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Senate Hearings

Before the Committee on Appropriations

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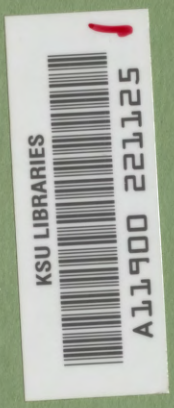

Fiscal Year 1980

96*th* CONGRESS, FIRST SESSION

H.R. 4392

PART 3—(Pages 2553–3051)

CONGRESSIONAL WITNESSES
DEPARTMENT OF COMMERCE
DEPARTMENT OF STATE
DEPARTMENT OF JUSTICE
NONDEPARTMENTAL WITNESSES
SELECT COMMISSION ON IMMIGRATION AND REFUGEE POLICY
U.S. OLYMPIC COMMITTEE

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

H.R. 4392

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER, 30, 1980, AND FOR OTHER PURPOSES

PART 3—(Pages 2553–3051)

Congressional Witnesses
Department of Commerce
Department of State
Department of Justice
Nondepartmental Witnesses
Select Commission on Immigration and Refugee Policy
U.S. Olympic Committee

Printed for the use of the Committee on Appropriations

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DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

MONDAY, APRIL 2, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room 1223, Everett McKinley Dirksen Office Building, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings, Weicker, and Laxalt.

DEPARTMENT OF STATE

CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

SPECIAL UNITED NATIONS INFORMATIONAL HEARING

STATEMENT OF HON. ANDREW YOUNG, U.S. PERMANENT REPRESENTATIVE TO THE UNITED NATIONS

ACCOMPANIED BY CHARLES WILLIAM MAYNES, ASSISTANT SECRETARY FOR INTERNATIONAL ORGANIZATIONAL AFFAIRS, DEPARTMENT OF STATE

1979 APPROPRIATIONS 1980 BUDGET REQUESTS

Senator HOLLINGS. During our hearings on March 1 with regard to the amounts requested by the State Department for contributions to international organizations, Senator Laxalt asked that we have a special informational hearing on the United Nations.

The total amount requested for contributions to the international organizations and conferences is $502,945,000, of which 81.8 percent is for the contributions to international organizations. The United Nations and specialized agencies account for almost three-fourths of the U.S. con-tributions to international organizations.

We are pleased to have with us today to give us further information, with regard to the United Nations, Hon. Andrew Young, U.S. Permanent Representative to the United Nations, who is accompanied by Charles William Maynes, the Assistant Secretary of State for International Organizational Affairs.

Ambassador Young, we welcome you to the committee and we will be glad to hear from you at this time, sir.

PREPARED STATEMENT

Ambassador YOUNG. Thank you, very much, Senator Hollings.

It is a pleasure to be here with you and to share with you some of our concerns and views about what the United Nations has done and also about the things that we hope for the United Nations.

I do have a statement that I would like to submit for the record. But I would be glad, perhaps, rather than take the time of saying anything myself, to just use this time to answer questions from members of the committee on a full range of U.N. related subjects as you choose.

Senator HOLLINGS. Very good, the statement will be included in its entirety.

[The statement follows:]

STATEMENT OF ANDREW YOUNG

Mr. Chairman, these important hearings deal not only with the UN but with our entire foreign policy. For the effectiveness of the UN and our ability to pursue our interests through the UN are greatly influenced by the perceptions we have of ourselves as a nation and the perceptions we have of the UN as a forum of multilateral diplomacy.

The UN serves American foreign policy interests well in part because of the organization's intrinsic values. But to a greater extent, our degree of success really depends on the strength of the vision we impart to our policy and the weight we ascribe to the UN in the management of our global responsibilities.

In retrospect, the era of San Francisco and Bretton Woods was one of grand designs as well as grand illusions. Thirty some years ago, we had, in concert with other governments, pledged ourselves to banish forever the scourge of war and set out to reappraise the political economic and moral principles operative in international relations. In doing so, we perhaps attributed greater promise to the UN than it could ever possibly fulfill. But we were, at that time, also a nation unparalleled in our achievements, unchallenged in our power and unbridled in our idealism. We did not, then, look at the UN as "our" instrument of global diplomacy but as every nation's joint enterprise of peace.

Today the world is very different from that of 1945. In thirty some years the UN's agenda has

doubled, its membership tripled, its budget has grown tenfold. It has not only expanded international institutions it had inherited from the League of Nations, but spawned new specialized agencies, financial institutions, and international commitments.

In the early 50's and 60's the cold war and the rapid process of decolonization changed perceptions of the UN. The UN seemed an important terrain of contest between East and West in which newly-independent countries appeared as a coveted prize in the fluctuating power struggle, pawns in the rivalry of the cold war.

Since the mid-sixties, however, changes have occurred. "Pawns" grew into major figures on the world chessboard with moves of their own and strategies independent of the game of traditional power players. The entire nature of world and U.S. politics shifted. The UN no longer was "our" instrument. And in the interval, our perception of ourself as a nation with global responsibilities also underwent drastic alteration. While still remaining in the absolute sense the major military, economic and political power in the world, our relative strength has diminished in comparison, not only to the Soviet Union, but to our Western partners and to a significant number of Third World countries as well. In part, this relative change in our power represented a major success of post-war U.S. diplomacy which attempted to assist others to get back on their feet. This development then was healthy. The toll of Vietnam, the energy crisis and our own economic difficulties, have naturally raised legitimate concerns about the extent of our

foreign commitments, the limits of our power and the corresponding situation raised serious questions about the utility of the UN for us, forcing a reassessment of our attitude and approach to the UN and of the UN itself.

It has been hard for some to accept that the UN can no longer be the instrument of Pax Americana. Instead of trying to effectively cope with a new constellation of power within the UN, they remained startled that we do not command automatic majorities and bewildered that our good intentions and designs are not always taken at face value. They became angry rather than seriously reformulating our policies and approaches to the UN. And these reactions put us right in the center of the minefield.

The last few years have witnessed a curious coexistence of conflicting emotions and sentiments about the UN in the American public and policy makers.

Were we not deep down in our collective psyche convinced of the world body's importance, we would not have been so concerned over events at the UN, but would instead have articulated clearly and forcefully why the UN is unimportant. But many have not chosen this difficult road but have preferred to dismiss the UN as unimportant yet paradoxically have felt it necessary to defy it.

There is, I concede, something romantic in standing against the tide and standing up for what is perceived to be right.

I do think, however, that some of our impatience with the UN told more about us than reflected what occurred in the UN itself.

Such an attitude, I submit, was not warranted by events in the UN but was an understandable outward manifestation of our own doubts about ourselves, particularly after Vietnam. We have provided close to 100 billion dollars in foreign aid to a war-devastated Europe and to the emerging countries and, expecting gratitude, we only received--or we thought we received--blame. We have been the largest contributor to the UN budget but thought our influence disproportionate to our investment. Our road to Vietnam led to an overwhelming national self-doubt about both our morals and our strength. In sum, we have conducted a foreign policy that exhausted our energies and our patience. In the UN, we were on the defensive not because we were attacked but because for some time we were without a purpose. Having thus cornered ourselves, we lashed out indiscriminately at our foes as well as at those whom we thought were our antagonists.

Today, we know, in retrospect, that we felt misunderstood in the UN because we misunderstood the UN and the mood of its members. We have depicted the UN to our own public in contradictory terms, describing it as impotent, where nothing would ever happen but where anti-Americanism, and anti-Israel, and anti-democratic sentiments prevailed. So preoccupied were we with our own hurt that we failed to perceive and transmit to our public an image of the UN as an imperfect place but still the only place where nations talked instead of fought with each other. And we have failed to understand the newly emerging countries which

wrestle with their own sense of nationhood and must yet find their proper role in international affairs. Most tragically, we have failed to grasp that our influence did not wane; that we draw on a remarkably deep reservoir of goodwill and friendship.

Since those days, the mood in our country has changed and with it have changed our policies and attitude toward the UN. We are no longer on the defensive--without falling into an equally erroneous posture of the offensive. Instead, we are recognizing the influence we have, that in matters of importance we still command enormous support and influence that our ideas and initiatives are welcomed and our leadership is expected. No, we did not turn the tide back in our favor--we have matured to see that it has never been against us.

In the past two years, I have had the privilege of serving as United States Ambassador to the United Nations, and my experiences do not lead me to prefer confrontation to cooperation, or to conclude that railing against the body is a substitute for policy or produces any effective results.

In the last two General Assembly sessions, we have worked in an atmosphere of much greater cooperation because our perceptions of the UN and of ourselves are more positive and more constructive. And that makes our work easier and infinitely more challenging.

It is easier because from the outset this administration has placed the UN in the center of our multilateral efforts and has proceeded to pursue foreign

policy objectives by taking advantage of the opportunities the UN places at our disposal.

-- Our efforts for the peaceful settlement of disputes in southern Africa, specifically in Namibia have still not been consummated but the promise of peaceful change would not even be possible without the active participation of the UN and the peaceful transition could not be planned without the tool of UN peacekeeping.

-- Without the rapport we have established in the UN with the Frontline States, we would not be able to maintain the lines of communication which would permit the international community to play a constructive role in the resolution of the Rhodesian question if the parties to the dispute were ever willing to embrace this possibility.

-- The pre-conditions for the present dramatic prospects for a Middle East peace were also laid down by collective efforts in the UN, providing, through Security Council Resolutions 242 and 338, the framework for the Camp David negotiations. And, in a very important way, these conditions could not have existed without the deployment of UN peacekeeping forces in the Golan Heights, in Sinai and in southern Lebanon.

-- Arms control negotiations generally received a strong impetus from the UN's Special Session on Disarmament focusing world-wide attention on the urgent need for arms control both nuclear and conventional.

It is not, however, the crises the UN helped solve or the conflicts it tempered but the crises it prevented and the causes of conflicts it addressed which mark the

UN's progress. The UN record in matters of global security is not spotless. It has failed to act or get involved in a number of international conflicts, from Uganda to the Somali-Ethiopian war. But it should also be noted that its purview of what constitutes global security has also expanded. What used to be the soft issues in the affairs of international organizations--the elaboration of codes, the setting of standards in economic, social, cultural and scientific fields--have come to represent not only the major load of the UN's work but also perhaps its second important contribution after peacekeeping to the reduction of international tensions. Thus, in addition to military and political affairs, its global security concerns now encompass economic security questions as well.

The world today is facing critical shortages on many fronts. We live under the constant threat of an energy crisis, the exhaustion of our non-renewable resources and the despoilation of our environment. These are problems that no nation, large or small, can face and confront alone. No government can adequately address its national security needs while disregarding the interdependence among national economies.

Since this interdependence contains the conditions of mutual vulnerability, the threats of global depression and economic stagnation are a principal concern of the ongoing UN sponsored North/South dialogue.

There are hardly any major issues on the global agenda that the UN has not pioneered in legitimizing

as a major concern and in encouraging collective action for their resolution. From the Stockholm UN Conference on the Environment in 1972 to the forthcoming Science and Technology for Development Conference in August of this year, the UN has played or will soon play an indispensable role in tackling problems of hunger and food production, population, the human habitat, trade, renewable energy sources and a host of other issues.

The UN is also a major actor in assisting the Third World countries in their development effort. We should, however, not view these efforts simply and simplistically as yet another means of taxing the affluent countries for the benefits of the poor ones. The growth of the economies of the developing countries is vital to the U.S. economy in terms of trade and investment.

In terms of trade, U.S. exports to developing countries is far greater in volume and value than to Europe, Japan and the Communist bloc nations combined. Investment and trade opportunities afforded to American business through our contributions to UN programs and Specialized Agencies far exceed the normal returns comparable business transactions would provide. For example, UNDP generated investment opportunities between 1959 and 1977 were estimated at close to 30 billion dollars. Important as the UNDP and the Specialized Agencies may be for developing areas, the U.S. and other developed countries are also direct beneficiaries of their work. IAEA, for example, provides technical assistance and inspections that promote nuclear safety and inhibit the proliferation of weapons technology.

We delude ourselves, however, if we think that any of the global economic, military and political security problems could find just and permanent resolution without a fundamental reappraisal of the role of the individual as a subject of international law and his concomitant rights. What began thirty years ago with the Universal Declaration of Human Rights as a statement of intent is slowly evolving into a global compact, a set of rules--conventions and convenants--that proscribes and prescribes the behavior of governments towards their own citizens.

Human rights is not an isolated, separate branch of international affairs or of our foreign policy. It permeates all fields of international activity. It is an integral part of development. As we labor toward disarmament, we think not only of the security of nations but of the peace of peoples. As we negotiate issues of trade, investment, and technology transfer we deal with global economics but in a way as if people mattered.

Since the 35th Session of the UN Commission on Human Rights has just concluded less than a week ago, let me focus on its work as perhaps both typical and current of the UN's work in areas of what I called "soft issues."

The UN is an appropriate place and perhaps a litmus test for this Administration's human rights emphasis. This UN Commission did not by extensive debate or the stroke of the pen end violations of human rights. But it did prove that the defense of human rights is not the sole and solitary concern of

the United States or of the Western democracies alone but it is beginning to become, slowly but perceptibly, an important issue for a growing number of governments, even affecting their bilateral relationships.

The work of this commission is living proof of how far we have already come and how important a role has been assumed by the United Nations in the promotion and protection of human rights. This Commission has codified a body of international human rights laws that set standards of governmental behavior towards citizens. These include conventions on genocide, civil and political, economic, and social rights, refugees and women's rights, racial discrimination, and is currently working on instruments to prevent torture, and to protect that rights of the child and the freedom of religion. These instruments, while not self-enforcing, do provide means for individuals and groups to hold their governments accountable. Beyond the setting of standards, this commission is involved in the difficult task of seeking their implementation. Thus, this commission is much more than a side show, off the big stage of global diplomacy. It has become an important forum of public opinion, representing concrete hope for the many victims of repression who have no other recourse than the international community. Were it not, over fifty thousand people would not every year contact this commission on matters relating to the violation of human rights.

There was a time, when this commission could only deal with human rights violations in southern Africa, Israeli-occupied territories and Chile.

Today, though it is by no means untainted by political considerations, there is public discussion and condemnation of other countries, such as Cambodia and Equatorial Guinea, and --through the confidential procedures it has adopted-- the United Nations reviews human rights violations in a broad range of countries, from Uganda to Uruguay, from Burma to Ethiopia.

Of course, members of this commission bicker and argue about means and ends, but that is no reason for us to condemn this UN Commission or lecture other UN members about their shortcomings or slow pace. It should be understood that most UN member states are new nations struggling to create the institutions which we take for granted. Rather than chastise these states, we should encourage them. Of course, there is hypocrisy and double standard. Some governments which do not practice all the democratic principles are often condemned by those very governments who do not practice democratic principles at all. And certainly it does not provide sufficient evidence to dismiss what we have accomplished there or predict that nothing will ever be accomplished. The United Nations is not a collective manifestation of homogenous peoples. It is a mosaic of many images, true as well as erroneous. The richness of the respective cultural traditions, political institutions and legal philosophies of its member states make them express subtle differences and differentiate in emphasis.

