARCH TO COMPLEMENT THEM. STAFF INVESTIGATIONS HAVE INDICATED THAT RESEARCH AREAS WITH HIGH EXTRAMURAL TO INTERMURAL RATIOS WERE INHERENTLY INEFFICIENT. THIS IS BECAUSE EPA RESEARCHERS ARE SPENDING MORE AND MORE TIME MONITORING CONTRACTS AND LESS TIME DOING RESEARCH. THEY ARE SPREAD SO THIN THAT THEIR ABILITY TO ADEQUATELY CONTROL INDIVIDUAL CONTRACTS IS IMPAIRED. THE RESULT OF THIS IS THAT BAD CONTRACT WORK MAY GO UNDETECTED AND UNCORRECTED AND SUBSEQUENTLY, THE RESEARCH RESULTS ARE LESS USABLE AND MONEY IS WASTED. THEREFORE, WE BELIEVE THAT THE REDUCTIONS THAT WE HAVE RECOMMENDED WILL, IF THE AGENCY RESPONDS APPROPRIATELY, ONLY HAVE THE EFFECT OF IMPROVING THE BALANCE BETWEEN EXTRAMURAL AND IN-HOUSE RESEARCH.

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LET ME NOW MENTION TWO THEMES RUNNING THROUGH OUR ACTIONS WITH RESPECT TO THIS BUDGET.

THE FIRST IS A CONTINUATION OF LAST YEAR'S INSTRUCTIONS TO THE AGENCY. THAT IS, WE ENCOURAGE THEM, ESPECIALLY IN THEIR HEALTH EFFECTS PROGRAMS, TO CONCENTRATE ON QUANTIFYING THE EFFECTS OF KNOWN TOXIC SUBSTANCES VERSUS IDENTIFYING NEW SUBSTANCES THAT ARE POTENTIALLY HAZARDOUS. I THINK WE ALL KNOW OF THE KINDS OF EFFECTS THAT CAN BE GENERATED WHEN A CHEMICAL IS NAMED AS A POTENTIAL CARCINOGEN. FOR EXAMPLE, BUSINESSES MAY HESITATE TO MAKE CAPITAL INVESTMENT IN PROCESSES INVOLVING THAT CHEMICAL. CITIZENS MAY FEEL THREATENED BY SOMETHING THAT TURNS OUT EVENTUALLY TO BE MUCH LESS HARMFUL THAN ORIGINALLY THOUGHT. OUR FEELING WAS THAT THERE ARE ENOUGH POTENTIALLY HARMFUL SUBSTANCES ALREADY IDENTIFIED, AND THE AGENCY REALLY MUST CONCENTRATE ON QUANTIFYING THE EFFECTS OF THESE KNOWN POLLUTANTS.

THE SECOND THEME IN OUR EFFORTS IS THE NEED TO IMPROVE THE QUALITY OF THE AGENCY'S RESEARCH PROGRAM. THIS IS MANIFESTED NOT ONLY IN THE AUTHORIZATION LEVELS BUT IN SOME NEW PROVISIONS IN SECTION 4 OF THE BILL WHICH ARE INTENDED TO ENCOURAGE A HIGHER QUALITY RESEARCH PROGRAM IN VARIOUS WAYS. THE PROVISIONS OF SECTION 4 WILL HAVE LITTLE FISCAL IMPACT ON THE PROGRAM. I MIGHT ADD IN THAT LINE THAT OUR BUDGET CUTS RECIPROCALLY WILL HAVE LITTLE IMPACT ON THE QUALITY OF THE PROGRAM OR POSSIBLY A POSITIVE IMPACT IF THE LOWER QUALITY RESEARCH IS WIPED OUT BECAUSE OF THE REDUCED BUDGET. I BRING THIS UP BECAUSE,

OBVIOUSLY WHAT WE ARE TRYING TO DO IS TO GET MORE BANG FOR THE BUCK. THIS IS SOMETHING THAT IS DIFFICULT TO JUDGE BUT TREMENDOUSLY IMPORTANT. THE BUDGET DESCRIPTION FOR A GOOD RESEARCH PROGRAM AND A POOR RESEARCH PROGRAM MIGHT BE IDENTICAL, BUT THE USABILITY OF THE RESULTS CAN BE COMPLETELY DIFFERENT. SINCE WE'RE REALLY INTERESTED IN THE ULTIMATE USEFULNESS OF THE INFORMATION PRODUCED IN THESE PROGRAMS, WE REALLY HAVE TO THINK ABOUT THE QUALITY OF THE WORK GOING ON.

I WOULD LIKE TO TURN NOW TO SOME OF THE SPECIFIC BUDGET ACTIONS IN OUR BILL.

FIRST, WE HAVE INCREASED THE GREAT LAKES RESEARCH PROGRAM BY $2,500,000. OUR INTENTION IS TO RESTORE THIS PROGRAM TO THE 1980 LEVEL AND TO PROVIDE $500,000 AS A PASS-THROUGH TO NOAA FOR THEIR GREAT LAKES RESEARCH PROGRAM. THE GREAT LAKES ARE A VALUABLE RESOURCE AND ITS PRESENT AND PROJECTED CONDITION WITH RESPECT TO CONTAMINATION FROM TOXIC SUBSTANCES REPRESENTS BOTH A NATIONAL AND INTERNATIONAL PROBLEM. WE BELIEVE THAT THE LEVEL OF RESEARCH EFFORT WE HAVE AUTHORIZED IS TOTALLY JUSTIFIED AND THAT BY PROVIDING PASS-THROUGH MONEY, COOPERATION BETWEEN EPA AND NOAA WILL BE FOSTERED AND BOTH PROGRAMS WILL BE MORE EFFECTIVE IN SOLVING THE GREAT LAKES PROBLEM.

WE HAVE ALSO AUTHORIZED $4,000,000 FOR A GROUNDWATER RESEARCH PROGRAM. THIS IS AN INCREASE OF $2.1 MILLION OVER THE PRESIDENT'S REQUEST AND BRINGS THE GROUNDWATER PROGRAM UP TO THE SAME LEVEL AUTHORIZED IN 1980. GROUNDWATER IS A VALUABLE RESOURCE AND ITS POLLUTION IS A TREMENDOUS PROBLEM. I'M SURE MANY OF YOU HAVE RECEIVED CONSTITUENT MAIL ABOUT GROUNDWATER CONTAMINATION PROBLEMS