No, they do not all think like we do, nor are all interests the same or even complimentary. But before we take the road to criticize others, we should rather see what we can ourselves do. In the area of human

rights, for example, it is we, among all the significant countries, who have not yet ratified the three most important international instruments for the protection of human rights. We the country that need not take second place in our reverence for these rights, have not seen the urgency to ratify the Genocide Convention, the Social and Economic as well as the Political and Civil Covenants.

If there are a lot of things wrong with the United Nations, at least some of them are our own fault. By not ratifying these treaties we have hampered our own efforts, since we are not entitled to participate in the implementing UN bodies these covenants have established. Yes, there are many things wrong with the United Nations, with the way it works, or rather fails to work.

The President's proposals a year ago on the Reform and Restructuring of the UN System is one of the constructive steps we are taking to make this organization more effective and more responsive to global needs.

The UN Reform proposals we have made were not motivated by a reasoning that preoccupies itself with what is wrong with the United Nations. We are trying to improve the workings of this international organization because of what is right with it, because we would like to see it function better.

Reforms proposed, however, are not reforms accomplished. We have introduced or discussed with other member states several major reform ideas in the past year. The most desirable and feasible among them fall in the category of peaceful settlement

of disputes, particularly as they relate to the effective functioning of the Security Council. We have proposed, and have gained the support of the majority of the permanent members of the Council, that the Council be seized more regularly and routinely with issues and events that might prove to be a threat to international peace and security. We have proposed more frequent, informal meetings among the members and one meeting at least each year at the foreign minister level. These proposals have not been institutionalized. But in actual fact the Security Council has been meeting with increasing frequency on a broad range of issues. For example, over the past several weeks, the Council has held extended discussions about the situation in Southeast Asia, Namibia, South Africa's raids into Angola, Rhodesia, and the Israeli settlements in occupied Arab territories.

Equally significant is our proposal to strengthen the UN's peacekeeping capabilities by exploring the possibility of states earmarking troop contingents trained in peacekeeping functions, and improving training in peacekeeping.

We have been participating in the Special Committee on the Charter of the United Nations and on Strengthening the Role of the Organization where several proposals are being discussed to improve the workings of the UN. There have been some significant steps taken to improve the UN's performance and coordination in the social and economic sectors by the creation of the post and appointment of a Director General for Development and Economic Cooperation. In the area of human rights, the Commission is continuing to seek workable means of

keeping our proposal for a HIgh Commissioner viable and is promoting continuing improvements in the functioning of the UN Human Rights sector.

The reform process is a slow process. It is not simply a question of our influence we can and should exert. It is also the manner and style through which these reforms take shape and are adopted. Our analyses have shown, and the President pointed out last year, that neither United States nor United Nations interests would be served by drastic reforms through Charter amendments. Most of the reform proposals should not be represented as major watersheds in the UN's steady improvement requiring drastic and dramatic changes. Our strategy is based on a careful progress through practice, application and precedent. Although we have given extensive publicity to our UN reform package and have consulted in capitals and with delegations to the UN, we believe pressure and haste would defeat our objectives.

We cannot reform the UN by wreaking havoc with its system or participating in an emotional campaign on how badly it functions. Reforms will not spring from dissatisfaction but from constructive approaches.

Dissatisfaction only caters to ignorance about global affairs. We must combat that in both the Executive and Legislative branches of our government. I am saddened but not surprised that anti-US sentiments can find receptive audiences in our country. A recent study by UNESCO, and verified by a 1977 Gallup Poll, ranked U.S. students near the bottom, compared to their counter-

parts in other countries, in comprehension of foreign cultures and affairs.

To reverse this, I believe, you in the Congress and we in the State Department should be much more forceful and articulate about the UN's importance to the American public. The support of this Congress for the UN and this Administration's constructive approach to the UN is a matter of public record. But in addition to funding support --without which the UN is crippled-- we need your leadership to help the public understand that our interests are interwoven with those of the UN, to help to be more informed about the states that constitute the international community, their aspirations and needs, and to seek in this interdependent world a steady strengthening of this institution.

Mr. Chairman, it is time to begin to comprehend how much the UN is doing for the United States in economic, political and security matters. Its very existence is tempering influence on big power confrontation and a bridge between the industrialized countries and the Third World. We neither want nor can afford to conduct a foreign policy oblivious to the UN or approach it as if it were yet another field of conflict instead resolution.

U.S. FUNDS FOR U.N. ACTIVITIES

Senator HOLLINGS. Ambassador Young, we have had a chance for some to glance at this particular statement. In the very beginning, let me ask with respect to the $502 million that I mentioned, what part of the budget do we have and what part does Senator Inouye and Foreign Operations Subcommittee have? In other words, he has the voluntary end, as I understand it, and we have the assessed costs of the international organizations. I am trying to get the total U.S. budget for the U.N.

Mr. MAYNES. Mr. Chairman, this subcommittee is responsible for all of the assessed contributions of the U.N. and our share of those comes to $411.5 million. In addition to that, we have $70 million for U.N. peacekeeping contributions; the appropriation to our missions at the U.N. and Geneva, et cetera, is $14.2 million. We have international conferences and contingencies and the international trade negotiations, though there is no appropriation called for for that activity in 1980, or a total of $502.9 million. So all of that is the responsibility of your subcommittee.

In addition we have the I.O. & P. account, which is an exclusively voluntary account and covers all of the U.N. programs to which we make voluntary contributions, the largest of those being UNDP and UNICEF.

Senator HOLLINGS. What is the total U.N. cost to the American taxpayer?

Mr. MAYNES. The voluntary account is $277 million. When added to the 502 you get the total U.S. contribution, assessed and voluntary, to the U.N. organizations.

Senator HOLLINGS. Which is a total of $779 million?

Mr. MAYNES. That is right. 502 of that is State Department and 277 of that is AID.

U.N. CHANGES

Senator HOLLINGS. That is what I meant about Senator Inouye's subcommittee. So $779 million.

I noticed, Mr. Ambassador, in your statement when you talk about the change in mission and the change in times and everything else like that. Do you have any observation at all with respect to our 25 percent contribution with respect to the change that has occurred with respect to the composition of the United Nations. At one time we had 52 countries in the institution and now we have something like 152. Basically the addition of 100 smaller countries.

Now, I am not adverse to small States. I come from a small State compared to New York. But, then, we have the House of Representatives, which the Ambassador graced for many years, where we have proportional representation. But when you get some of them only 60,000 population and everything else, like the African island chain that came in, and the rest, they come in with an equal vote.

And then you look at the contributions that we are making. It is a double-edged sword.

Do you have any observations with respect to the amount of money we are putting in this fairly unequal vote in the sense of the assembly itself?

Ambassador YOUNG. Let me say, Senator, that almost every one of the specialized agencies of the United Nations is an outgrowth of a U.S. idea. They are something that we created to do some of the things that we could not do alone in helping to make the world safe for our businessmen to do business, our citizens to travel, and generally to provide peace and stability.

I think that would be true particularly of institutions like the International Atomic Energy Agency. It would be true of the fund for population control. It would be true of drug abuse, the World Health Organization, the International Civil Aviation Organization. Almost all of those organizations grew out of American commitment to extend some of the things that we stood for to other countries. The civil aviation organization has basically standardized the airports around the world so that to qualify for international travel you have to meet certain standards that ICAO has negotiated. That has not only meant additional air safety for the American people and the world; but since most of the technology that has to do with airport construction and safety is U.S. technology, it has meant a tremendous boom all around the world for American business in the development of airports.

Almost every one of the peacekeeping operations has been the result of an American initiative. And these are things that we probably could not do without international support.

Now, in terms of the General Assembly, we don't have but one vote. And theoretically, that is a disadvantage. The advantage to the United States, however, is that almost any incident anywhere in the world that is likely to erupt into violence and cause trouble for the United States is likely to be first brought into the U.N. And we take up in almost every General Assembly close to 1,500 different resolutions.

Each one of these, or many of these, are potential problems that could disrupt life, trade and could lead to warfare or violence, in different parts of the world where our interests are minimal but where we do have interests.

Now, by bringing those before the U.N., and providing a forum where everybody can have his say, hopefully, we have made it possible to eliminate some of the violent disruptions that might have escalated into major military confrontations.

On the other hand, in the Security Council, we do have permanently 1 vote out of 15. We do have a veto. And the General Assembly is only advisory. It doesn't mandate anything. I mean, it doesn't require us to do anything. And here, lately, we have been able to negotiate most of the agreements and resolutions so that approximately two-thirds of the resolutions that come up in the U.N. are resolved by a consensus. And we voted against fewer than 15 percent in the last few years.

I think we hopefully will have improvements on that. And our influence is far greater than our vote. We have the right to membership on any committee within the U.N. system that we want to belong to, because we were a founder and because of our contributions, and because of our management skills and experience. You find that there have been through the years Americans in the critical decisionmaking posts throughout the U.N. system. And our influence is far more important than that one vote. In fact, I tend to think that our votes are not really that important in the General Assembly because it is the process, hopefully——

U.S. EMPLOYMENT IN U.N.

Senator HOLLINGS. That is one of those statements they will take out of context. That will be quoted for another 3 months. "Ambassador Young says General Assembly votes are not important." Then you have to go back to New York to explain it. But I hope they wouldn't take it out of context.

Then why don't we have a better influence with respect to the employee ratio and so forth? If we are paying 25 percent of the bill, the question that is before the Appropriations Committee, then why can't we have a little bit better participation in the employment?

Ambassador YOUNG. I think part of the problem there is that in the early days, in the founding of the U.N., we had a full cadre of supporters. Recently, we have not encouraged young people to develop multilateral skills. People have not thought of the U.N. as a possible career, and we have even had difficulty keeping U.N. Ambassadors in New York, having had nine permanent representatives over the last 10 years. So that part of our relationship to the system has been that we have not had, almost since Cabot Lodge and Goldberg, Ambassadors that stayed there long enough to really master the system and have some input into it. But up until that point, and, still, I would contend, we do have a tremendous amount of influence because we, too, maintain a moral position which is respected by all of the nations. And the U.S. citizens, who work in the U.N. tend to be in key positions in almost every specialized agency. And our government does have a tremendous amount of influence.

But, Assistant Secretary Maynes may want to say more about that.

Mr. MAYNES. I would just add, Mr. Chairman, that the record shows that the United States does quite well in the agencies which are located in New York. That is to say, the U.N. Secretariat, U.N. Development Fund, U.N. Population Fund, UNICEF. There we have close to 20 percent of the employees. It is in the agencies that are located abroad where we have had difficulty. We have had difficulty in Rome with the Food and Agricultural Organization, although to be fair to the Director-General, he has offered appointments to a number of Americans in the last 2 years. They have declined those appointments.

We did succeed in getting the No. 2 job and getting the key job of Assistant Director-General for Management. But a number of Americans offered jobs turned them down. I suppose it is related to the

problem of security in Rome. We have also had problems in UNESCO and the ILO and there are reasons there. We lost the No. 2 job in both those organizations when we ceased payment or left the organization.

Right now, we have the No. 1 job in the UNDP, the U.N. Capital Development Fund, U.N. Relief and Works Agency and the World Bank. We have the No. 2 job in FAO, the Drug Fund, U.N. High Commissioner for Refugees and in a number of those we were able to get those jobs in the last 2 or 3 years.

We are making an effort here. It is a record which has some very good portions. It also has some spotty portions. The spotty portions tend to be those agencies that are located abroad where you have to have special language skills, and we do find difficulty in getting Americans to want those jobs.

RELATION OF AMBASSADOR TO SPECIALIZED AGENCIES

Senator HOLLINGS. Now, Mr. Ambassador, how much authority do you have over the U.S. representatives to the various U.N. organizations?

Ambassador YOUNG. Not a great deal. Largely it operates through the international organization section of the State Department. And while we consult together, certainly those recommendations come from Washington. And, normally, I would take our nominations to the Secretary General and lobby for them. But it has been our practice to submit usually two or three names for each position. And then I have been largely involved in negotiating with the Secretary General and other countries, because almost every job that we have, somebody else wants.

Senator HOLLINGS. Do you have sufficienct authority to review their budgets?

Ambassador YOUNG. Yes, we do.

Senator HOLLINGS. Do you review them?

Ambassador YOUNG. We do that through the——

Senator HOLLINGS. Do you do it? The GAO report would indicate the Ambassador is busy on policy and everything else and not really looking after the money and where it is going. Of course, this is a money committee.

Ambassador YOUNG. I must confess I don't. But we do have a trained staff and I tend to leave the administrative responsibilities to people who have been trained in those fields. And we do have very excellent staff both in monitoring the Fifth Committee and Advisory Committee for Administrative and Budgetary Affairs. And that is the group that tends to be doing the negotiations on the budget. I do stay in touch with them, but I haven't personally been involved in the actual negotiations.

Mr. MAYNES. I just would point out, Mr. Chairman, that, if I understand one part of your question correctly, you are asking about the other specialized agencies. Those are completely autonomous. There is no authority that the Secretary General or USUN has over these autonomous agencies, except through the coordination committee where

the Secretary General is the chairman and is supposed to try to draw all of these agencies into some common purpose and prevent duplication and overlap.

TECHNICAL ASSISTANCE

Senator HOLLINGS. Let's get to the nub of the question that disturbs Senator Helms and many of us with respect to the operational activities of these organizations where they are not reviewed because they are not under the voluntary budget. They take it as a categorical fee basis or membership basis that we are paying through this particular subcommittee and our own State Department.

You have been to Africa and would know better than I, but are terroristic groups, SWAPO, and others getting money from the World Health Organization and other organizations over there? Am I, a Senator, financing terrorism in Africa? That is what bothers me. That is why Senator Helms and everyone reacts and put in this amendment to say you cannot use these funds for technical assistance. You cannot take care of the budget, you have these operational activities, but are the taxpayers being assessed here to finance terrorism?

Ambassador YOUNG. Let me say I don't do the detailed budget negotiations but I do stay in touch with the directors of the specialized agencies, and I am involved in the programing of the specialized agencies, and I would say that the money that the U.N. has contributed in Africa has essentially been through the High Commissioner for Refugees. It has been in special training programs that have largely been involved with students and that in no way could any of this U.N. money be involved in terrorist funding.

Senator HOLLINGS. Are you sure of that?

Ambassador YOUNG. In the case of SWAPO, for instance, I visited the Namibia Institute in Zambia. And it is an institute that is preparing people to participate in the administrative affairs of government. They are studying administration. They are studying history. They are studying languages. They are beginning to take some special work in some of the health problems and agricultural problems that the country will face after independence. But the United Nations itself has not been involved in any of the activities—the military activities or terrorist activities—that would contribute to those organizations.

That money is, by and large, supervised by the Secretariat. The money going through the High Commissioner for Refugees is also done in connection with the International Red Cross. And there are a number of agencies whose entire ability to survive depends on their purity. And there is an interrelationship of the activities of these agencies, and they monitor them very closely, constantly.

ARREARAGES IN U.N. PAYMENTS

Senator HOLLINGS. I am going to come back to that and yield in a minute, because the other gentlemen here have some questions.

There was talk to the effect that we had been, of course, delinquent in our dues, and withheld our contributions, but actually 28 countries are in arrears with the U.N. at this time. Are you familiar with that, Mr. Maynes?

Mr. MAYNES. I can comment on that. The overall payments record of U.N. members is really quite excellent in the specialized agencies. In the U.N. itself, there are a number of countries, mainly communist countries, that have refused to pay for one or more of the peacekeeping operations.

We have a list which we can submit for the record.

Senator HOLLINGS. Please do.

[The information follows:]

Those members who are presently withholding portions of assessed contributions to the U.N. regular budget or U.N. peacekeeping activities are as follows: Albania, Algeria, Benin, Bulgaria, Byelorussian SSR, China, Cuba, Czechoslovakia, Democratic Kampuchea, Democratic Yemen, France, Germany, Democratic Republic of Hungary, India, Iraq, Jordan, Lao People's Democratic Republic, Libyan Arab Jamahiriya, Mongolia, Poland, Portugal, Romania, Saudi Arabia, South Africa, Syrian Arab Republic, Ukrainian SSR, U.S.S.R., and Yemen.

Mr. MAYNES. The overall payments record in the specialized agencies, with the exception of this peacekeeping question in the U.N. itself, is really quite excellent.

NAMIBIA ELECTIONS

Senator HOLLINGS. On that peacekeeping. Now, we have peacekeeping in Lebanon, Sinai——

Mr. MAYNES. Around Israel, around Lebanon, and in Lebanon.

Senator HOLLINGS. That is a total of $70 million?

Mr. MAYNES. Yes.

Senator HOLLINGS. Down in Namibia are you going to ask for a $300 million expenditure for 7,500 troops? Is that right?

Ambassador YOUNG. That is right.

Senator HOLLINGS. That is to oversee the elections and works out to one for every 59 voters. It doesn't cost you and me that much to run elections down South.

Ambassador YOUNG. The problem is you have——

Senator HOLLINGS. In other words, can it smack of intimidation? Why another election? Didn't they have one in December?

Ambassador YOUNG. I don't think they did, have a free election simply because all of the parties were not involved in it.

Senator HOLLINGS. Eighty something percent turned out.

Ambassador YOUNG. And yet how they turned out and why they turned out were subject to question. And whether or not they were informed about what they were turning out for was also subject to question.

Senator HOLLINGS. Thirty-six percent of the American voters turned out in 1976.

Ambassador YOUNG. We didn't have anybody going around rounding us up in trucks and taking us to the polls at gunpoint.

Senator HOLLINGS. That was the condition there?

Ambassador YOUNG. In some instances, yes. And there was a considerable amount of intimidation.

Senator HOLLINGS. I can get into that, but I have some other questions.

RHODESIA ELECTIONS

Senator WEICKER. Let me just follow up.

Because of the opposition of the Carter administration to the internal settlement in Rhodesia, many Americans and Members of Congress have concluded that the adminstration has sided in the Rhodesian conflict with the nationalist guerilla groups. Congressional efforts to support the internal settlement by sending observers to the Rhodesian elections and establishing conditions for the lifting of sanctions have also been opposed by the administration.

For what it is worth, my own opinion is that the United States is in no position to demand that every "i" be dotted and every "t" be crossed in the internal settlement.

Once we determine that a good faith effort has been made, the agreement deserves our support. In light of the failure of Anglo-American efforts to mediate the conflict, what alternative do we have, other than the internal settlement, for resolution of the conflict? And doesn't the internal settlement represent a starting point in what of necessity will be a long and evolutionary process?

Ambassador YOUNG. I think the internal settlement, as it is now being conducted, represents an escalation of violence and an increase in the potential for extra-continental activity—with forces other than the African States involved.

Senator WEICKER. Like who?

Ambassador YOUNG. Soviet, Cuban involvement.

What we tried to do 2 years ago was to set up a framework that stopped the fighting. And the internal settlement in no way can stop the fighting. One of the ways we have been able to minimize outside intervention is by our relationship with those surrounding countries, because President Carter secured a pledge from them that as a result of these elections, of free and fair elections, that they would recognize the victor of those elections and would not allow anybody else to use their territory to continually wage civil war. And we felt that that was important to produce a cease-fire and stable conditions.

The front line states also agreed to work with the parties involved outside to get them to agree to United Nations' supervised elections.

Now, they frankly did that. And last January in Malta, the Patriotic Front agreed to United Nations' supervised elections. They agreed to a U.N. peacekeeping force and a British resident commissioner that would conduct those elections.

The one point that was remaining in our discussions was the makeup of a governing council during the 6-month transition. We never really got around to that because we could never get Ian Smith and the internal people—well, in the beginning there were no internal people to

agree. We could not get Ian Smith to agree to a British resident commissioner and a United Nations select committee or U.N. peacekeeping forces. Now, most of our efforts to bring pressure on Ian Smith, frankly, depended on South Africa. And South Africa went through a series of internal problems over which we had no control. And Ian Smith put together the internal settlement and, frankly, began to appeal to people in the United States over the head of the administration. And I think he very skillfully distorted the issues and created a lot of confusion here that we do not feel was either in his interests or in the interests of the West in Southern Africa. For it has been my feeling, though the administration did not take a position publicly on the sending of observers—it has been my feeling that just as when Ian Smith came to the United States and talked with us, he went back and told his people that his visit was a de facto recognition of his government. And, you see, he is saying this in a controlled press, where not even the white minority has free access to public opinion. There were about 40 percent of the whites in Rhodesia that wanted to find some way to work out an internationally acceptable solution. They were never given access to their own press or television, and they still represent, without any ability to use mass media, about 40 percent of the white community. And the total undemocratic nature of the sitation, I think, as far as we were concerned, only assured a further escalation of the violence and would not bring about either a cease-fire or a government that could possibly survive.

U.S. RHODESIA POLICY

Senator WEICKER. Well, what are we going to do now, as far as our official policy is concerned, sit back and hope it collapses or, because it is on track and going down that track, are we going to try to assist in seeing that it works?

Ambassador YOUNG. Well, I don't think we can, because the only thing we could do to see that the internal settlement works would be to send troops or send money or to send weapons. And I don't know that we are willing, or that we should——

Senator WEICKER. Let's take it to its ultimate conclusion, which is going to happen here: A new government is formed under the Smith plan.

Are we going to recognize it?

Ambassador YOUNG. I hope not. I think it would be very much against our interests all over the world to recognize it.

Senator WEICKER. What is your view of this Patriotic Front? Are you trying to say there is not, in any way, Soviet influence involved and that they are democratic? Are you talking about democratic processes, that they are a sort of democratic group?

Ambassador YOUNG. I would say that they have been very definitely Soviet influenced.

Senator HOLLINGS. They are there now.

Ambassador YOUNG. They have been supplied their weapons by the Soviets.

Senator HOLLINGS. Exactly. So if that crowd is with the Soviets and you are talking about the interests of the West——

Ambassador YOUNG. I am not sure they are with the Soviets. Joshua Nkomo said to us, "You in the United States got your guns and military support from the French, but you weren't fighting to leave Britain in order to become French colonials. You were fighting to be independent." They have all said if we could give them military support, they would be glad to have it from us and anybody else.

The other thing, Mr. Chairman, is that I really do have confidence in the ability of our nation to influence things intellectually, culturally, and value-wise. All of these people in the Patriotic Front got their basic education in Christian missionary schools. In the ZANU faction, the leadership, much of it, came to the United States under the Kennedy program in the early sixties, the Southern Africa student program. When Ian Smith had his unilateral Declaration of Independence, they couldn't go back. As African students, if you want to stay here, even if you want to get a job, you have to go to school.

PARTICIPATION IN ELECTIONS

Senator HOLLINGS. Why weren't they more cooperative in participating in the election?

Ambassador YOUNG. They would have been very cooperative in participating in an election run by the United Nations or the British. But for them to participate in elections sponsored by Ian Smith is like me running for Congress in Georgia participating in an election by the Ku Klux Klan. I wouldn't have done it. It wouldn't make any sense. But once we had a voting rights bill that protected the fairness of my chances in an election in Georgia, I ran in Georgia and I won. But up until that time, it was impossible. And I think that Ian Smith's credibility—I mean the two leaders, Mugabe and Nkomo were jailed by Ian Smith before they had an army, before they were interested in an armed struggle, simply for advocating majority rule. And they were in jail for about 9½-years.

Senator HOLLINGS. I can go on, but I don't want to argue because we even have Senator McGovern agreeing to have observers. You don't think that the Senators who listened and tried to learn something from studying that Patriotic Front, studying the support they have, the position they have taken, the violence they have insisted upon, you don't seem to agree with that opinion at all. I mean, Senator McGovern just came back and thought we ought to send some observers there.

Ambassador YOUNG. I think Senator McGovern probably thought observers were inevitable and it would be better for the committee to take the responsibility for doing it in an ordinary way.

Senator WEICKER. The same group, as I recall, have now managed to shoot down two commercial airliners.

Ambassador YOUNG. They are not sure. And, you know, they were also charged with killing nuns and massacaring people at a missionary station.

Senator HOLLINGS. And you are not sure about that?

Ambassador YOUNG. No. Nor is the Pope. You know, since then, the Pope has met with the leaders of both of these movements. And I don't think the Pope would meet with them if he felt that his missionaries were being slaughtered by these people. The overwhelming relationship of the missionaries in Africa has been that they have educated the Africans; they taught them they were children of God. They have given medical assistance and food to people, regardless of their political persuasion. And it just has not made sense that they would attack people who have been quite helpful to them.

In fact, during the talks in Geneva, Robert Mugabe, who is an avowed Marxist, spent many of his weekends in a Jesuit monastery outside of Geneva and was, for 7 years, before he got involved in this, a school teacher in a Roman Catholic secondary school. Now, it is just inconsistent for me to think that a man with that kind of background is going to in any way sanction or order attacks on missionaries.

Now, that doesn't mean that rebel groups aren't doing it. In fact, what we have now in Rhodesia is a series of private armies and we also have rebel bands that don't belong to anybody that take arms and that take responsibility on their own to rape and loot as they please with no political purpose. They have also gone into Botswana, which is a black country. And one of the reasons why Botswana wants some military assistance for their police force is that they have had raids on their territory from some of these bandits spilling over from Rhodesia with weaponry. So it really is a messy situation.

I am not trying to defend it. I am just saying it is an extremely complicated situation, and we felt that the only thing that could bring some sense was to find a way to bring a cease-fire.

UNITED STATES RELATION WITH RHODESIA

Senator WEICKER. What concerns me, I suppose, is your indication that even if the Government is formed, it is your opinion that we probably shouldn't recognize it. Don't you think it would be better to work within the framework than to hang on the outside, thus encouraging, really, military activity and revolution as such? That is what I don't understand. I am sorry we are disappointed that we didn't devise that peace settlement. You have to be satisfied, maybe, with the one that the administration did solve. Can't we accept in good graces that maybe this can work and maybe if we get behind it we can get all parties involved?

As I said, I don't see how we are going to sit in judgment over this situation—we are amazingly unsophisticated in ways of other parts of the world. How do we know what the "t's" and the "i's" are, never mind crossing them and dotting them, as far as Rhodesia is concerned? What tribe is going to be excluded to the point where we are not going to be satisfied? Rhodesia isn't the same situation as you described in

Georgia, because you are talking about a part of the black leadership and its population being a part of this settlement. It isn't a white-black situation.

Ambassador YOUNG. But the question is nobody really knows what part of the black population is really involved.

Senator WEICKER. Do you honestly look on Sithole, Muzorewa and Chirau as puppets of Ian Smith?

Ambassador YOUNG. Unfortunately, they have agreed to an arrangement which gives them the semblance of power, but not power. We have maintained our contact with them, Sithole is a minister in the church in which I am a minister. I have been involved with Rhodesia since I was in the seminary 25 years ago. And I have been working with all of these people in one way or the other, almost all that time. It is very hard to know who has the political support. And right now with the country about 90 percent under martial law, the thing I frankly fear is that if the United States would recognize his internal settlement, there would be a tendency on the part of the African States to declare some of that territory under martial law liberated territory and create another government in another part of Rhodesia and immediately send for Russian and Cuban assistance. And you would escalate the warfare not only in Rhodesia, but it would inevitably spill over in the surrounding areas. We felt it is in U.S. interests to have a demilitarization of Africa, and we have tried to gear our policies so that we could limit the arms flow in there and find political solutions to problem.

And I think that has been the basis of our work up to now. And hopefully, we would continue to work on that basis.

Senator WEICKER. Of course, that is not what Nkomo is looking for. By your own testimony, he is looking for arms.

Ambassador YOUNG. See, in 1973, when I was in Congress, or 1974, Nkomo was on the bridge negotiating with Smith and Muzorewa was the outside agitator that was supposedly Soviet-supported. I remember getting together with the Congressman from Birmingham, John Buchanan, a Democrat and Republican getting together and jointly putting Bishop Muzorewa's statement before the African National Congress in the Congressional Record to demonstrate that he was not a Communist and not subject to Soviet influence.

It then swung around the other way. Nkomo met with Smith as late as November of last year seeking to get a political solution. And Nkomo has been struggling for an independent Rhodesia long before Tanzania and Zambia were free. And I would say that anything that would assure a free and fair shot at it, he and his group would jump at.

Now, I haven't been so sure about Mugabe's people until just recently. But now they say they think because they have done most of the fighting, and they think they control most of the territory in the southern part of Rhodesia—they do represent the major tribe—they think they can win an election, so they have expressed a willingness to enter U.N. supervised elections. That is still, I think, the only hope for that region.

Senator WEICKER. Well, I am all through with my questioning. Sometimes you arrive at a point where you are best coming down on one side or the other. It seems to me this has gotten to the point where we are contributing to the continuation of conflict in that particular nation.

UGANDA EMBARGO

One last question, only again, because of failure of administration support. You know, last year Congressman Pease, Senator Hatfield and myself were the ones that, over administration objection, managed to achieve the economic embargo, on Uganda. I was always very interested why the administration, with its interest in human rights, tried to take a hands-off position on that until it was a fact of life. No. 2, do you think it had any appreciable effect in bringing about the situation today in that country?

Ambassador YOUNG. I think it very definitely did. I don't think the administration very strongly opposed that. I was not aware of any administration opposition. I certainly would have supported breaking any kind of economic ties with Uganda.

I think that action certainly contributed to the weakening of the economy. But ultimately, it was Idi Amin's own aggression against Tanzania which probably provoked this response.