IN YOUR OWN DISTRICTS. IT'S ONLY GOING TO GET WORSE IN THE FUTURE AS MORE AND MORE TOXIC SUBSTANCES, HAZARDOUS WASTE, AND DISCHARGES FROM ENERGY INDUSTRIES ARE GENERATED BY OUR DEVELOPING INDUSTRIAL TECHNOLOGIES. THE AGENCY HAS MOVED SLOWLY IN THIS AREA AND WE ASK YOUR HELP IN ENCOURAGING THEM BY MAKING FUNDS AVAILABLE FOR A $4,000,000 GROUNDWATER RESEARCH PROGRAM. THE AGENCY SIMPLY DOES NOT HAVE THE FUNDAMENTAL KNOWLEDGE OF GEOHYDROLOGY NECESSARY TO GUIDE A CONTROL AND ABATEMENT STRATEGY. FOR EXAMPLE, MUCH OF THIS PROTECTION WILL BE CARRIED OUT THROUGH THE CONTROL OF HAZARDOUS WASTE DISPOSAL. BUT AT THIS TIME, WE SIMPLY DO NOT KNOW ENOUGH ABOUT HOW WATER LEACHING THROUGH HAZARDOUS WASTE AND WASTE DISPOSAL SITES WILL MOVE IN THE GROUND. WITHOUT THIS KNOWLEDGE, CONTROL STRATEGIES MAY BE FORMULATED FROM SPECULATION AND THEIR EFFECTIVENESS WOULD BE UNCERTAIN. WE MUST HAVE THE KNOWLEDGE BASE TO DEVISE EFFECTIVE SAFEGUARDS BECAUSE WITHOUT IT, WE WILL FACE A GRAVE PROBLEM THAT WILL REQUIRE ENORMOUS COSTS TO SOLVE. THE NEED FOR THIS PROGRAM IS UNQUESTIONABLE.

LET ME JUST COMMENT THAT IN BOTH THE GROUNDWATER AND GREAT LAKES PROGRAMS, OUR INTENTION IS THAT THERE BE A FOCUS ON HAZARDOUS AND TOXIC SUBSTANCES. I MENTION THIS BECAUSE I WILL LATER DESCRIBE SOME CUTS IN THE HAZARDOUS AND TOXIC AREAS. MY POINT IS THAT THE CUTS ARE SOMEWHAT MITIGATED BY THE FACT THAT WE ARE DIRECTING THE GROUNDWATER PROGRAM TO STUDY THE EFFECTS AND MIGRATION OF TOXIC MATERIALS AND SIMILARLY, WE ARE DIRECTING THE GREAT LAKES PROGRAM TO STUDY EFFECTS OF TOXICS IN THE LAKES.

WE HAVE ALSO ADDED $2,500,000 TO RESTORE THE RENEWABLE RESOURCES PROGRAM WHICH PROVIDES ASSESSMENTS OF THE ENVIRONMENTAL CONSEQUENCES OF AGRICULTURE AND FORESTRY PRODUCTION ACTIVITIES. MR. CHAIRMAN, I THINK IT WOULD BE TERRIBLY BAD TO CUT THIS PROGRAM AT THIS TIME JUST AS THE DEPARTMENT OF ENERGY IS CONSIDERING GREATLY ENHANCING THE PRODUCTION OF ENERGY FROM BIOMASS. UNDOUBTEDLY, SUCH PRODUCTION WILL RESULT IN LARGE PLANTATIONS OF VARIOUS KINDS OF PLANTS DESTINED TO BECOME GASOHOL OR OTHER FUELS AND IT WOULD BE VERY SHORT-SIGHTED OF US TO CUT OUR RESEARCH EFFORTS IN THIS AREA AT THIS TIME.

FINALLY, I WANT TO MENTION THAT WE HAVE ONCE AGAIN AUTHORIZED $1,000,000 FOR A PROGRAM ON AQUATIC WEEDS -- SPECIFICALLY, TO FIND ENVIRONMENTALLY SOUND METHODS OF CONTROLLING AQUATIC WEEDS. THIS IS A PROGRAM THAT AFFECTS ALL OF THE SUNBELT STATES, AND WE FEEL THAT IT SHOULD BE SPECIFICALLY PROVIDED FOR IN YOUR APPROPRIATION BECAUSE THE AGENCY HAS BEEN VERY RELUCTANT TO INVEST FUNDS IN THIS AREA IN THE PAST.

AT THIS TIME, I WOULD LIKE TO DESCRIBE THE THREE MAJOR CUTS THAT WE HAVE MADE IN THE AGENCY'S PROGRAM. FIRST, WE HAVE CUT $6,000,000 FROM THE SOLID WASTE PROGRAM AND AUTHORIZED THAT PROGRAM AT A LEVEL OF $20,446,000. I WANT TO POINT OUT THAT THAT PROGRAM WAS RUNNING AT A LEVEL OF ABOUT $8 MILLION IN FY 1979 WHEN LOVE CANAL CAME ALONG AND THE AGENCY SUDDENLY RECOGNIZED THEY HAD A PROBLEM. THEIR REQUEST OF SOME $26,000,000 THIS YEAR WOULD REPRESENT A MORE THAN 300 PERCENT INCREASE IN TWO YEARS. WE SIMPLY DO NOT BELIEVE THE AGENCY CAN MANAGE THAT KIND OF INCREASE. I SHOULD POINT OUT THAT AT THE SAME TIME THIS CATEGORY IS INCREASING, THE AGENCY WAS ALSO ESSENTIALLY TERMINATING ITS ACTIVITIES

ON MUNCIPAL SOLID WASTE AND BRINGING HAZARDOUS WASTE ACTIVITIES FROM $5 MILLION UP TO BASICALLY THE WHOLE PROGRAM AT THIS TIME. THE RESOURCE CONSERVATION RECOVERY ACT WAS PASSED IN 1976. THE AGENCY SHOULD HAVE RESPONDED TO THE HAZARDOUS WASTE PROBLEM AT THAT TIME. THERE IS LANGUAGE IN THE SCIENCE AND TECHNOLOGY COMMITTEE REPORT WHICH INDICATES THAT THE CONGRESS WAS AWARE OF THE PROBLEM OF HAZARDOUS WASTES. WE DON'T THINK IT IS NOW APPROPRIATE TO TRY TO BURY THIS PROBLEM IN DOLLAR BILLS.

OUR RESPONSE IN THE TOXIC SUBSTANCES AREA WAS SIMILAR. THE AGENCY HAD REQUESTED AN $8,000,000 INCREASE OVER THE 1980 LEVEL FOR THEIR HEALTH AND ECOLOGICAL EFFECTS PROGRAM, AND WE REDUCED THIS BY $4,000,000 GIVING THEM A LEVEL OF $28,000,000, $4,000,000 OVER LAST YEAR. WE FEEL THAT SORT OF INCREASE CAN BE ABSORBED BY THE AGENCY. THE AGENCY ASKED FOR AN INCREASE OF 53 STAFF POSITIONS IN THIS AREA. WE WOULD ENCOURAGE THEM TO HIRE THAT STAFF (AND ALSO TO HIRE THE STAFF REQUESTED IN THE SOLID WASTE PROGRAM) IN ORDER TO HELP CORRECT THE EXTRAMURAL VERSUS IN-HOUSE INBALANCE IN THEIR PROGRAM.