Senator WEICKER. Do you think Libya is going to be able to support Amin to the extent where he is going to be able to survive?

Ambassador YOUNG. I don't think so. Because it is running the risk of additional African pressures against Libya. And the thousand or more Libyan troops there depend on a thin kind of supply line, and I just think it is very hard to wage a war.

Libya is probably 2,000 miles away from Uganda, and it is very hard to wage a war 2,000 miles away from home.

Senator WEICKER. Mr. Qaddafi wages war all over the world.

Ambassador YOUNG. He supports terrorist activities all over the world. I would hope and think that he has met his match in the exile forces and Tanzanian troops that are trying to establish a coalition government in Uganda.

UNITED STATES PERCEPTION OF U.N.

Senator LAXALT. Thank you, Mr. Chairman.

Mr. Ambassador, I would like to examine for a few moments the structural aspects of the U.N. and the relationship of this country to that organization.

You stated in your testimony that apparently we don't have the interest of our young in working for the U.N. Do you think this is a reflection of a—rather widespread disillusionment on the part of the American people concerning our role in the U.N.?

Ambassador YOUNG. I don't think so. I think it has boiled down in part to language problems, problems of living and working abroad. And we do have significant numbers of Americans working in the various agencies. In fact, most of the nations think we have more than our share. That is going to be difficult to maintain.

Our big problem, and the thing we are worried about now, is over the next 2 or 3 years we probably have about 400 people throughout the system that are approaching retirement age. And because we were influential in the founding of the U.N., we had a lot of the choice positions, and we had a good number of them. There have been increasing pressures on us to get other countries represented in the Secretariat. And in some instances, we have decided that that is in our interests. There are situations where a non-American who basically is sympathetic to the values and approaches that we want in the U.N. can be as effective or maybe more effective in representing U.S. interests than an American citizen. And so there have been instances where we have supported other candidates strictly on the basis of their ability in an attempt to get a national diversity. And I think that quite often that has paid off for us.

Mr. MAYNES. Perhaps I can just add one fact that I think addresses your question.

There was a Gallup poll of American college students on the institution they most respected, and the U.N. came out on top, I am afraid to say, ahead of the executive branch or Congress, or the State Department. So it does have some support among the American young.

Ambassador YOUNG. I would say in the State Department hierarchy—and Bill can disagree with me on this—the young people in the State Department are geared to become an Ambassador, and they begin through their whole training to try to move up the ladder to get to be an Ambassador ultimately. There are not many people who come in as junior Foreign Service officers that start out saying they would like to end up in the U.N. system. And so we have not brought many young people into the U.N. system. We have taken a lot of experienced Foreign Service officers and we have moved them into some top jobs. But the key to, I think, our influence in the system is to try to bring people in at every level.

We have started doing some of that. But the big thing we run into is the question of foreign language. At least one other language is almost required in the U.N.

FINANCING OF U.N.

Senator LAXALT. I would like to ask a couple of questions about the fiscal aspects of the U.N. This is, as you all know, the period of proposition 13, and we are supposed to be exercising fiscal austerity. Whether that will be translated from rhetoric into action remains to be seen. In terms of our participation in the U.N., do you see signs of the application of any degree of fiscal discipline within the U.N. framework at all?

Ambassador YOUNG. We have talked with the Secretary General about that officially. I think it is probably the one thing we agree with the Soviets on in the U.N., that we should limit U.N. spending. And essentially we have worked for that. However, I would contend that the U.N. dollar may be one of the best dollars we spend.

For instance, I think the average American citizen spends 17.1 cents a year for all of the peacekeeping operations. And right now the whole treaty in the Middle East is in some ways subject to how we can find a way to keep the U.N. forces in the Sinai involved during the transition period.

I would say that the barrier in the Golan Heights and in Lebanon essentially have been very good investments on our part. The U.N. development program to which we have given rather generously, has also purchased most of the materials that it has purchased in this country. In fact, it has purchased more in this country than we have contributed to it.

It is probably not too popular to say so, but if we are going to get along with our neighbors, something like the U.N. Population Fund is one of the things that has to work.

Mr. MAYNES. I would like to follow up. The Ambassador said he had approached his Western colleagues about the budget in 1981, and the current budget call of the Secretary General states:

> In recognition of the unprecedented level which the budget has already reached despite the economic difficulties with which member States have to contend, the net rate of real growth to be proposed for the next program budget as a whole should be as close to zero as possible.

So there has been a response by the Secretary General.

I would also like to point out the Director General of WHO has limited his 1980–81 budget to 1 percent increase. And the ICAO budget for 1978–80 shows no net program growth.

In the case of the Geneva organizations, we are talking about organizations that have had a 60-percent reduction in purchasing power because of the devaluation of the dollar in the last 15 months. So we are talking about basically a budget of no real program growth or, at most, 1 percent. That means a dramatic cut in the real purchasing power of the budgets of that particular agency as well as the others there.

Our own mission budget, for example, in the last few years has gone from $7 to $14 million and there has been no increase in the size of it. This is simply the value of the Swiss franc.

Senator LAXALT. What is the cost of the U.N. to the United States in fiscal year 1979?

Ambassador YOUNG. We contribute $502 million to the assessed budget and $277 million through the AID bill, through the I.O. & P. account to the U.N. system.

Senator LAXALT. In total, we are talking about 779?

U.N. BUDGETMAKING PROCESS

Senator LAXALT. Now, in the budgetmaking process, I gather the Ambassador—and it is understandable—wouldn't have much to do with establishing the budgets or justifying them. Is that true?

Ambassador YOUNG. That is true. But we get very excellent backup help from the State Department in Washington. They are involved in those budget negotiations on a regular basis.

Senator LAXALT. Is the backup help to the point where the State Department actually determines that budget?

Ambassador YOUNG. Yes.

Senator LAXALT. Do we have any checks and balances in this system at all, between our delegation at the U.N. and the State Department? Is it an adversary situation at all?

Ambassador YOUNG. No, not at all.

Senator LAXALT. Do you present a budget as we would within our framework here, to the State Department, and they would act in the role of OMB?

Ambassador YOUNG. Usually the State Department works directly with the U.N. system, and actually we have been more responsible for implementation of the budget after it is passed and accepted—the policy aspects. But the administrative aspects of the U.N. are still largely controlled in Washington.

Senator LAXALT. So what we are basically getting here and passing upon is a State Department budget, worked out in concert with your office. Isn't that essentially where we are?

Ambassador YOUNG. Yes sir.

Senator LAXALT. It is imposed on you?

Ambassador YOUNG. It is worked out with other nations at the U.N. probably more accurately.

AMBASSADOR'S ROLE

Senator LAXALT. Mr. Ambassador, you have been there now going into your third year. In general, have you experienced any substantial frustrations in respect to the U.S. role in the U.N? I mean substantial. What would you do, if we could, in redefining our role in the U.N? Because there are millions of Americans out there, despite the Gallup poll on the youngsters, who think we should take a close look at our involvement in the U.N. We have been waiting patiently since the forties for something to happen and not that much has happened.

Ambassador YOUNG. In the U.N. I think we are ahead of the game when nothing is happening.

Senator LAXALT. You mean in respect to difficulties?

Ambassador YOUNG. Yes.

Senator LAXALT. Which is part of the goal. I wouldn't argue that.

Ambassador YOUNG. And I have contended that our biggest problem in the U.N. over the last decade was that we had too much turnover in staff in our own mission, that there were 10 Ambassadors—10 Permanent Representatives—over a 9-year period.

Senator LAXALT. May I examine that a moment? You made that point before, and it is an interesting one. Do you think we should change the present political method and perhaps think in terms of professionals appointed on a fixed term so that we could do away with this kind of problem?

Ambassador YOUNG. I think the problem is getting somebody to stay there and realizing there is an entire system that has to work. And when the U.N. has worked, it has been because the Secretary of State

and the President have taken it seriously. And I think that has been true in this administration. Secretary Vance has been up each year that I have been there. He has met with at least 100—I think last year he met with 102 of the 151 nations personally. President Carter was there for 2 days the year before last. Where there is that kind of administration interest, I think we can count on results throughout the system.

Senator HOLLINGS. We will hold up at this point. We have a vote.

[A brief recess was taken.]

PROFESSIONAL VERSUS POLITICAL AMBASSADOR

Senator LAXALT. Mr. Ambassador, before we were interrupted, we were discussing whether it might not be well for us in Congress to think in terms of changing the position you presently hold from a political into a professional framework. I think you were in the process of attempting to answer that.

Ambassador YOUNG. I don't think so, Senator, because I think one of the problems in the U.N. is that it really is a political forum. And I think that my experience in the House of Representatives has been most valuable. Governor Scranton, with a political background, in a very short time, moved in and was a very effective operator in the U.N. forum. But it requires the kind of aggressive political activity that I find is one of the weaknesses of our State Department people. I have been trying to make politicians out of all of them, because when you are negotiating on amendments, the 151 nations really don't each have influence. There may be 25 or 30 that really take things seriously and think things through. If you know who those are, if you have a relationship with them, if you can work it out with them in advance, my experience is that they almost—except when you are dealing with the Cubans and the Russians, or the PLO—we can negotiate a solution that is acceptable to the United States with almost anybody else in the system.

Senator LAXALT. Are you telling us then that within the political framework we are doing pretty well?

Ambassador YOUNG. I would think so. We are outvoted, but, for instance, in this——

Senator LAXALT. It is a perception of the country that we are being outvoted frequently.

Ambassador YOUNG. But on almost 67 percent of the items in the General Assembly we were able to negotiate a consensus.

Senator LAXALT. How many of those are substantive as opposed to fairly routine items?

Ambassador YOUNG. I think most of those would be considered fairly substantial. Let me jump to the Economic and Social Council, which has 55 members. They know that nothing counts unless the United States supports it. They expect us to be the leader and the conscience of the economic and social questions, and we have been able to fulfill that role mostly. In the Security Council, in the last couple of months, we have been able to, almost for the first time since Korea, sponsor a Security Council resolution and have it passed. That was the Lebanon

peacekeeping force. It was the first U.S.-sponsored resolution since our sponsorship of the Korean resolution in 1951. Since then we took the initiative on a resolution on Indochina which everybody was for, other than the Soviets and the Czechs. We finally did get a version of that which even the Chinese voted on in later times.

But I think our power is very much respected, and I would almost say that people know that the U.N. doesn't work except the United States provided the moral leadership in making it work.

IMPACT OF U.S. CONTRIBUTION

Senator LAXALT. And we are the principal contributors, as well, aren't we?

Ambassador YOUNG. We are. We contribute about 25 percent.

Senator LAXALT. In terms of our role within the U.N., do you see any method by which we can utilize our financial situation in relation to the U.N. to achieve more political support?

Ambassador YOUNG. I think maybe Bill ought to comment on this, too. But one of the good things about the U.N. is it really is a forum that tries to defend the underdog. And we are very seldom the underdog. We are the top dog. And so it brings about a great deal of resentment when we begin to use our power to try to increase our influence.

The way that we have been most successful in increasing our influence is by demonstrating we are right on an issue. When we have been able to demonstrate we are right, it has not been difficult to get majority support on an issue.

Senator LAXALT. Are you testifying that the U.S. position is so strong in the U.N. that we can't improve it?

Ambassador YOUNG. I would think that our involvement in the specialized agencies can certainly be improved. And part of the problem we have with the Helms amendment is that it limits our involvements there.

Senator LAXALT. Can you live with the Helms amendment and still do what we have to do?

Ambassador YOUNG. No, I don't think we can.

Senator LAXALT. Do you think the positions are irreconcilable?

Ambassador YOUNG. I think so, because the only way we have been able to make the U.N. system work is for us to take a position that funds not be specifically earmarked and that in terms of the assessed contributions, we agree with the overall assessments and hold everybody responsible to pay for things, whether they like them or not.

Now, most of the things we pay for we like. I would contend that most of the things, the technical cooperation and technical assistance, that the Helms amendment is geared to are things that are very much in our interests—the kind of things accomplished in disease control by the World Health Organization, air safety, nuclear safeguards, all of those things that I said earlier, that are the work of the specialized agencies which basically are agencies that we created. Those are the agencies that are hampered by the way the Helms amendment is presently affecting the situation.

But I wouldn't want to say there is no way we could improve. I don't know that we can improve the U.N. administratively, simply because I think that the overwhelming pressures are to move against our power. And for us to try to do things to assert more power, tends to bring a big reaction.

We have tried very skillfully to assert our influence in certain principles and the moral objectives of this country. But maybe Bill had better say something.

Mr. MAYNES. I would like to make one brief comment. I think in the last 10 years you have seen a reduction in the U.S. presence in the world. That has taken place bilaterally. It has also taken place multilaterally. We have systematically cut the percentage of U.N. contributions across the board in the last 10 years. We have gone from 40 percent in most of these voluntary programs to less than 20 percent. We have forced them to reduce our assessed contribution from 32 percent down to 25 percent. When you do that, when you disengage, as we have for the last 10 years, that does have an impact on your overall influence and leadership in the organization. And I think one of the key requirements for the Congress and the administration right now is to reach a consensus that we have reached a floor on this and that we are determined to protect our position in the U.N. system.

Senator LAXALT. Do you think we are at rock bottom now as far as what we have to contribute?

Ambassador YOUNG. I think we are. If you look at the development side of the U.N. system, one of the complaints of the other countries is that that system is totally American-dominated. You have Americans in top positions in UNDP, which is the largest dispenser of technical assistance in the world, in the World Bank, and in UNICEF. You have Americans leading all of those. And yet our contribution to UNDP is below 20 percent and we are in danger of losing our effective veto in the World Bank because our contribution is nearing that point. We have to decide what we want, as a country, to protect.

Is it important for us to have a veto in the World Bank? I argue it is, and we ought to look at the level of our contribution to see that we don't lose it. But we have been going through a 10-year period of disengagement. I think it is time to draw the line.

Senator LAXALT. May I ask one last question, Mr. Chairman?

Senator HOLLINGS. Go right ahead.

UNNECESSARY U.N. ACTIVITIES

Senator LAXALT. Mr. Ambassador, in your association with the U.N., do you find any substantial programs that over a period of time have outlived their usefulness and we should terminate?

Ambassador YOUNG. I am sure there are.

Senator LAXALT. That must be the right answer.

Ambassador YOUNG. The Palestinian Rights Committee, is something that we have opposed from the very beginning.

Senator HOLLINGS. I was going to ask you about that $500,000. Did you oppose that?

Ambassador YOUNG. That is right.

Senator HOLLINGS. You talk about the strong influence but they are putting in a publicity program to give them a moderate image.

Ambassador YOUNG. We oppose that. And actually what happened was we opposed it so successfully that the Palestinians themselves opposed it.

The film that was made was never shown because it was so bad the Palestinians rejected it.

Senator LAXALT. Do you see any other programs involved within this general category?

Ambassador YOUNG. Hopefully we would limit the work with the Namibia committee. I would say that the Trusteeship Council has probably outlived its usefulness.

Mr. MAYNES. If I could comment, there is a restructuring report by the U.N. which was adopted by the General Assembly 2 years ago and there are a number of specific steps in that for the abolition of key bodies in the U.N. system that may have outlived their usefulness trying to get a common pledging date so you don't have a number of proliferating pledging organizations. There are several specific steps which we could provide for the record if you wish to try to identify——

Senator LAXALT. What are we talking about in dollars?

Mr. MAYNES. It is difficult to——

Senator LAXALT. Ballpark?

Mr. MAYNES. We can look at that and submit it for the record.

[The information follows:]

The General Assembly of the United Nations adopted in December, 1977 a comprehensive resolution on restructuring of the economic and social sectors of the United Nations system. Among other features, this resolution recommended that the Economic and Social Council assume to the maximum extent possible direct responsibility for performing the functions of its subsidiary bodies. The 54-member Council has not yet identified those bodies whose functions could be absorbed nor the manner in which the parent organization would take over the work of the smaller bodies. Consequently, it is not currently possible to determine what savings would be realized by the absorption of these functions and the resultant reduction or elimination of the activities of subordinate bodies.

Ambassador YOUNG. Senator, if I could say that on the dollar question, almost everything we do in the U.N., I think, we get more for than we put in. I would say that in this Middle East settlement, now, these peacekeeping forces, if we have to do that without the U.N.'s involvement, the cost will be much greater. In terms of the World Bank's assistance, that quite often does the infrastructure in countries that enable U.S. business to then go in and trade. If we had to do that alone, it would cost us a great deal more. And I think because we are the largest economy in the world, we are better prepared to benefit from any good that comes out of the U.N., and usually do.

In the International Civil Aviation Organization, all of that technology comes from the United States. If there is a Law of the Sea Treaty passed, and we end up with deep sea mining, all of the

purchases of that equipment would be from the United States, and the patterns of health care and the control of smallpox and other diseases, it is proven to be much less expensive to work together with other nations and pay 25 percent and do the whole job, than to have to try to do it ourselves.

Senator LAXALT. I think that is all I have.

Thank you very much, all of you.

INEFFECTIVE U.N. PROGRAMS

Mr. MAYNES. I wonder if I could add one comment. On the question of ineffective programs, we did push at the last General Assembly a resolution which calls on the Secretary General to submit to the membership a list of obsolete, marginal or ineffective programs, trying to identify the lowest element on his list of priorities so that it would give the membership a better data base on which to make their decisions.

Senator LAXALT. Pursuing this one statement, do you have anybody who monitors the U.N. programs and makes your views known?

Mr. MAYNES. Yes.

Senator LAXALT. That is part of your process.

Mr. MAYNES. Very definitely. And this was a U.S. initiative. As a matter of fact, on the last supplemental of the U.N., for the first time in our history we voted no. The reason we voted no is we felt the Secretary General had not been energetic enough in carrying out this responsibility which he was given 2 years before. So we resubmitted the resolution and took the step of voting no to make it clear we were serious about this particular exercise.

NAMIBIA PEACEKEEPING COSTS

Senator HOLLINGS. You can see, Mr. Ambassador, the concern that Senator Weicker has and I have, too, with respect to the spending of the money and the judgment involved. Just Namibia itself, $300 million for a peacekeeping force to have a free election. This committee last December had a staff member in Namibia at the time. They had, I think, 141,000 voters and about 93 percent of them registered and about 81.2 percent participated. You talked about SWAPO not being there. Of course, he took pictures. I asked for this at the break. This is a picture of a SWAPO fellow at the polling place. They were giving out shirts and they were trying to intimidate the voters. In contrast, we didn't see the trucks with guns taking people to vote.

You propose to put 7,500 troops down there, and that is going to be about $669 per voter. It is sort of a fetish that no one can have an election except by the U.N. Do you think they had a good fair election in Iran?

Ambassador YOUNG. No, not at all. It was very similar.

Senator LAXALT. Is the U.N. suggesting anything about an election there? Are they going to send in a peacekeeping force?

Ambassador YOUNG. The difference is that another country is not involved. South Africa has been running Namibia, and it was not just an internal situatior but it was a South African conducted election. Namibia has been a U.N. protectorate carried over from the old League of Nations days. So we have some responsibility there. It is not just to run an election. It is to end a war. It is to provide for the return of some 30,000 refugees; it is to try to get that country on its feet as a stable entity. I think that the choice is not comparing that election with other elections in peaceful stable countries. I remember in the Congress when we were trying to get about $60 million into Zaire to help maintain a war that might have given some people that we thought were our friends a chance in Angola. So it is a choice in a sense, between war and peace. Our portion of the $300 million would be about $75 million. The five Western members of the Security Council from last term, Germany, France, England, Canada, and the United States have all invested about 18 months in trying to provide a peaceful transfer of power, which, in effect, meant that a country would come to power as a result of a democratic choice in an internationally supervised process rather than by a Soviet-sponsored military process.

Mr. MAYNES. I think it is very important to underline the stakes that are involved in the Namibian situation. We have had case after case in the last 30 years where guerrilla warfare has been resolved by either a takeover by that guerrilla operation or the colonial power assembly handover power to whoever claims it. This is a case where we have been able to negotiate an agreement where SWAPO, which is outside the country, is willing to submit to elections, supervised elections. I don't think any country has a greater interest in that than this country. Because what we are talking about is reversing a 30-year prediction that the only thing that could lie ahead in southern Africa was race warfare. Here is one chance to break that trend that we have all been predicting was going to come. I think it is one of the reasons that, despite all the difficulties and mistrust, the South Africans, the Western Five and the Front Line States have continued these negotiations, as difficult as they are, because everybody realizes if we are able to do this, it can have an impact, not just in Namibia itself, but it will have a demonstration effect for the rest of South Africa.

So I would hope very much that the Congress, when it looks at the U.S. contribution to this and also looks at the stakes involved, would see that this is really a bargain for the U.S. Government, a bargain for the world community and it deserves our strong support.

FINANCING GROUP OF 77

Senator HOLLINGS. Now, regarding the Group of 77, the representatives of the less developed countries, have we been financing their meetings and caucuses?

Ambassador YOUNG. Only insofar as they use U.N. facilities. But U.N. facilities are available to us and to anyone else who is a member of the United Nations. There are regular caucus meetings.

Senator HOLLINGS. Are they reimbursed?

Mr. MAYNES. Yes.

AMBASSADOR'S RESIDENCE

Senator HOLLINGS. How about the cost of the U.S. facilities at the Waldorf? One of my colleagues wanted to know its cost with respect to the facilities they have for you. Nobody is objecting. If we can get Cabot Lodge and Bush there, I am glad to get you in the Waldorf.

Ambassador YOUNG. We have been trying to get out, Mr. Chairman.

Senator HOLLINGS. What is the cost?

Ambassador YOUNG. It is about $36,000 a year. The problem is that the Waldorf says that it is worth closer to $430,000 a year. So we have been fighting them I think almost since the time of Adlai Stevenson about raising the rent. They originally tried—they said that they were going to double the rent and we said we would have to move out. But as we began to look around for anything in the area, it was very difficult to find anything even for double the rent.

But they finally, I think, agreed to come down to give us a lease for an amount of $50,000. We have hoped that there would be—in fact there has been an occasion when someone offered to give the U.S. Mission a residence, and I think the House side, the House Appropriations Committee, refused to accept it unless it came with an endowment. So it was given to the Secretary General, and we still helped pay for it. But we have been looking for some possibilities for housing, not because the Waldorf is inadequate but the entertainment and other expenses, do run up considerably.

Senator HOLLINGS. That is why you say you are looking to get out?

Ambassador YOUNG. It is also a little difficult to raise a 6-year-old 40 floors up, though he does ride his bicycle down the hall and makes rounds in the lobby. He's even got a girl friend in the bar, but I guess he will survive that.

Senator HOLLINGS. He will make out.

We thank you very much for your appearance here today. The record will be kept open for any other questions that may be submitted.

Ambassador YOUNG. Thank you, Mr. Chairman.

SUBCOMMITTEE RECESS

Senator HOLLINGS. The subcommittee will be in recess subject to the call of the Chair.

[Whereupon, at 3:40 p.m., Monday, April 2, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

MONDAY, JUNE 4, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room S-146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings, Bumpers, Weicker, and Stevens.

SELECT COMMISSION ON IMMIGRATION AND REFUGEE POLICY

STATEMENT OF HON. REUBIN O'D. ASKEW, CHAIRMAN, ACCOMPANIED BY JOAN ARROWSMITH, INTERIM COORDINATOR

1979 APPROPRIATIONS 1980 BUDGET REQUEST

Senator HOLLINGS. This morning the subcommittee resumes our hearings on the 1980 budget estimates. We had hoped that the budget amendment for the New Public Works and Economic Development Act would be available. Unfortunately, we are now informed that the estimate will not be transmitted by the President before June 15. The House Appropriations Committee has reported out the State, Justice, Commerce bill and did not include EDA because it is not authorized. In order to have as much information as possible, we have asked Assistant Secretary Hall to give us an overview of the new EDA program. We will also review the $11 million reprograming for the winter Olympics with him.

We also have the request of the Select Commission on Immigration and Refugee Policy, as well as supplementals and amendments for the Department of Justice.

We are very glad to hear from our good friend Governor Askew, who is heading this Commission.

LACK OF FUNDING

You need money to go to work; is that right?

Mr. ASKEW. That is correct, Mr. Chairman. Initially, the legislation was passed last October. There was a total authorization of $700,000. From what we understand, it was anticipated that it would probably require more, because the charge of the Commission is a rather enormous one; reviewing, analyzing, and making

recommendations in the whole field of immigration and refugee policy.

One of the things I learned is that the law on immigration is second in length only to the tax code. As we looked at the law which created the Commission and set forth its charge, two things concerned us, one the amount of funding, the other the date of the final report.

NEED FOR BUDGET AMENDMENT

The reporting date under the present legislation is September 30, 1980. For whatever reasons, really because of a lack of funding, the Commission has not been able to get its work underway as quickly as hoped. Furthermore, for us to do what we have to do, $700,000 simply is not enough; $700,000 would not permit us to do the research that must be done.

When I accepted the chairmanship, my first effort was to determine to what extent we could do the research in-house, and avoid independent contracting. One of the problems is that all of the agencies have, or appear to have, a preexisting position about the questions we are charged with studying. It became obvious that some independent research would be necessary, particularly regarding undocumented workers, from Mexico and elsewhere, about which there is a dearth of reliable information. I am not sure to what extent we are going to get the information. It is first going to require development of a methodology.

To do the job properly is going to require an extension of time. Initially it was expected that we could get started earlier.

FUNDS REQUESTED

We are asking for a $224,000 supplemental in 1979 for the work of the Commission. We initially asked for the remainder in 1980. The House Appropriations Committee has approved our 1979 request and $1.6 million for fiscal year 1980 and asked the Commission come back for the rest for fiscal year 1981. I have no problem with that. The Commission will, I think, have lower than average salaries than most commissions. We anticipate a staff of 18, with 9 professionals. What we are really talking about is an appropriation for approximately $1.6 million for 1980.

RESEARCH

Most of the research will be started and conducted during 1980. It is an area where, frankly, there appears to be much difference of opinion as to what the problem is, and many groups saying it encompasses apples, oranges, and peaches. I think what it is going to require, frankly, is some independent research, and some development in methodology to get information, then hopefully we will be able to glean the extent of the problem, and to develop some strategies and recommendations to the Congress and to the President.

NEED FOR INCREASED FUNDING

I am not unmindful at all of the commitment of the Congress in terms of reducing expenses. However, I believe that the figure initially authorized, $700,000, was not carefully thought through, and I think it was anticipated that the Commission would need more. This Commission is prepared to do the very best it can on what appropriations the Congress deems necessary. I have spoken to Senator Kennedy, chairman of the Judiciary Committee and a member of this Commission, and to Mr. Rodino about this and received their input as well as that from the White House.

That is essentially where we are. I think the charge is very important. To do it real justice some additional help will be required.

In addition to the staff we plan to hire, we hope to get help in the form of detailees from various departments and congressional committees. We have received some help from the Justice Department, which is paying for our Interim Coordinator, Joan Arrowsmith, and two other employees, and the Labor Department has helped us some. Thus we have been able to get started. We held our first meeting on May 22. However, for us to be in a position to make a report either in September of 1980, should the Congress not extend this, or hopefully by March 1, 1981, we need the additional funding.

DATE OF FINAL REPORT

The date on which the final report is due, September 30, 1980, a date just before a general election, concerned me because our work concerns volatile issues. The additional time would obviously tend to depoliticize them prior to the general election.

We expect to spend about $800,000 on research.

ENFORCEMENT CONCERNS

Senator HOLLINGS. Have you had a chance to talk to Mr. Castillo?

Mr. ASKEW. Yes, sir.

Senator HOLLINGS. He has got the problem from the enforcement side, and in trying to correlate and coordinate he doesn't know what to do.

Mr. ASKEW. I tell you it is a vast problem of INS to realize the extent of this problem. They have tried to computerize their operation. The President appointed an interagency task force, which Ms. Arrowsmith was on, to try to start getting a handle on this. Just as the task force was starting to gear up, the act creating the Select Commission was passed. We will have to do what the task force could not, look at enforcement problems, in terms of the substantial amount of undocumented workers we have in this country, and we will be concerned with refugee policy as well.

COOPERATION WITH MEXICO

Senator HOLLINGS. Have you had a chance to talk to President Lopez Portillo?

Mr. ASKEW. I talked to President Portillo and had what I thought was a very satisfactory meeting. I have had extended discussions with the Foreign Minister. As you know, there is a new Foreign Minister, so it is going to require another visit. Although my first visit there had to be sort of an official/unofficial one, since the Commission had not gotten started, I think that the Mexican Government is prepared to try to engage in a constructive dialog that we hope will shed some better understanding on this matter.

Senator HOLLINGS. Have you gotten anywhere with their problems?

Mr. ASKEW. What you have is a combination of pull factors from the United States in terms of some legitimate need; you have push factors, because they have such a high unemployment and underemployment rate. They hope to utilize some of the money they earn from oil revenues; they have set aside 50 percent to create some new jobs. It is not going to be anything they are going to be able to do soon. Personally, I don't believe it is going to be the total answer. But they understand from the fact that they have many people leaving Mexico, that it represents a problem for Mexico as well as a problem for us.