IN BOTH THE HAZARDOUS AND TOXIC AREAS, THE AGENCY HAS APPEALED OUR CUTS STATING THE VERY PRESSING CURRENT NEEDS THEY HAVE TO REGULATE AND CONTROL BOTH HAZARDOUS WASTE AND TOXIC SUBSTANCES. OUR RESPONSE TO THIS IS THAT WE ARE AUTHORIZING A RESEARCH PROGRAM WHICH BY ITS NATURE IS FUTURE-ORIENTED. IF THEY WANT MORE MONEY IN THEIR REGULATORY PROGRAMS, THEY SHOULD REQUEST FUNDS IN THEIR ABATEMENT AND CONTROL AREA. THE RESEARCH PROGRAMS WILL PAY OFF IN THE FUTURE AND IT IS FOR THAT REASON THAT WE BELIEVE AN ORDERLY GROWTH IS APPROPRIATE.

THE THIRD CUT BY THE SUBCOMMITTEE WAS A $5,000,000 DECREASE IN THE ENERGY PROGRAM. OF THIS DECREASE $850,000 CONSTITUTES A REPROGRAMMING FROM ENERGY HEALTH AND ECOLOGICAL EFFECTS TO THE GROUNDWATER RESEARCH PROGRAM. THIS IS JUST A TRANSFER OF GROUNDWATER RELATED RESEARCH FROM THE ENERGY AREA INTO THE GROUNDWATER AREA IN ORDER TO CONSOLIDATE A GROUNDWATER PROGRAM AND PROVIDE A CRITICAL MASS. THERE IS ALSO A $4,145,000 CUT IN THE ENERGY CONTROL TECHNOLOGY PROGRAM. THIS IS ANOTHER PROGRAM WITH A VERY HIGH RATIO OF CONTRACT WORK TO IN-HOUSE WORK. THE COMMITTEE BELIEVES THAT THE SLIGHT REDUCTION IN THE CONTRACT PROGRAM WOULD PROBABLY NOT HAVE A SIGNIFICANT IMPACT ON THE INFORMATION OUTPUT.

FINALLY, MR. CHAIRMAN, I WANT TO POINT OUT THAT THE COMMITTEE HAS TAKEN AN ACTION WHICH HAS AFFECTED THE STRUCTURE OF THE EPA BUDGET. THAT IS, WE HAVE TAKEN APART THE SO-CALLED ANTICIPATORY RESEARCH PROGRAM AND DISTRIBUTED ITS ELEMENTS AMONG THE VARIOUS OTHER PROGRAM CATEGORIES. THE ANTICIPATORY PROGRAM NEVER DID MAKE MUCH SENSE, ESPECIALLY SINCE VIRTUALLY ALL OF THE SUBPROGRAMS CONTAINED IN IT COULD BE RELATED TO ANOTHER PROGRAM AREA. THEREFORE, IN DISBURSING THIS PROGRAM, WE HAVE NOT CUT IT BUT ONLY ASSIGNED THE SUBELEMENTS TO THEIR LOGICAL HOMES WITHIN THE EPA PROGRAM STRUCTURE.

MR. CHAIRMAN, I THINK YOU CAN SEE THAT WE HAVE DONE A VERY THOROUGH JOB IN ANALYZING AND MARKING UP THIS EPA BUDGET. OUR FINAL AUTHORIZATION FIGURE IS SIGNIFICANTLY BELOW THE PRESIDENT'S REQUEST. WE'VE ARRIVED AT THIS FINAL FIGURE BY MAKING SOME INCREASES AND SOME DECREASES. I HOPE THAT YOU WILL BE COGNIZANT OF OUR RECOMMENDED INCREASES AS WELL AS THE CUTS AS YOU PROCEED THROUGH YOUR MARK-UP PROCESS.

Department of Housing and Urban Development

STATEMENT OF HON. EDWARD R. ROYBAL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Boland. The Committee has received a statement from the distinguished Member of Congress, Edward Roybal. This statement will be placed in the record at this point.

[The statement follows:]

Statement Submitted by
Congressman Edward R. Roybal
to the

Sub-Committee on HUD-Independent Agencies
House Committee on Appropriations

May 19, 1980

Mr. Chairman:

I come before this Sub-Committee to express total support for the Congregate Housing Services Act of 1978 and to urge that $10 million be appropriated for FY 1981 to carry out the provisions of this Act.

The legislation for the Congregate Housing Services Program authorized $20 million for FY 1979, $25 million for FY 1980, $35 million for FY 1981, $40 million for FY 1982 and $45 million for FY 1983. During FY 1979, $10 million were appropriated to start the program. For FY 1980, another $10 were appropriated. These appropriations have fallen short of the monies authorized in the legislation. It disturbs and concerns me greatly that the Administration has elected not to request an appropriation for the Congregate Housing Services Act in FY 1981. HUD contends that additional funding has not been requested for FY 1981 pending program evaluation of the pilot project.

I would like to refute HUD's position that congregate housing is a pilot or demonstration project. The Conference Report states that HUD must submit an annual report so that Congress could determine whether the program should be expanded. Clearly, the Congressional intent was for a full-fledged on-going program and not a pilot or demonstration project. Congregate housing is not an experimental concept. Its cost-effectiveness is undisputed.

Research findings have confirmed the benefits to the elderly and the cost savings derived from the program. A 1976 report published by HUD entitled Evaluation of the Effectiveness of Congregate Housing for the Elderly concluded that congregate housing was an extremely effective program. HUD's own report states, "The research results... all converge in the overwhelming conclusion that congregate housing does indeed effectively meet the needs of its elderly residents."

In view of the current Congressional effort over controlling escalating health care costs, fighting inflation and balancing the Federal budget, it certainly seems desirable that Congress should provide continuing funding for the Congregate Housing Services Program. To do otherwise will in fact result in more expenditures to the government in increased costs for Medicaid and Medicare payments to those individuals not able to participate in the program and forced to be unnecessarily institutionalized. It has been proven without a doubt that this program saves money and is a more efficient and effective way of providing services to the frail and impaired elderly. Testimony documents that it costs approximately $1,500 a year to provide supportive services to an impaired older person through the congregate housing program compared to an annual cost of $9,500 through nursing homes and other institutions.

My Sub-Committee on Housing and Consumer Interests of the Select Committee on Aging has collected various studies and related testimony that reiterates the fact that congregate housing services prevents and/or delays premature or otherwise inappropriate institutionalization thus saving millions of dollars in nursing home care costs. In addition, congregate housing provides social as well as psychological benefits to the elderly. While these benefits cannot

be measured in quantitative terms, it is important to emphasize that for the 'at risk' elderly population these benefits are significant in maintaining functional independence.

Congregate housing includes those services which would allow temporarily disabled elderly persons to remain in their homes. The provision of services such as meals, personal assistance and homemaker chores are often the maximum range of services that these elderly persons need in order to maintain an independent life-style and prevent premature and/or inappropriate institutionalization.

I want to emphasize that congregate housing is not designed to replace existing social services programs, nor do I want to leave the impression that the social services being provided through the various agencies have totally failed to served the elderly in Federally financed housing projects. Congregate housing services cannot substitute nor are they intended to substitute the services being provided through other funding sources. The legislation specifically prohibits duplication and program guidelines specifically require that sponsors of congregate housing and the Area Agencies and Aging coordinate program plans in order to avoid any duplication. In effect, congregate housing complements and supplements existing services.