It is not anything that is peculiar only to the United States and Mexico. You have Guatemalans and El Salvadorans going to Mexico. You have Colombians going to Venezuela, Burmans going to Bangladesh and India, Finns to Sweden. You really do have what, in effect is a worldwide phenomenon of labor force movements. I think Western democracies are going to have to come to grips with how to make people available in the areas where labor resources are needed, where there is a projected labor shortage. Europe has gone through this. But it is an enormous problem of substantially domestic as well as international delegation. I think the makeup of the Commission will substantially help us get a good input. I was pleased that at our first meeting all members attended—Warren Christopher was there in lieu of Secretary Vance, who was in the United Kingdom with Mrs. Thatcher, but by law the Deputy Secretary becomes the Secretary of State, when the Secretary is out of the country so we had a perfect attendance. The presence of the Cabinet officers, as well as of Senator Kennedy and Mr. Rodino provided assurance of their personal commitment, and of their intention to be personally involved in the work of the Commission.

What is going to be required, Mr. Chairman, for us to make policy recommendations, is some information that simply isn't available at this time. we are planning a seminar at which I hope to bring together all of the staff directors from as many past studies as we can, conducted both inside Government and outside Government, so that we can start from what has already been done, rather than try to reinvent the wheel in any of these areas of research. We will then try to determine the critical areas that have not been researched and conduct that research.

ASSISTANCE FROM BUREAU OF CENSUS

Senator HOLLINGS. Senator Huddleston corresponded with us. I don't know whether you are familiar with the letter. His concern is

about counting the actual number of illegal aliens within the country. He was talking about developing appropriate methodology along with the Bureau of Census, because special studies come and go, but some kind of instituted study would have to be adopted. Do you have any comment, or have you talked with the Bureau of Census as to how they do estimate illegal aliens in this country?

Mr. ASKEW. I don't know exactly what their count is. I know that almost every person you talk to has a different figure, from 8 million, to as low as 3 million, to as high as 12 million. I certainly hope that the Census Bureau is prepared to do what it can to help in this area. One of the basic problems is that most of the people, who are here in an undocumented status, obviously, don't wish to reveal their circumstances. As a result we don't get their cooperation. That is going to be a problem we face in attempting to try to determine the proper methodology.

Senator HOLLINGS. So you will be working with the Bureau of Census.

RELATED ONGOING STUDIES

Mr. ASKEW. Absolutely. I might say also that the Department of Labor in Mexico has a rather comprehensive study underway involving 30,000 interviews of persons returned from the United States. I met with Mr. Mani, along with other officials in Mexico, in order to try to establish a rapport with academicians in addition to the Government officials working in this field. We will be following that closely. We will try to do what we can in working with the Bureau of Census as well as every governmental body.

Our Interim Coordinator has already talked to some of the leading foundations to learn the extent to which they are conducting research in the area. We hope to coordinate the research done both inside and outside of the Government, to avoid duplication and to have the assistance of the Census Bureau in dealing with the problems involved with this.

Senator HOLLINGS. I will make Senator Huddleston's letter a part of the record.

[The letter follows:]

LETTER FROM SENATOR WALTER D. HUDDLESTON

May 21, 1979

Honorable Ernest F. Hollings
Chairman
Subcommittee on State, Justice, Commerce
and the Judiciary
U.S. Senate

Dear Mr. Chairman:

As you undoubtedly know, the issue of what to do about the illegal aliens in this country has been debated in Congress for years without a definitive resolution. One of the major problems we confront in attempting to legislate in this field is that we do not know the actual number of illegal aliens in this country. The estimates range from a low of 2 million to a high of 12 million. Without a clear indication of the full extent of the problem it has been extremely difficult to arouse the necessary support to legislate effective deterrents to the flood of illegal aliens.

Last year the Immigration and Naturalization Service terminated a contract with Reyes Associates which was supposed to estimate the number of illegal aliens in the country. This aborted effort cost the taxpayers close to one million dollars. A GAO report appears to lay most of the blame for the failure of this project at the doorstep of INS. A general conclusion we can draw from this report is that INS does not have the expertise or desire to carry out this type of statistical endeavor. Furthermore, there is still considerable controversy about the correct methodology required to make an accurate count of individuals who obviously want to remain anonymous.

The challenge presented by this situation requires that we begin now to develop the necessary methodology for making this count. The federal agency which is the only logical choice to lay this groundwork is also the agency which has the responsibility to count all individuals in this country -- the Bureau of the Census. The Bureau has cooperated with INS research efforts to a limited extent and is prepared to conduct the analytic research and methodological development which will be necessary before any worthwhile study can begin.

The Bureau has the statutory authority to undertake such an effort and can begin the necessary preliminary work for an additional $250,000 in fiscal year 1980. This is an extremely modest amount, considering the type of study which will be required.

The House Select Committee on Population recently

issued a report on illegal aliens. One of their key recommendations was that $10 million be spent to determine the number of illegal aliens living in the United States. However, in order to assure that such an undertaking does not result in wasting money as did the Reyes study, it is imperative that we lay the basic groundwork first. This can be accomplished for a modest $250,000 addition to the budget of the Bureau of the Census.

Enclosed is a response to discussions my staff has had with representatives of the Census Bureau.

Sincerely,

Walter D. Huddleston

LETTER FROM ROBERT L. HAGAN

MAY 2 1979

Honorable Walter Huddleston
United States Senate
Washington, D.C. 20510

Dear Senator Huddleston:

The Census Bureau shares your concern regarding the lack of data on the illegal alien population. We agree that, at the present time, there are no reliable estimates of the number of illegal alien residents of the United States or of the net number of illegal immigrants who entered the United States in any recent period. Because of the clandestine nature of the illegal alien population, it is apparent that the development of a methodology for producing a satisfactory estimate of their number is extremely difficult. However, for public policy and many other purposes, the need for accurate estimates of the number of illegal aliens and their net movement is clear. The need for accurate estimates of net illegal immigration in connection with its census evaluation program and its postcensal population estimates program has led the Census Bureau to concern itself with ongoing research aimed at developing such estimates and to undertake some studies of its own.

Some of the possible research strategies for estimating the size of the illegal alien population include:

1. Demographic analysis, e.g., analysis of regional variations in the trend of age-specific death rates and sex ratios; intercensal analysis of data on population and labor force from the censuses of Mexico; component analysis of data from successive Current Population Surveys (CPS);

2. Comparative analysis of aggregate administrative series and census data or CPS figures, e.g., school enrollment or employment data;

3. Special household survey of foreign-born or alien residents in selected areas;

4. Match studies involving the census or CPS, the Post-Enumeration Survey, and Social Security/IRS data; and

5. Match studies involving apprehension data from INS with data from other administrative record sources.

We believe it is unrealistic to expect illegal aliens to cooperate fully with traditional survey approaches, whether conducted by the Census Bureau or any other organization—government or nongovernment. This lack of cooperation greatly limits any possibility of obtaining simple, direct measures of the size of this population. Consequently, the basis for estimates of the illegal alien population undoubtedly will be developed from a wide array of analytic studies such as those indicated above and other methodologies including linkage of census and survey records with immigration and SSA/IRS records.

Funding for the next fiscal year in the amount of $250,000 should provide support for analytic research and methodological development of match studies and experimental survey approaches. Implementation of full-scale activities will require higher funding levels in future years. However, the results of the research already completed, in progress, or now planned, considered in combination should permit the development of some useful estimates of illegal alien residents. In light of the many uncertainties involved in trying to measure the number of illegal aliens, one is unable to provide any absolute assurances of resolving the methodological problems inherent in estimating the size of this clandestine and noncooperative population. Although the resulting estimates would probably not be definitive, practical bounds of error should be available.

Sincerely,

Robert L. Hagan

ROBERT L. HAGAN
Acting Director
Bureau of the Census

AUTHORIZATION INCREASE

Senator HOLLINGS. In the authorization, the increase would up it to $2.45 million; is that right?

Mr. ASKEW. That is over the life of the Commission.

Senator HOLLINGS. Right now the request is for $224,000 for the 1979 supplemental.

Mr. ASKEW. That plus $1.6 million for fiscal year 1980, plus the balance of what is needed for fiscal year 1981. As I mentioned earlier, I understand that the House has approved $1.6 milion, for fiscal year 1980, and that is acceptable to us.

Senator HOLLINGS. Very good.

NEED FOR EXTENSION OF TIME

Senator WEICKER. The final report is due April of 1981; is that correct?

Mr. ASKEW. No, sir, it is due September 30, 1980, but there is legislation pending which would extend that date to March 1, 1981.

Senator WEICKER. What is your point of view? Do you think that that extension of time is needed?

Mr. ASKEW. Yes, sir. Initially, I think it was hoped on the part of everybody involved, since this legislation was passed in October of last year, that this Commission could get started earlier. But for whatever reasons, it hasn't received funding. As a result we have lost a lot of time. Plus as I indicated to the chairman, Senator Weicker, it concerned me on two counts. One, I was concerned about trying to submit a report just prior to the general election on a subject as difficult and emotional as the whole question of immigration. I really felt that although I have absolutely no indication of partisanship of anybody, the public interest would be better served by submission of the report afterwards in order to try to depoliticize it.

Second, another problem is presented if we extended it too long, inasmuch as four of the positions are designated Cabinet officers. There might be some changes. We would not want, after the greater life of the Commission, to be faced with a sudden change in one-fourth of the Commission membership, just prior to a vote which may or may not happen. We felt that because we have not been able to receive our funding, that we needed more time to do the research that was necessary, in view of the dearth of information, particularly about undocumented workers. It is going to require some time to obtain reliable information. If we don't do that, Senator, I think we could wind up having a very interesting discussion, we could swap each other's preconceived notions, and vote. I think the Congress is well aware of this. This is an area that traditionally Congress has been very concerned with. The extra time is simply needed. It isn't an area that, frankly, has not been studied; that is what I have been told initially. But I don't know that we have been able to come up with a comprehensive approach without the research. One of the things I would like to try to get is the Government of the United States and the Government of Mexico, to whatever extent possible, to start trying to get in a similar area in talking about figures. They are having a study done; we have. We are going to try to coordinate closely. Whatever

our solution, I would like to be talking essentially from generally the same base. And we will not get that information, in my opinion, except through independent research and development of some methodology to try to reach these people who otherwise are not going to give the information to anybody.

Senator HOLLINGS. I had hoped we could complete this hearing before the good old boy, Senator Filibuster arrived.

Senator BUMPERS. I have such total, unreserved confidence in my former colleague in the Governors' Conference, I don't have a single question.

Senator HOLLINGS. We will move ahead. We really appreciate what you are doing. Thank you Governor, your full statement will be included in the record.

[The statement follows:]

STATEMENT OF REUBIN O'D. ASKEW

Mr. Chairman, it is an honor to appear before this subcommittee in support of requested appropriations for the Select Commission on Immigration and Refugee Policy. My name is Reubin Askew and I have been appointed as Chairman of the Select Commission. Appearing with me is Joan Arrowsmith who is serving as Interim Coordinator for the Select Commission. She previously served as senior attorney on the staff of the Interagency Task Force on Immigration Law and Policy which has recently completed a preliminary study of the issues which need to be addressed.

The Select Commission on Immigration and Refugee Policy was established October 5, 1978, by Section 4 of Public Law 95-412. It was established as a joint Congressional-Presidential body with 16 members: eight from Congress, four Cabinet heads and four members chosen by the President, including myself. The other members appointed by President Carter are: Judge Cruz Reynoso, Associate Judge of the California Court of Appeals; Rose Matsui Ochi, Executive Assistant to the Mayor of Los Angeles; and, Joaquin F. Otero, the International Vice President of the Brotherhood of Railway and Airline Clerks. The Cabinet members are: the Secretary of State, Cyrus Vance; the Attorney General, Griffin Bell; the Secretary of Labor, Ray Marshall; and, the Secretary of Health, Education, and Welfare, Joseph Califano. From the House we are privileged to have Mr. Peter Rodino, Chairman of the Judiciary Committee, and Ms. Elizabeth Holtzman, Chairwoman of the House Subcommittee on Immigration, Refugees, and International Law, as members of the Commission, as well as Representatives Robert McClory and Hamilton Fish of the Judiciary Committee. From the

Senate Judiciary Committee we have Chairman Edward Kennedy and Senators Dennis DeConcini, Charles Mathias and Alan Simpson serving as members of this Commission.

The Commission held its first meeting on May 22nd. I am pleased to report that we had perfect attendance by the Commission members. At that meeting we appointed Dr. Lawrence Fuchs of Brandeis University as Staff Director. Dr. Fuchs is presently serving as Jaffee Professor of American Civilization and Politics there. He brings to this position a tremendous background in ethnic studies, which is well-suited to the area of immigration and refugee policy. Professor Fuchs will begin work as Staff Director the first of July. He expects to put together a multi-disciplinary staff, with the expectation that it will be supplemented by detailees with relevant experience from elsewhere in Government. Experts and consultants will be hired as needed for short-term projects.

The Commission is charged with conducting a comprehensive study of the immigration laws, policies and procedures of the United States. The Commission will report its findings and make recommendations for legislative and administrative changes to the President and to the Congress. There is presently little agreement as to what immigration policies the United States should be following, but it is generally agreed that the current law is inadequate and outdated, and that there is a dearth of information available on which to structure policy dicisions. It is the intention of the Commission to develop more information from a variety of sources as a basis for its policy recommendations.

During the course of the study, the Commission intends to focus on the issues underlying the premises upon which the immigration law is based, identify informational needs

for analyzing these premises, let contracts for the development of requisite information and conduct of necessary research, assess findings, and formulate policy recommendations. In addition, suggestions for restructuring the format of the Act will be made to simplify and clarify its provisions.

In the course of its work, the Commission hopes to coordinate its research with that undertaken by academicians, private institutions, foundations, and government agencies. At the outset of its work, the Commission will conduct a seminar at which there will be a review of past and ongoing studies, so that the Commission members and staff will have an overview of the existing knowledge in the field. The final report of the Interagency Task Force on Immigration Law and Policy, soon to be published, will also be a key source document in the preparation of the seminar. A review of that report and preparation of the seminar will enable the Commission members and staff to determine at an early date on which specific issues it wishes to focus.

After familiarizing themselves with the existing knowledge in the field, the staff will develop a detailed work plan, which includes identification of necessary research projects which can be accomplished within a relatively short time frame. A tentative general workplan, approved at the first meeting of the Select Commission, has already been furnished to your subcommittee.

Examples of the type of questions which the Commission is expected to address are:

1. Should the United States change the total number of immigrants admitted each year to a higher or lower number or relate the number admitted to some relevant factor(s) such as foreign policy, the labor market, or population policy?

2. Should there be a change in the types of immigrants admitted, or a change in the relative proportions of the types currently admitted (family members, refugees, and persons with particular occupational skills) or should new groups be included?

3. How can the procedures for admission, adjudication, and enforcement be streamlined to be less cumbersome?

4. What should be done about aliens here in violation of the immigration law?

5. What can be done to reduce the flow of those entering in violation of the law?

The Commission will be an active working body. It will conduct formal meetings about four times per year. Panels of Commission members will also hold hearings in regional locations to hear testimony and receive evidence. Additionally, the members will conduct site visits to observe immigration-related activity in key locations both domestically and abroad, such as border areas, consular and Immigration and Naturalization Service posts, and foreign countries which constitute important source locations of migrants to this country. To focus the Select Commission's inquiry and to obtain input from concerned persons and groups, we hope, early in the life of the Commission, to prepare and disseminate an options paper discussing current immigration policy and a range of alternative policies.