Existing social service programs for the elderly do provide adequate services given their regulatory constraints. However, these programs often present structural and/or programmatic problems that make them inadequate for congregate housing. For example, congregate residents need 2 or 3 meals a day, seven days a week. The Title III (C) Nutrition Program of the Older Americans Act provides only one meal a day, five days a week. Title XX of the Social Security Act permits a full meals program in only limited

circumstances for no more than six months. The multi-year funding cycle for the congregate housing services program guarantees program continuity necessary in order to develop and administer a comprehensive and coordinated housing and social services program.

It is important to note that the inappropriate placement of the impaired in nursing homes is both detrimental to the elderly person plus financially unsound. While only 5% of the elderly population are in institutions, studies have estimated that 40% or more of these persons do not belong there and can actually function better in a much less restrictive environment. The inappropriate placement of an elderly person in a nursing care facility often encourages a dependency that is not warranted thus minimizing any functional independence that could otherwise be supported. Nationwide, 55% of nursing home expenditures are financed by Medicaid and Medicare programs. Obviously, the taxpaying public is heavily subsidizing the institutional care of older persons.

The provision of congregate housing services must be viewed in juxtapositon to the increasing elderly population. The Congressional Budget Office estimates that at least 1.3 million elderly persons and perhaps as many as 2.5 million could benefit from congregate housing services. Today, over 150,000 elderly and handicapped persons are eligible for congregate housing. By the year 2000, 30.6 million people will be 65 years of age and older. In addition, there will be an increase in the 'older' old population, i.e. those over 75 years of age. This older population will definitely require those supportive services which will enable them to remain in their homes. Tenants of public and Section 202 housing are increasing in age, thus creating additional service demands.

In closing my remarks, I would like to stress the following:

1. Congregate housing has been proven to be a cost-effective and financially sound program.

2. The congregate housing services program was intended to be a full-fledged on-going program rather than a "pilot-effort."

3. Congregate housing provides a supportive environment which enables elderly residents to live a life of optimum dependency.

4. The Congregate Housing Services Program does not duplicate existing programs but rather supplements and/or complements existing social services.

The Congregate Housing Services Program was intended to provide the funding of a basic service package to meet the needs of frail elderly and handicapped residents of Section 202/8 and Public Housing. In order to assure a continuity of service delivery it is imperative that this Subcommittee provide $10 million for FY 1981. Anything less than last year's funding level will definitely endanger our efforts in reducing costs and providing more effective services to the elderly in this country.

Department of Housing and Urban Development

STATEMENT OF ADA E. SEER, NATIVE AMERICAN RIGHTS FUND

Mr. Boland. The Committee has received a statement from the Native American Rights Fund. This statement will be inserted in the record at this point.

[The statement follows:]

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TESTIMONY OF ADA E. DEER

THURSDAY, MAY 8, 1980

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

HOUSE APPROPRIATIONS COMMITTEE

My name is Ada Deer and I am a legislative liaison for the Native American Rights Fund. The Native American Rights Fund is the oldest and largest national Indian interest law firm. Since its inception in 1970, the Fund has worked on behalf of hundreds of tribes, Indian communities, groups, and individuals in over forty states to preserve tribal existence, to protect tribal resources, to promote human rights, to hold the dominant government accountable to Native peoples and to strengthen Indian law. My duties include representing the interest of Indians to the Congress.

My purpose here today is to relate to you the housing needs of American Indians. I will not present to you Indian housing problems from a policy perspective. Rather, I would like you to come to understand Indian housing problems from the perspective of a reservation Indian whose shelter -- one of the basic necessities of life -- is dependent upon you.

Indians today are the worst housed group in America. It is not uncommon for Indian people to live in small shacks without benefit of running water or electricity which are taken for granted by most Americans. In March of 1978, the GAO reported that while 12.9% of all Americans live in substandard housing, 60% of all Indian families do.

I report to you that there is both good news and bad news in Indian housing. The good is that 30,000 homes for Indians were built between 1961 and 1979. The bad is that this is not enough. The actual numbers of substandard units has been growing steadily: from 53,000 in 1972 to 62,000 in 1978.

Due to a boom in the population of Indians in recent years (between 1960 and 1970, the Indian population doubled) and the fact that the median age of Indians is 20.4 years, there is a sharp increase in new Indian family formation. Correspondingly, the number of new Indian families living in substandard housing is increasing at an average annual rate of about 4,000. During the decade of the 1970's the Federal dollar commitment to Indian housing was barely sufficient to keep pace with this annual increase. There is a backlog of about 100,000 substandard Indian units needing repair or total replacement. To give a specific example -- between 1970 and 1976, 27,000 units were constructed on Indian reservations with Federal assistance, but during that same period, the number of Indian families living in substandard housing increased at an average annual rate of 3,916. It is imperative that government programs respond to this increase.

Excluding various mortgage insurance programs such as VA and FHA, the government provides housing assistance sufficient to meet approximately 5 to 6 percent of the need for the total U.S. population and between 2.5 to 4 percent of the need for Indian housing. This is patently unfair on its face and more so when 1) the disparity in the percentage of Indian families living in substandard housing is compared to that of the general population and 2) when the relative quality of housing between Indians and other population groups is considered.

In past years the Federal goal for Indian housing has been set at 6,000 units. However, because inadequate unit development cost figures were used and because inflation projections were generally overly optimistic, the ACC authority provided has rarely been sufficient to actually build 6,000 units. A lengthy delay between appropriation of money, allocation to the regional offices, and construction starts has further eroded the number of units that could be built with available funds due to inflation.

In FY 80 the Administration proposed to cut the allocation of units for Indian housing from 6,000 to 4,000 units. Reacting to the obvious unfairness of this and to the appeals of various Indian and public interest groups, Congress restored the 2,000 units. The FY 81 budget proposal submitted by the Administration once again seeks to impose a one-third cut in Indian housing funding. The Administration's stated reason for seeking such a drastic cut in Indian housing is an inability to actually produce that many units. While HUD Indian housing production was far behind the goals set in the early 1970's, improvement in recent years has been dramatic. According to HUD's own figures, Indian housing construction starts more than doubled between 1975 and 1979. In FY 75 there were 2,170 starts compared to 4,599 in FY 79. This represents an average annual gain in starts of 607 units. Assuming this same trend to hold, one could expect a minimum 5,813 unit production capability for FY 81 if adequate ACC authority were to be provided. It is widely believed by Indian housing authorities that the present delivery system for Indian housing is capable of producing more than 6,000 units if HUD were to allocate units to the IHA's on a more timely basis and if HUD allocated units each year to all IHA's having production capability.

In testimony submitted to the Subcommittee on HUD-Independent Agencies of the House Appropriations Committee last year by the Committee to Save Indian Housing, it was stated:

> "It has taken 18 years to develop a delivery system for Indian housing capable of delivering 6000 units per year. A cut in funding of the magnitude proposed (6,000 to 4,000 units) will seriously jeopardize this recently achieved production capability."

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"We believe a hasty decision to cut these monies at this time will be a decision that will take many years and much more funding to correct."

This statement still holds true and I urge this Subcommittee to include report language maintaining Indian housing funding at the 6,000 unit level.

The need, as I said, is pressing today and increasing daily. I realize that the responsibility for ensuring that the 6,000 needed units are adequately funded lies not only with this Subcommittee, but with the Administration and with other Senate and House committees as well. However, this Subcommittee must decide to make a continuing commitment to Indian housing. You must do all you can to ensure that the 1981 Budget reflects your desire to end the deplorable, degrading housing conditions of tens of thousands of Indians.

Mr. Chairman and committee members, I spent 13 years of my life in substandard Indian housing. When I speak of the need for adequate housing for Indians, I speak from memories of no electricity, no running water, and many cold Wisconsin winters. I am searching, as we all are, for more effective and productive housing programs. The solutions do not come easily. Still, the need for adequate housing for Indians persists and grows, and Congress must continue to meet that need.

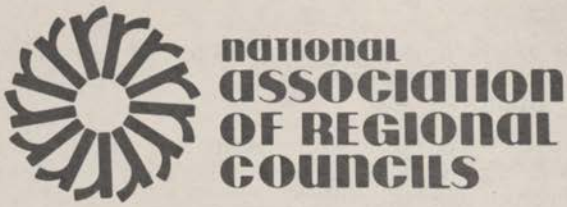
Thank you.

Endorsed by: National Indian Housing Council
Housing Assistance Council
Kenneth Black, Executive Director, National Trible Chairman's Association
Ronald Andrade, Executive Director, National Congress of American Indians

STATEMENT OF JAMES H. WILSON, VICE MAYOR OF THE CITY OF LONG BEACH, CALIFORNIA, REPRESENTING THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS

Mr. BOLAND. The Committee has received a statement from the National Association of Regional Councils. This statement will be placed in the record at this point.

[The statement follows:]



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RICHARD C. HARTMAN, Executive Director

STATEMENT OF

JAMES H. WILSON
Vice Mayor, City of Long Beach, California;
and
President, National Association of Regional Councils

ON BEHALF OF THE

NATIONAL ASSOCIATION OF REGIONAL COUNCILS

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS

ON

FY'81 APPROPRIATIONS FOR THE DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

MAY 15, 1980
WASHINGTON, DC

Mr. Chairman, I am James Wilson, Vice Mayor of Long Beach, California, and President of the National Association of Regional Councils. I appreciate the Subcommittee giving me this opportunity to testify on the FY'81 budget for the Department of Housing and Urban Development.

As you know, Mr. Chairman, NARC has taken a strong interest in the 701 Comprehensive Planning Program. We noted in our testimony last year that the Administration has shifted the emphasis of the program away from detailed land use planning toward the adoption of comprehensive and forward-looking development programs tied to national objectives. The new HUD authorization bill recently reported by the Committee on Banking, Finance and Urban Affairs continues this process and, we believe, meets many of the objections raised by members of this Subcommittee concerning the program.

The new authorizing legislation orients the 701 program around three basic national policy objectives:

1) the conservation and improvement of existing communities, particularly those characterized by fiscal, economic or social distress;

2) an increase in housing and employment opportunities and choices for lower income and minority persons, and a reduction in the cost of housing; and

3) the promotion of orderly and efficient growth and development of communities, regions and States, taking into consideration the necessity of conserving energy.

Applicants must develop a strategy statement which incorporates these policy objectives and an action program which details specific activities which local government and other implementing agencies agree to in furtherance of the development strategy. Future 701 grants will be dependent upon the progress made in carrying out the action program.

For its part, HUD will be required to utilize the plans and strategies developed under 701 to guide its policy and funding decisions "to the maximum extent practicable." We believe this provision will make HUD more sensitive to local and areawide concerns, and ensure that the planning process is more meaningful and useful to local elected officials.

The Administration has requested $40 million for the 701 program in FY'81. Proposed funding at this level represents a reduction of $2.5 million from FY'80, and this reduction is a fair share allocation to produce a balanced budget for FY'81. Moreover, we think it is significant that the Office of Management and Budget did not reduce this program in the President's March budget revision. As you know in previous years 701 has been cut back. Further reductions will greatly impair the program's potential and effectiveness, particularly in light of its new provisions.

NARC recognizes the difficult budgetary situation that the federal government is facing. Nevertheless, we hope the Subcommittee will keep in mind that regional councils have no independent revenue-raising authority. They are entirely dependent on contributions from their member local jurisdictions. And, significantly, notwithstanding restraint on local expenditures in recent years, local contributions have been maintained at a level of approximately 20 percent average nationwide.

The 701 program has been the backbone of planning and coordination efforts by local governments working through their regional councils. It continues to make up a substantial portion of regional councils budgets, particularly in rural and smaller metropolitan regions.

In FY'80, councils participating in the program received cuts in their allocations ranging from 25 to 30 percent. (These figures do not include the $10 million recission proposed by this Subcommittee.) In the conference report on the FY'80 appropriation bill, HUD was instructed to give priority to areawide agencies and small communities. NARC hopes that the Subcommittee would give this directive again should it become necessary to reduce the 701 budget below the Administration's request.

Environmental Protection Agency

STATEMENT OF GLENN GIBSON, AMERICAN HONEY PRODUCERS ASSOCIATION

Mr. Boland. The Committee has received a statement from the American Honey Producers Association. The statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF GLENN GIBSON, EXECUTIVE SECRETARY OF THE AMERICAN HONEY PRODUCERS ASSOCIATION, POST OFFICE BOX 368, MINCO, OKLAHOMA 73059, PREPARED FOR THE SENATE AND HOUSE APPROPRIATIONS SUBCOMMITTEES ON HUD — INDEPENDENT AGENCIES.

My name is Glenn Gibson from Minco, Oklahoma. I am the Executive Secretary of the American Honey Producers Association, a nation-wide organization of honey producers and/or beekeepers. We have members in forty-one states.

We appreciate this opportunity to file a statement for the committee's record of the hearings for funding the Environmental Protection Agency. The actions of this agency is important to our group. As committee members know, EPA has the authority to register and approve the use of pesticides. Bee losses to pesticides has become one of our major problems in recent years. So far, we haven't stumbled onto any solution. Conservatively, we estimate our loss at $20 million annually.