At the conclusion of the research and information gathering period, the Commission will assess the results and findings of the research in view of the various options. It is hoped that the hearings and studies will generate sufficient new information upon which to base an informed immigration policy which is responsive to the present and future needs of the United States, and which reflects a

consensus of opinion. The Commission will then develop recommendations for restructuring this country's immigration and nationality laws and policy, which are politically feasible and responsive to the nation's current values and concerns.

The requests pending before you are for $224,000 for FY 1979 and $2,226,000 for FY 1980. These amounts reflect the total of $2.45 million which we calculate will be needed by the Select Commission during its existence. Amending legislation authorizing this amount, in lieu of the original amount of $700,000, and extending the life of the Select Commission from September 30, 1980 to March 1, 1981, has been introduced and is pending in both Houses of Congress. The budget request assumes a core staff of nine professionals, a clerical staff, and a number of detailees whose services will be donated by the respective agencies and Congressional staffs involved. It also assumes that, where desirable, a substantial part of the work will be contracted to experts.

The staff work to date has been performed by a small contingent of borrowed staff consisting of three persons supplied by the Department of Justice, including our Interim Coordinator. This small staff has undertaken the preliminary work necessary to get the Select Commission rolling. It has prepared the submissions supporting our appropriations request, handled preliminary administrative matters, and made the arrangements for the first meeting of the Commission. On an ongoing basis it is developing a library of relevant materials, making contact with researchers, talking with prospective staff applicants, attending conferences, and disseminating information about the Select Commission. Without funding, however, to enable regular staffing, we

cannot turn to the substance of the work before us. Your earliest consideration of our request is essential to our functioning.

Mr. Chairman, I thank you again for the privilege of addressing this committee and am happy to answer any questions that you or members of the Committee may have.

U.S. OLYMPIC COMMITTEE

AMATEUR SPORTS ACT

STATEMENT OF HON. TED STEVENS, U.S. SENATOR FROM ALASKA

Senator HOLLINGS. Senator Stevens, I know you have a statement on the Amateur Sports Act, and I want to recognize you at this point.

Senator STEVENS. Thank you, Mr. Chairman. I just want to put in the record my comments about the Amateur Sports Act and on an appropriation necessary to assist the development of amateur athletics. With your permission, I would also like to put in the record at this point along with my statement a statement from Robert Kane, president of the U.S. Olympic Committee.

Senator HOLLINGS. Those statements will be included in the record.

[The statements follow:]

STATEMENT OF SENATOR TED STEVENS

I'd like to thank the Committee for allowing me a few moments to comment on the Amateur Sports Act, and on an appropriation necessary to assist in the development of amateur athletics; to bring the U.S. Olympic Committee into compliance with the Amateur Sports Act.

As a former member of the President's Commission on Olympic Sports, I'm interested in overcoming the primary obstacle identified by the Commission hindering a truly successful amateur sports effort in the United States; specifically, lack of effective organization.

The Amateur Sports Act that became law last year will remedy this through the creation of national governing bodies for each sport, who's job it is to sanction competitions and promote development and interest in their respective sports. Much of the appropriation needed will go toward creating and organizing these national governing bodies. Moneys will also be expended to improve and expand national amateur sports training centers, along with research involving sports medicine to improve the health of our national athletes. The knowledge gained through sports medicine research will also provide insights that can be applied to improve the health and physical condition of all Americans.

The bottom line on this appropriation is that it will be wisely used to help out a group of Americans who give their all in the name of amateur sports and who help build American pride in the international community; the U.S. amateur athletes.

I would like to thank the committee again and present a statement by Robert J. Kane, the president of the U.S. Olympic Committee who was unable to be here.

Statement of Robert J. Kane, President, United States Olympic Committee

The U.S. Olympic Committee is pleased to have the opportunity to submit our views on the need for a 16 million dollar appropriation for amateur sports in the United States. We are submitting today a detailed request which demonstrates the need for and intended uses of these funds but I would like to make some brief introductory remarks.

The U.S. Olympic Committee has changed dramatically since it's participation in the first Olympic Games of the Modern Era in 1896. Until very recently the USOC did little more than finance the transportation, room and board of our Olympic and Pan American teams for two weeks every four years.

During the 1970's, however, the USOC began to broaden its role in amateur sports by centralizing its fund raising for the Olympic and Pan American Teams and, more importantly, awarding modest grants to the National Governing Bodies (NGB) responsible for the development of each olympic sport.

These beginnings were truly modest compared to the programs which the USOC has embarked upon in the last two years. The USOC is currently implementing or expanding the following programs:

1. DEVELOPMENT
2. GAMES PREPARTION
3. GAMES EXPENSES
4. ATHLETE SUPPORT
   a) Broken Time
   b) job opportunities
5. TRAINING CENTERS
6. SPORTS MEDICINE
7. NATIONAL SPORTS FESTIVAL
8. ORGANIZATIONAL AND ADMINISTRATIVE SUPPORT FOR NGB'S
9. ADMINISTRATIVE SERVICES FOR NGB'S

These new programs have been spurred by three important

happenings: (1) a decision by the USOC membership based on the need to enhance the amateur sports opportunities for our nations youth, to embark upon new and much-needed programs; (2) the work and recommendations of the President's Commission on Olympic Sports and (3) the Amateur Sports Act of 1978 (PL 95-606).

These new and ambitious endeavours were sorely needed and long overdue. However, Games Prepartion is the only category where the financial needs currently are being met. For example:

- Development grants are confined largely to elite athletes programs, consistent with the USOC's primary mission.
- An ambitious Sports Medicine program has inadequate funds to implement programs which could benefit the health of the nation.
- Existing National Training Centers need more and better equipment and more centers need to be established in cities across the country.

The Amateur Sports Act which became law in November of 1978 mandated a sweeping restructuring of the USOC, its member NGB's and amateur sports generally and designated the as the central coordinating body for amateur sports in the United States. At the same time, Congress required the USOC to undertake still more programs in its central coordinating capacity, such as encouraging and providing assistance to amateur athletic programs for women, handicapped individuals and racial and ethnic minorities in those sports where they are underrepresented.

The USOC is enjoying continuing success in its fund raising, representing today's high degree of confidence that the public and the corporate world has in the USOC. However, the USOC has hardly sufficient funds to carry out some of its programs, or all of its objectives as described in its federal charter, as amended by the Amateur Sports Act of 1978, and in its Constitution.

Based upon the research conducted by the President's Commission on Olympic Sports (PCOS) and the funding needs as

seen by the USOC, the 16 million dollar, one-time authorization barely begins to meet the long-term funding needs of amateur athletes in this country. The PCOS corroborated the enormous need for increased for increased funding of amateur athletics in this country from the private and public sectors alike. Congress authorized the 16 million dollars to allow the USOC to fufill the purposes of the act. Thus, Congress recognized that the appropriation was essential. The federal government has a key role to play in stimulating private support for amateur athletics by providing seed money for worthwhile programs. The USOC plans to utilize the federal funds to support, either directly or indirectly, as appropriate, the objectives of the corporation as outlined in Section 104, PL 95-606, the Amateur Sports Act of 1978.

The USOC is spending far more money (generated from the private sector through contributions) than ever before on new and expanded programs. However, there are simply not enough funds to carry out effectively all of the USOC's objectives. Analysis demonstrated conclusively that USOC funds have been directed at the corporation's primary objective - direct and indirect support in identifying, training and fielding our Olympic and Pan American teams. Thus, most of the funds have been allocated in direct or indirect support of the elite athlete. Now that the support of the elite class is relatively self-sustaining through the use of USOC's own financial resources, additonal seed money is needed to provide expanded and greater opportunities for the youth of our country. Thus, athletes may participate in amateur sports of their choice by enhancing the grass roots organization and development to effectively integrate programs for the handicapped, women and minorities into the mainstream of athletic endeavors. Federal funds will be used to achieve objectives not previously undertaken by the USOC and for new programs, in their infancy, that are directly related to achieving the new objectives.

The National Sports Governing Bodies' (NGBs) Support Program, with funding provided by the federal government, will begin to meet the objectives of the USOC and of PL 95-606, the Amateur Sports Act of 1978. Similarly, federal assistance in underwriting the costs of the National Training Centers and the Sports Medicine Program, will assist in meeting the objectives of the activities.

The program will be administered internally by a committee of the USOC. The USOC, in coordination with the NGB's, will prepare during 1979 allocation grants for each NGB and for the National training Centers and Sports Medicine programs, based upon the specific prioritized needs of each. The USOC will account to the Congress and the Department of Commerce in accordance with the statute authorizing the 16 million dollars. Finally, the USOC request that the full 16 million dollars be recommended and appropriated for fiscal year 1980 with the understanding that fudns be expended over a four year period.

RESOLUTION ADOPTED BY COLLEGIATE COMMISSIONERS ASSOCIATION

[CLERK'S NOTE.—Subsequent to the hearing the subcommittee received the following resolution adopted by the Collegiate Commissioners Association. By direction of the chairman the resolution has been printed in the record.]

[The resolution follows:]

RESOLUTION

ADOPTED BY THE COLLEGIATE COMMISSIONERS ASSOCIATION, KING'S ISLAND INN, MASON, OHIO, JUNE 22, 1979

Whereas, the Collegiate Commissioners Association is composed of the chief executive officers of twelve major intercollegiate athletic conferences;

Whereas, the member institutions of these conferences conduct many of the United States' foremost sports programs in Olympic sports;

Whereas, the United States Olympic Committee and the organizations which control the USOC—its Group A members—regularly rely upon international sports agencies for their authority in dictating policies and controlling activities in the United States which affect domestic sports programs, thus leading to conflicts within the USA which hamper our nation's amateur sports efforts;

Whereas, the CCA members understood that the Amateur Sports Act of 1978 was designed to resolve such disputes by accepted United States arbitration methods and that the Act compelled the USOC and its Group A members to obey the arbitration decisions; Now, therefore, be it

Resolved, That the Collegiate Commissioners Association records its serious concern that the Amateur Sports Act of 1978 is not accomplishing the Act's stated purposes because there are USOC Group A members which will not accept the arbitration provisions as binding; be it further

Resolved, That we express our strongly held views to the appropriations committees of the United States Senate and House of Representatives that taxpayer moneys should not be appropriated to the U.S. Olympic Committee and its Group A

members until it is clear that the USOC and said members observe the principles of the Amateur Sports Act of 1978 and respect the arbitration procedures which have been established, thus assuring that the USOC and its members are responsible to the United States and its established institutions; and be it finally

Resolved, That the members of the CCA believe that unless and until there is such an accountability for those organizations which control USA Olympic activities, this nation cannot be properly represented in international sports forums or on international playing fields.

Atlantic Coast Conference, Robert C. James, Commissioner; Big Eight Conference, Charles M. Neinas, Commissioner; Big Ten Conference, Wayne Duke, Commissioner; Eastern College Athletic Conference, Robert M. Whitelaw, Commissioner; Mid-American Conference, Fred Jacoby, Commissioner; Missouri Valley Conference, David Price, Commissioner; Pacific Coast Athletic Association, Lewis A. Cryer, Commissioner; Pacific-10 Conference, Wiles Hallock, Executive Director; Southeastern Conference, H. Boyd McWhorter, Commissioner; Southern Conference, Kenneth G. Germann, Commissioner; Southwest Athletic Conference, Cliff Speegle, Commissioner; and Western Athletic Conference, Stan Bates, Commissioner.

LETTER FROM HERMAN L. SCOTT

Senator HOLLINGS. The subcommittee has also received a letter from Herman L. Scott, president, National Federation of State High School Associations, regarding funding for the U.S. Olympic Committee. The letter will be printed in the record.

[The letter follows:]

LETTER FROM HERMAN L. SCOTT

May 31, 1979

Re: Proposed Appropriation for United States Olympic Committee

Dear Senator:

This letter is written on behalf of the National Federation of State High School Associations, an organization consisting of 50 state associations which promote and regulate interscholastic athletic competition at the nation's 20,400 high schools. We write to state our opposition to the proposed appropriation of $16,000,000 in favor of the United States Olympic Committee, which we understand will be considered by the Appropriations Committee within the next few weeks.

The National Federation has been a member of the USOC for many years. The Executive Director of the National Federation, Brice B. Durbin, is, in fact, a member of the Administrative Committee of the USOC, which is responsible for the daily conduct of USOC affairs.

The National Federation, on behalf of its members, is philosophically opposed to Federal financial assistance in the area of amateur athletics. During debates on the Amateur Sports Act of 1978, which implemented a reorganization of the USOC, the National Federation stated its opposition to a proposed contemporaneous Federal authorization designed to implement that reorganization, but was persuaded not to press its opposition -- in light of the apparently salutary steps which were being accomplished under the terms of the Amateur Sports Act itself.

It now appears rather clear that the keystone of the Amateur Sports Act -- impartial and binding arbitration of disputes within the amateur athletic community -- is in the process of being rendered meaningless, both because the membership of the USOC is unwilling to take the proper steps to allow such arbitration to work effectively, and because the international sports federations, and the International Olympic Committee, are showing either unwillingness or reluctance to permit the arbitral mechanism to function within the United States. Strong evidence of these developments arises from the refusal of the USOC House of Delegates at its meeting this past spring, despite the warnings of Senator Ted Stevens (principal author of the Act), to adopt constitutional provisions designed to make arbitration a truly effective mechanism for settlement of disputes, and the very recent statement by the international sports federation for wrestling that United States arbitrators were "incompetent" to decide sports-related issues.

In these circumstances, the National Federation believes that it would be unwise for the Congress to appropriate taxpayer funds, when the whole issue of arbitration as an effective mechanism in this country is in serious doubt. Under the Act, the USOC purports to be the coordinating agency in this country for international aspects of our competitive athletic effort. If, however, the arbitration mechanism is not workable, and is, in fact, subject to the control of the International Olympic Committee and the international sports federations, then that coordinating role is at best one subject to foreign domination and control. The National Federation doubts seriously that the American people, aware of these facts, would be willing to have their taxpayer funds spent under such circumstances.

We thus urge you when this matter is brought before your Committee, to examine the circumstances surrounding this proposed appropriation with the greatest care. We recognize that within the context of the entire Federal budget the appropriation is a small one, but within American amateur sports circles, commitment of Federal funds by the Congress in these circumstances is significant, and would, in our judgment, be entirely unwarranted.

Very truly yours,

Herman Bubba Scott

Herman L. Scott
President

LETTER FROM WALTER BYERS

[CLERK'S NOTE.—The subcommittee received the following letter from Walter Byers regarding funding for the U.S. Olympic Committee. By direction of the chairman the letter has been printed in the record.]