JUSTIFICATION OF PUBLIC INTEREST IN THE BEEKEEPING INDUSTRY'S BEE LOSSES

Probably no better justification for a viable beekeeping industry has been written than the foreword by Dr. E.F. Knipling in the U.S. Agricultural Handbook #496. A part of the foreword follows:

> "in the past few decades, we have witnessed the development of an array of agricultural chemicals that have helped advance agricultural productivity to a level never before attained. As important as this development has been for the benefit of society, the use of these chemicals has had serious consequences for honey bees and other insect pollinators. Insecticides applied for controlling destructive insects often pose equal hazards to honey bees and to wild bees. Untold numbers of bee colonies are destroyed or weakened each year due to insecticide exposure. The use of herbicides that increase crop yields and production efficiency, that improve our livestock ranges, and improve the appearance of our roadsides, lawns, and parks are a boon to society. But, the use of these chemicals affects the honey bee and our natural pollinators to a degree that is difficult to assess. Moreover, as the demands for more food increase, we can anticipate more intensive monoculture that disrupts the continuity of plants needed to furnish adequate nectar and pollen for bees. In order to meet the future demands for food and living space, there will be fewer 'idle' acres of land. However, these lands do not remain idle so far as pollinators and other beneficial insects are concerned.
>
> "These developments and trends raise a number of questions regarding the future of apiculture. How can the beekeeper, who depends on bees as a livelihood stay in business in the face of such adversities? Will the amateur beekeeper maintain interest and enthusiasm for a hobby if he cannot obtain at least some material reward for his efforts? For decades, thousands of bee hobbyists assured the presence of large numbers of honey bees throughout our agricultural environments with great benefits to agriculture, and to the home gardener, but with little compensation to the keepers of the bees. What will be the effect on

> our agroecosystems if this source of bees disappears? Certainly, the nation must give due recognition to the value of the small but vitally important bee industry and take measures to keep it viable. One way to gain full recognition of the importance of this industry is to have a better understanding of the part insects play in plant pollination, which is the objective of this handbook. This treatise on plant pollination by insects should not only be immediate value to the agriculturist but should clearly indicate the value of insect pollinators to our total environment and to our society."

The Department of Agriculture estimated the value of honey bee pollination at $8 billion in 1975. A tiny percentage of our beekeepers rent their bees to farmers for pollination purposes, but most of the honey bee pollination is done free of charge.

CONTACTS WITH THE ENVIRONMENTAL PROTECTION AGENCY

During the last 4 years we have attempted to acquaint ourselves with the EPA and their rules and regulations that govern the use of pesticides. We have relayed the concern of our beekeepers over the country about our bee losses. As a whole we have found the personnel to be cooperative. They have patiently explained their role in the scheme of regulating pesticide use.

To date the FIFRA and the regulations that have been promulgated by EPA has given us little relief. And the future looks worse. For instance, time release pesticides presents problems that are far greater than any our industry has faced to date. The Pennwalt Corporation of Pennsylvania discovered that they could put a highly toxic chemical insecticide, methyl parathion, in a nylon capsule and make it much safer for man to handle. The product, Penncap-M, is effective against a number of crop pests. However, under certain conditions it retains its toxicity in the environment and will kill beneficial insects, such as honey bees, over a long period of time.

When it settles on flowers, Penncap-M is collected by the Honey bees, returned to have and stored in pollen. In one instance it remained stored in the combs and killed bees 19 months later.

The EPA and the Pennwalt Corporation remind us that the restrictive wording on the label protects the bees. If the label requirements were strictly enforced, we will agree that our problem would be less; but we have not learned of any incident where strict enforcement has been practiced. We are told that the states are responsible for the enforcement, but we have also been told that strict enforcement is not possible. We feel that the wording on the labels is worthless as far as saving bees is concerned.

CURRENT PROGRAMS THAT ARE HELPFUL

The Integrated Pest Management Program has helped us microsopically, but this has not caught on. In future years this may give us some real relief, but will be too late for a number of us.

The Beekeepers Indemnity Payment Program pays for about 25% of losses, but this program has not been included in the 1981 budget. And at the moment this leaves us very much at the mercy of fate.

RECOMMENDATIONS

We have some recommendations that we feel will partially solve our problem with pesticide use. Please consider the following ---

1. Place heavier stress on the implementation of the Integrated Pest Management Program. Perhaps it would be helpful if the word "pest" was deleted and the word "insect" be used in its stead. Under this name the program would cover the friendly insects.

2. The Department of Agriculture and the Environmental Protection Agency should conduct more research on ways and means to lessen bee losses. Most of the research on this subject that has been conducted to date has not netted much about ways to save bees. In 1977 EPA funded an approximately $5,000 study at Cornell University under the direction of Dr. Roger Morse that showed feeding non-toxic oils to honey bees 12 to 24 hours before a pesticide application would increase their ability to detoxify insecticides. Perhaps this study should be continued. It might result in finding the proper "rollaids" that could be used in the regular bee feed.

3. There is a great need for an Extension Apiarist at the Washington level to disseminate information about the importance of honey bee pollination to the agricultural economy. Many agricultural books tell the grower in detail how to prepare the seed bed, plant, fertilize, cultivate, irrigate, prune or thin the crop, control harmful insects, diseases, or other pests; and, therefore, bring the crop into the highest stages of flowering. Then the advice skips to the harvest stage. Usually little or nothing is said about the need for transfer of pollen from the male parts of the flower to the female parts -- essential in seed or fruit production of many crops. With the material available about honey bee pollination, an Extension Apiarist could fill this void. He could serve as consultant to the other agencies of government that make the rules and regulations that affect our industry. For example EPA could use this expertise when considering the registration of new pesticides.

4. Ban the use of time release pesticides.

5. Conduct a national study to determine extent of bee losses.

We will certainly appreciate it if the Committee will give serious consideration to the several points I have covered in this statement.

Respectfully Submitted
Glenn Gibson, Executive Secretary
The American Honey Producers Association
P.O. Box 368
Minco, Oklahoma 73059
Phone -- 405-352-4126
May 1, 1980

Department of Housing and Urban Development

STATEMENT OF PHILLIP MARTIN, CHIEF, MISSISSIPPI BAND OF CHOCTOW INDIANS

Mr. Boland. The Committee has received a statement from the Mississippi Band of Choctow Indians. The statement will be placed in the record at this point.

[The statement follows:]

TESTIMONY

Presented to:

APPROPRIATIONS SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES
U.S. HOUSE OF REPRESENTATIVES
Washington, DC 20515

by:

PHILLIP MARTIN, CHIEF
MISSISSIPPI BAND OF CHOCTAW INDIANS
Route 7 Box 21
Philadelphia, MS 39350

May 13, 1980

My name is Phillip Martin, and I am the elected Chief of the Mississippi Band of Choctaw Indians. Our tribe consists of some 4,200 members living on or near 17,000 acres of reservation land scattered over six counties in east-central Mississippi. Safe and sanitary housing is a critical need for our tribe. I would like to address myself first to the reduction in HUD Indian housing units from 6,000 to 4,000 and at the end of my comments give you my tribe's views on the Community Development Block Grant program.

The federal government's policy to provide every American family with safe, adequate housing was established in 1949, and more than 30 years later that goal has not been accomplished. A decent home for every American family has long been recognized as a major element in the health and safety of American people. The goal is an admirable one, and our government should be applauded for taking such a policy stand. However, the fact remains: the goal of a decent home for every American family is a tremendous undertaking for which there is no clear cut approach to problem resolution. Nonetheless, the commitment for problem resolution should not be forsaken, especially, for those American families living in areas where the present total housing units are deficient in meeting total housing demand, and where available funds cannot keep up with the rapid deterioration of the existing housing stock.

Particular attention is called to the disparity between the national housing statistics and the Indian housing statistics.

Housing units over 30 years of age

Indian (percent)	National
40.9	40.5

Lacking plumbing

Indian (percent)	National
26.3%	5.5%

With plumbing but crowded

Indian (percent)	National
16.4%	6.9%

(Census of Housing 1970)

The Bureau of Indian Affairs reported the following in 1975:

o Total number of housing units	109,255
Housing in standard condition	49,560
Housing in substandard condition	59,695
o Of the Housing in substandard condition	
Housing units needing replacement	33,122
Housing units needing renovation	26,573
o Total new units required	
Housing units needing replacement	33,122
Families need housing	17,943

The acute nature of the Indian Housing problem and the recent announcement of a HUD reduction in reservation housing is clearly another stumbling block for Indian people. According to HUD's announcement, reservation housing will be reduced from 6,000 units to 4,000 units because of HUD's concern for the increasing amount of accounts receivable held by Indian Housing authorities (IHA's), and the failure to collect rents and payments due from IHA tenants.

The most recent survey (1974) of our reservation indicates 403 housing units needing replacement and another 123 houses overcrowded due to families "doubling up." In the fact of this tremendous housing need (considering the size of the tribe) we were tentatively allocated 200 additional units by the Jackson Area Office of HUD in 1975. We have still not received those units. Meanwhile, the tribal population has been steadily growing and our housing needs grow greater. In a letter I received from the Area Office March 27 of this year, they said they "would have no objection to reconsidering additional units" if the Choctaw Housing Authority's management could be improved. What they meant here was if the Housing Authority's rent collection deficit of $53,000 could be reduced. This is basically the same argument HUD is using nationally in reducing the Indian housing unit allocation from 6,000 to 4,000.

Rent delinquency is admittedly a problem. Rental delinquencies are directly related to the lack of a comprehensive economic development program and the appallingly low level of Indian income. The payment of rent, however small, requires some income and the bulk of delinquent tenants are very low income people, who are most in need of housing and have the least ability to obtain it elsewhere. Consequently, the Indian Housing Authority has more built-in risk than does a local public housing authority. The inability of tribal governments to employ all of their people and the insufficient number of jobs for Indian people off the reservation has contributed greatly to the delinquency problem.

The Choctaw Housing Authority in reality suffers more from the lack of a reservation economy than it does from management problems.

To the extent management problems do exist with our Housing Authority we have started working diligently to solve the Housing Authority's management problems. We cannot help but feel that HUD is as much to blame for Indian Housing Authority management problems as the tribes themselves.

Overall, however, we have been very successful with our housing construction, with our tribal construction company building high-quality homes for our people in the years since 1964. We have carried out six separate projects which have provided 311 new housing units to our people. Generally, our emphasis has been on Mutual Help housing because people have more pride in housing units which will eventually become theirs. We have encountered increased resistance on this from HUD, however, which greatly prefers low-rent total electric housing.

We have been running into greater and greater difficulties with the HUD income guidelines. For most all Indian reservations, HUD is the sole source of new housing. As the incomes of tribal members begin to increase, we more often run into a situation where tribal members are forced to locate off-reservation because their incomes are above HUD levels. We think HUD should pay special attention to the question of income limits and the reservation housing situation.

The communications between the Choctaw Housing Authority and the Area HUD office could certainly benefit from a closer relationship. Since 1964, when the Choctaw Housing Authority was established the concerns were for meeting the needs of

the funding source rather than meeting the needs of the tribe.

Nationally, Indian Housing suffers from the lack of commitment and unity among HUD officials. Most HUD officials, at the national level, approach Indian housing simply as another responsibility to minorities. Consequently, the legal mandates for Indian tribes go unrecognized. In our case, the Office of Management and Budget itself had to clarify Indian preference for the area HUD office. (This happened last month in connection with a CDBG project.)

Last year HUD made a proposal that administration for all of the IHA's in the eastern half of the country be transferred to the Chicago HUD office. While we did and do support this proposal for Indian Housing operations, it has caused further complications to our problems. The Jackson, Mississippi Area Office of HUD has adopted a "hold everything" attitude toward our tribe, thinking they will soon lose administrative responsibility for the tribe to Chicago. Meanwhile, the plan is only "under consideration" and budget problems may prevent its implementation. I believe that HUD should hold planning meetings with tribes that would be affected by plans such as this one, so that tribal input could be gained before a final plan is published.

The fact that the 6,000 housing unit allocation has not been met in previous years is likewise partially due to the government and not to tribes. Triagency coordination, (BIA, IHS, HUD), has not been at all successful. Each agency is supposed to supply an element in the delivery of Indian housing, and certain decisions by any one of the three are not always possible until one or the other has done its job. Subsequently, the triagency approach is a continuing bottleneck.

The problem is chiefly one of coordinating housing construction (HUD) with water and sewer (IHS). It seems that when funds or authorization are available for one, they are not available for the other. We would recommend that the Congress consider adding a water and sewer appropriation to the HUD budget so that all construction activities related to new housing could fall within the purview of a single agency. IHS, of course, would have to continue with provision of its normal environmental health services.

In the same manner, HUD's requirements for competitive bidding on construction contracts have had extremely adverse affects on tribes. HUD views its responsibility as merely providing shelter, whereas the tribe views it as well as a means to promote economic development. The economic spin-off of housing and related construction in terms of employment, business for contractors and material suppliers, and other related activities cannot be overlooked.

The tribe has continually requested the support of HUD for our Indian construction company, which we felt would improve our local economy, and provide Choctaw people with a means of support. Many tribes have viable construction companies located on-reservation which provide high-quality workmanship (because they are personally acquainted with the people who will be living in the houses) and which keep federal dollars on-reservation where they can stimulate the reservation economy. We have found that using the tribal construction company significantly reduces long-run costs, because maintenance costs are reduced. We have found that low-bidding non-Indian firms use inferior materials and perform inferior work which must be dealt with in later years.

Structually, HUD has always been insistant, at least since 1964 when our Housing Authority was established, that Housing Authorities be as separate as possible from tribal governments and be outside of the normal political process. While this might be a good approach with units of local government, it simply does not work well in tribal governments. In the first place, the populations most tribes are dealing with are so small that the imposition of a "fourth bureaucracy" (in addition to the tribal government, the BIA, and the IHS) needlessly complicates procedures and corrupts usual lines of communication. Secondly, fragmentation of governmental services is in conflict with the traditional Indian approach to the concept of governing the members of the tribe. Many of the management problems that have arisen on our reservation because HUD has structured Indian Housing Authorities so that the tribal government cannot intervene to straighten things out.

As reservation economies are in a developing status and many tribes do not have the economic and management capacities available to local governments, HUD should have concentrated efforts on technical assistance for IHA administrators and board members. There has been no such assistance. In fact, in our case over the recent years in which we have had problems with collections, HUD has halved the Choctaw Housing Authority's operating subsidy, which can do nothing but reduce the Authority's ability to collect. In the meanwhile we have had to confront soaring utilities costs, and HUD does not adjust fuel allowances often enough to ever let us catch up with these soaring costs.

In short, our recommendations for the Indian Housing Program, aside from restoration of the 6,000-unit allocation, would be these:

- Providing Tribal Councils the option of administering HUD housing programs directly, or establishing some sort of alternative structure which would involve tribal governments more directly in Housing Authority policy-making

- Increasing the level of technical assistance given to IHA administrative staff and boards of commissioners

- Providing IHA administrative funds as a separate grant allocation rather than taking administrative costs from rental fees

- Raising income guidelines substantially for Indian housing so that young families will not have to locate off-reservation or live in dilapidated quarters. Current level is $8,000, which we would like to see raised to at least $20,000

- Involving tribes more directly in HUD's internal management planning (such as the realignment of area offices) and publishing plans in the Federal Register

- Placing an emphasis on home ownership programs for Indians, rather than low-rent programs, which would do much to ameliorate management problems

- Adding water and sewer funds to HUD's Indian Housing appropriation so as to consolidate the housing construction effort under a single agency

- Providing for tribal negotiation of construction contracts with Indian-owned firms with sufficient success records and sufficient assets for bonding

In closing, the Community Development Block Grant program has provided the Choctaw Reservation with much needed infrastructure. We are recipients of a water and sewer improvement project for one of our seven communities, a manpower training center which will improve the employment potential of Choctaw people; and, most recently, a day care facility which will allow Choctaw mothers to enter the labor force. The Block Grant program has provided facilities which have enabled our tribal government to improve our service delivery systems. However, we do feel that the proposed relocation of the CDBG program to Chicago will not be in the best interest of Southeastern tribes. Further, the 1980 CDBG Indian set-aside of $700,000 for Region IV, and competition of four tribes can only be negatively affected by the proposed move to Chicago and competition with more than 40 tribes.

We oppose the CDBG relocation proposal and would recommend an increase in the CDBG funding allocation for Region IV.

Thank you.

63-277 O - 80 - 46

STATEMENT OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

Mr. BOLAND. The Committee has received a statement from the Associated General Contractors of America. The statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

PRESENTED TO THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

UNITED STATES HOUSE OF REPRESENTATIVES

MAY 8, 1980

ON THE TOPIC OF

THE ADMINISTRATION'S BUDGET REQUESTS FOR THE ENVIRONMENTAL PROTECTION ADMINISTRATION'S CONSTRUCTION GRANTS PROGRAM FOR FISCAL YEAR 1981

AGC is:

* More than 30,000 firms including 8,000 of America's leading general contracting firms responsible for the employment of 3,500,000-plus employees;

* 113 chapters nationwide;

* More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utilities facilities.

On behalf of the municipal-utilities construction industry, the Associated General Contractors of America (AGC) calls for your special attention to the preservation of adequate funding for the EPA's Construction Grants Program. The heart of the Nation's water pollution control effort is the Section 201 Construction Grants Program. For a variety of reasons, this program has not had the benefit of stable, continuous funding since enactment in 1972. This uncertain situation has resulted in costly disruptions in the development of state and local pollution abatement projects. The uncertainty of future funding levels has caused state and local governments to postpone or forego pollution abatement projects that are badly needed to achieve the goal of clean water. In addition, the program has suffered from a number of economic and management setbacks, resulting in further confusion and uncertainty at the state and local levels. But now the EPA has worked out most of these problems and the program has been steadily moving ahead with increasing obligations and outlays. The enormous backlog of obligations that plagued the program in the past years has been greatly diminished. If, however, funding is again disrupted, much of what EPA has accomplished will be lost; new obligation and outlay delays will occur.

The AGC hopes the Congress will reiterate its 1972 commitment and will recognize the need for a strong Congressional commitment to these most critical programs. AGC also hopes the Congress will realize that recent program reforms in the EPA's administration of the Construction Grants and Water Quality Management Planning effort will ensure that monies appropriated for fiscal year 1981, as well as future appropriations, will be spent on activities that make not only environmental but economic sense. In an attempt to quantify the remaining needs of the National Water Program, the AGC submits the following water quality needs assessment. We encourage your support and approval of the fiscal year 1981 funding levels requested by President Carter on January 28, 1980.

- $3.7 billion for Construction Grants Program (§201) and
- $48.7 million for State Management Assistance (§106)

EPA Construction Grants Program

This program is one of the few federally funded programs which provides both strong environmental and economic benefits. In addition to cleaning up our Nation's waters, the program provides direct employment for more than 200,000 people each year. A reduction from the $3.7 billion appropriation level (which is itself a drastic cut in the authorized $5 billion and in essence a reduction from the $3.4 billion of fiscal year 1980 when inflation is factored in) will halt or delay construction grants programs in many states, resulting in significant unemployment problems for industry, states, and local communities. In addition, as noted

earlier, the delays will cause an increased inflationary impact as construction costs continue to climb. Even at the $3.7 billion appropriation level, many projects required to meet the national water quality goals of the Act, will be delayed nationwide.

Further, with any threat of unstable funding, local governments will most certainly hesitate to continue necessary planning and design activities. Communities must be assured that federal funding will be available when their projects reach the construction stages.

The 1977 Amendments provide a framework to expedite the design and construction of cost-effective treatment works, thus reducing inflationary impacts (currently running at 18.3%) while enhancing the limited resource capacity of the EPA. It is important to point out at this point that the unobligated balances of appropriated funds that occur at the end of each fiscal year are a "red herring" for those concerned about the construction grants program's lack of progress. Unobligated balances occur, not because the money isn't needed, but because the application, approval and design and construction phases of the process take so long to complete--in many cases, up to ten years. The length of time it takes to design and build a plant will not be reduced by cutting funds; it will only increase. Deferrals of appropriated sums, such as those now proposed by President Carter, will be felt as delays far beyond the year in which they occur. A deferral of FY80 money will have a ripple effect in fiscal years 82 and 83 as well as FY81. Only with continued funding assurance, will state governments be able to meet the water quality goals the nation desires, in a cost effective manner.

For these reasons the AGC supports (1) Congressional actions which provide for adequate and stable funding for the construction grants program to achieve the mandated goals and time schedules of the Clean Water Act, (2) expanded delegation of construction grants management to states as mandated by the Act, including adequate funding necessary for state administration of the program, (3) incentives in the program to achieve expedited obligation of funds to accelerate the national water quality program.

Section 106 State Management Assistance

This program is the center piece of the state water quality management program. Section 106 funds are used by states to conduct monitoring programs, to enforce National Pollutant Discharge Elimination System permit requirements, to train staff for operation and maintenance activities, as well as general management efforts. The 106 program is a critical link in state program administration, and we urge your continued support of this program.

In conclusion, the AGC urges the Congress to support the administration's original request for $3.7 billion for the Construction Grants Program. If the nation's water quality goal is to have credibility and if the nation is to clean up its water as the Congress mandated in the Clean Water Act, then there must be stability and continuity of funding in the Construction Grants Program.

Mr. BOLAND. That concludes the Members and outside witness hearings. Thank you very much.

[The Committee will stand adjourned.]

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