[The letter follows:]

STATEMENT OF WALTER BYERS

June 5, 1979

The Honorable Ernest F. Hollings
115 Russell Senate Office Building
Washington, D. C.
20510

JUN 7 1979

Dear Senator Hollings:

I am writing to you on behalf of the National Collegiate Athletic Association, an organization of over 800 four-year colleges and universities, among the principal purposes of which are the development, promotion and regulation of intercollegiate athletics.

The Association wishes to express its concern, and the concern of its member institutions, as to the proposed appropriation of $16,000,000 in favor of the United States Olympic Committee, as authorized last year in connection with passage by the Congress of the Amateur Sports Act of 1978. As we understand the facts, this proposed appropriation has not to date been reviewed by any subcommittee of the Appropriations Committee of the Congress, but nonetheless is expected to be forwarded to the Congress by the White House within the next few weeks for inclusion in the FY 1980 budget.

The ostensible purpose of the appropriation is to assist in the implementation of the principles of the Amateur Sports Act of 1978, including in major part the provision of Federal funds for use by the so-called "national governing bodies" for the various Olympic and Pan American sports. These national governing bodies are granted certain general powers under the Act to coordinate and develop domestic activities in their respective sports; they are also granted certain exclusive powers relating to the development of American participation in important international amateur athletic events, and to the granting of approval for other organizations to participate in international competition.

As an exchange for the legislative grant of these powers, the national governing bodies are to be held to a comprehensive set of standards, specified in the Act, in order to assure that the most efficiently run and representative organization in each sport enjoys national governing body status. The keystone of the Act, put in place by the Congress to assure conformity with these standards, is the opportunity for amateur athletes and amateur athletic organizations to hold the incumbent national governing bodies to account through the use of binding arbitration, conducted under the auspices of the American Arbitration Association. The Act thus contemplates the right to arbitration against a national governing body in three instances: (1) when an amateur athlete believes that he or she has been denied

improperly the opportunity to participate in international competition by a national governing body; (ii) when an amateur athlete or amateur athletic organization, active in a particular sport, believes that the national governing body is not adhering to the organizational and operational standards specified in the Act, and (iii) when an amateur athletic organization believes that it is better qualified than the incumbent to act as the national governing body for a particular sport, and "challenges" the existing national governing body for that status.

In the past few weeks, the most serious question has arisen whether the principles of the Amateur Sports Act of 1978 will be permitted to work as intended by the Congress, and this question bears directly upon the proposed "implementing" appropriation of $16,000,000 to the United States Olympic Commitee.

First, the existing national governing bodies -- which enjoy two-thirds voting control on most matters within the USOC -- recently at a USOC House of Delegates meeting declined by a wide margin to adopt a constitutional amendment designed to assure finality to an arbitral award entered in the context of (iii) above; i.e., a "challenge" for national governing body status. The amendment, co-authored by Professor Miguel de Capriles of Hastings College of Law (a former Olympic athlete who served for many years as the USOC's Legislation Committee chairman) and by Edward G. Williams (also a former Olympian and current chairman of the Athletes' Advisory Council of the USOC), would have required that any incumbent national governing body (which lost a "challenge" arbitration to the challenger) resign its position from the international sports federation of which it was a member, in order to pave the way for recognition by the international federation of the arbitral winner as the national governing body in the United States. The national governing bodies refused to adopt such an amendment, notwithstanding direct and specific advice to them from Senator Ted Stevens, the principal proponent of the Amateur Sports Act, that the Congress, in passing the Act, intended that arbitrations in the Act be binding and final. A copy of Senator Stevens' prepared remarks to the USOC meeting is enclosed for your information. (Please note Enclosure No. 1.)

Second, it is becoming increasingly clear that notwithstanding the existence of binding arbitration under the Act, arbitration in practice is an illusion -- and that the international sport federations, rather than the United States Olympic Committee (or arbitrators acting under its constitution), determine national governing body status in this country. In 1977, under the terms of the USOC constitution not dissimilar to the terms of the Amateur Sports Act, the United States Wrestling Federation "challenged" the Wrestling Division of the AAU, Inc., for status as the national governing body in amateur wrestling. After a protracted arbitration, under the auspices of the American Arbitration Association (17 hearing days and 4,000 pages of transcript), the arbitrators in September of last year found unanimously that USWF met the qualifications for national governing body status and was entitled to replace WD/AAU in this capacity.

Confronted with this decision (the first real test of arbitration under the principles of the Act), the USOC Executive Board -- dominated in voting power by the incumbent national governing bodies -- declined to take any action on the award and deferred to the international federation for wrestling for a final decision. Three weeks ago, at a meeting of the Board of Directors of the international federation, the USWF and USOC were told that the arbitrators were "incompetent" to decide the question of national governing body status, and that the AAU would be retained as the member of the international federation in the United States.* In effect, the USOC was told that national governing body decisions would be made abroad, and not here in the United States.

These two recent developments rather dramatically demonstrate that the USOC, which under the Act allegedly is the coordinating agency for the international aspects of amateur sports in this country, is not in fact the coordinating agency at all, but is subject to direction and control by the private international sports federations abroad.

As you may be aware, the NCAA resigned as a member of the USOC in 1972, because of its then-stated belief that the USOC was not responsive to the needs and desires of American athletes and the American public. In major part, the NCAA believed this unresponsiveness and insularity arose from the fact that the national governing bodies, which control the USOC, could not be held to account in any domestic forum. Over the period of the ensuing five years, the NCAA worked diligently to assist in the establishment of such a forum, where the performance and representative character of the national governing bodies could be fairly and impartially measured. In 1978, after the USOC had engaged in substantial internal reforms (including establishment of binding arbitration for resolution of disputes involving national governing bodies), and when it appeared extremely likely that these reforms would be fixed in place by passage of the Amateur Sports Act by the Congress, the NCAA rejoined the USOC. At the time of its rejoining, however, the NCAA stated in writing to the USOC that the existence of an effective and impartial arbitration mechanism was the principal basis upon which it once again found itself ready to work cooperatively within the USOC framework. Now, just over a year later, it is apparent that the arbitration is an illusion (if not a fraud), and will not be accepted in international circles nor, for that matter, in its most important aspects within the USOC itself.

Under the circumstances, the NCAA suggests that the Congress would be foolhardy to dedicate taxpayer funds to the benefit of the USOC and the national governing bodies which control it when it is clear that these bodies -- which purport to control amateur athletics in the United States -- cannot be held accountable to American athletes and to the American people, through a mechanism such as arbitration. The only justification for the authorization in question was to improve facil-

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*Enclosed is an article from the May 27 issue of the Washington Post, summarizing the action of the international wrestling federation. (Please note Enclosure No. 2.)

ities and programs for American amateur athletes seeking to participate in Olympic and Pan American sports; and if the Amateur Sports Act is ineffective and the programs of competition in those sports are in fact subject to foreign control, it seems doubtful that the American taxpayers would support the use of their funds to such a purpose.

On behalf of the NCAA, I therefore recommend that when and if the proposed appropriation comes before the Appropriations Committee, you express your view that such an appropriation should be rejected until such time as the USOC can establish that the United States Olympic movement is indeed responsive to American interests as expressed through the U. S. Congress, the courts of our land and the agreed-to arbitration procedure.

Cordially,

Walter Byers

Enclosures

Enclosure No. 1

STATEMENT OF SENATOR TED STEVENS
TO THE U.S. OLYMPIC COMMITTEE ANNUAL CONVENTION

Ladies and Gentlemen:

Colonel Miller has graciously consented to allow me to address the Convention delegates prior to taking up the legislative proposals which are to be considered this afternoon.

As a former commissioner with the President's Commission on Olympic Sports and as the primary sponsor of the Amateur Sports Act, I feel compelled to address you on this subject because it is one of such importance affecting the work we together have begun. Decisions you will be making today could very well affect our ability to obtain the $16 million authorized in the Amateur Sports Act, money which is crucial to insuring the success of the Act.

In order for the Amateur Sports Act to be effective, arbitration must be on demand, swift and final. Members of the Olympic Committee, by that member ship alone, agree to submit - upon the demand of any contesting party - to arbitration. There is no middle man. No one should stand in the way of arbitration. And once a decision is rendered in arbitration, it is final. Had any of us really thought there was the possibility of any other interpretation to the language in the Act, it would have been clarified further in the Act. You may be sure that that was the intent - and it was the Congress' intent. Without binding arbitration, and without arbitration on demand, there can be no true enforcement of the Act.

Furthermore, many of you will remember the great pains we took in the consideration of the Act to avoid any reference to any powers of the International Olympic Committee or the international governing bodies. That was intentional. The Congress cannot support and authorize funding of an organization which is not directly accountable to the American people for its actions and in control of its own destiny. It cannot take direction from any international group regarding internal matters. Now you and I both understand what the relationship between the IOC and the international governing bodies is to the USOC and its members. But my friends in the Congress may not be so quick to understand and certainly won't sympathize with any efforts to render those groups more powerful, abdicating power which is rightfully yours.

I take great pains to bring this to your attention because I am committed to supporting your $16 million appropriation in Congress for implementation of the Amateur Sports Act. Many of you know how difficult it was to pass the bill last year, and funding will be even more difficult. It is a year when all of us are looking to cut the budget wherever possible. Any controversy surrounding a program puts it in great jeopardy.

You are the masters of your fate. In the long run, I am confident that the Amateur Sports Act will stand on its own and this will all be resolved. However, in the short run, we need that $16 million. I want you to have it and will work for it. We must show good faith and remember our responsibilities to the American people. I will be talking to you this evening about other legislation we have in the Congress to help the Olympic Committee. I am here this afternoon to plead with you to work so that we together can make this new relationship work.

Enclosure No. 2

THE WASHINGTON POST

May 27, 1979

Madrid Action Rocks Amateur Circles

By Nancy Scannell
Washington Post Staff Writer

In the first major test case involving the reorganization of the American Olympic movement, an international sports body has rejected the procedures crucial to the restructuring, claiming judges and professional arbiters are "incompetent" to decide sports matters.

The action by the executive board of the International Amateur Wrestling Federation (FILA), meeting in Madrid last week, has caused consternation in amateur sports circes over its possible repercussions.

There is concern that FILA's action —if not reversed in subsequent forums—could set a precedent for other international federations to attempt to dictate to the United States which organizations may represent the country in international competition.

There also is apprehension that if the FILA decision stands, it will provide more fodder for congressional foes of a $16 million authorization approved in the final moments of the last session to aid the Olympic reorganization. About $10 million of that is to be used to help national governing bodies develop broad-based programs for the American public.

The FILA action came on a case involving a long, entangled challenge by the NCAA-affiliated U.S. Wrestling Federation (USWF) to unseat the wrestling division of the Amateur Athletic Union (AAUWD) as the national governing body in the sport.

David Maggard, chairman of the NCAA's international relations committee and a former Olympian, said the organization would be monitoring the progress of the USWF challenge and any congressional appropriations "very, very carefully."

The NCAA rejoined the U.S. Olympic Committee last year, largely as a resut of the reorganization plan the USOC voluntarily adopted before Congress codified it into law as the Amateur Sports Act of 1978.

Among other features, the new constitution established criteria for becoming a national governing body and called for binding arbiration in challenges over recognition. It was supposed to end jurisdictional fending between the NCAA and AAU, neither of which can be a national governing body.

The FILA ruling, Maggard said, "makes almost a sham out of the Amateur Sports Act. I don't think it was the intent (of the act) that an organization like FILA could dictate who can participate in the Olympic Games. And this wrestling situation is just an example. This is a broader issue than a power struggle between two organizations like the AAU and the NCAA. It's a matter of principle."

The USWF contended in its challenge that it offered a better program in the sport and was more representative of its interests than the AAUWD and sought recognition from the U.S. Olympic Committee to be the national governing body.

In 1977, the USWF, in accordance with the USOC Constitution, petitioned the American Arbitration Association to decide if it or the AAU should be the national governing body.

The AAA ruled in favor of the USWF in September, but the AAUWD claimed the AAA had exceeded its authority. The USWF sued in federal court in Chicago, where the judge confirmed the arbiters' award.

Eventually, D.C. Superior Court Judge William E. Stewart ruled that the USWF should be the designated national governing body until FILA could formally recognize it, probably in 1980. Stewart ordered USOC and AAUWD to support the USWF's application to FILA and to do nothing to hinder it.

But in a decision that cited the AAUWD's "30-year loyalty" and contributions, FILA's executive board said it would not recognize the validity of the AAA and D.C. Superior Court decisions, "considering them incompetent to rule sports issues, as being outside sports."

"We're disapppointed that the wrestling problem cannot be expeditiously resolved," said USOC Executive Director F. Don Miller. "We will continue to pursue a resolution in the international arena . . ."

LETTER FROM F. DON MILLER

[CLERK'S NOTE.—The subcommittee received the following letter from F. Don Miller, executive director, U.S. Olympic Committee, regarding the funding for the Amateur Sports Act of 1978. By direction of the chairman the letter has been printed in the record.]

[The letter follows:]

LETTER FROM F. DON MILLER

June 15, 1979

The Honorable Ernest F. Hollings
Senate Office Building
Washington, D.C. 20510

Dear Senator Hollings:

It has come to our attention that the National Federation of State High School Associations and the National Collegiate Athletic Association have written members of Congress to solicit their support in defeating an appropriation of $16 million authorized by Public Law 95-482 in a Joint Resolution dated October 18, 1978. These funds are essential to the implementation of the restructuring of amateur sports in the United States as set forth in Public Law 95-606 which was designed to increase the sports opportunities for the youth of our country at all ages and all levels of ability. We further understand that it is alleged in the letters to members of Congress that the United States Olympic Committee is not carrying out or supporting the challenge procedure as set forth in Public Law 95-606, November 8, 1978, The Amateur Sports Act of 1978.

The premise being used in these allegations is based on a dispute over which United States organization will be recognized in this country and internationally as the authorized governing body for the sport of wrestling in the United States. The dispute in question exists between the wrestling division of the Amateur Athletic Union of the United States and the United States Wrestling Federation, a school/college supported organization. The dispute was arbitrated before the American Arbitration Association which found in favor in the United States Wrestling Federation (USWF). Immediately after the arbitral award, the United States Olympic Committee strongly urged the international wrestling governing body, FILA, to recognize the USWF as the national governing body for the sport of wrestling in the United States. FILA, in response, notified the United States Olympic Committee that, in accordance with its rules and regulations, the matter would be adjudicated at the next meeting of the FILA Congress in the summer of 1980.

It should be noted that the arbitration in this challenge for recognition in the sport of wrestling was conducted under the U.S.O.C. Constitution in force in 1977 because the complaint was filed in August of that year. The 1977 U.S.O.C. Constitution provided that membership in the United States Olympic Committee as a recognized governing body depended on recognition of the U.S.A. organization by the governing international federation. The arbitration of the wrestling matter was conducted in accordance with our Constitution which was adopted prior to the enactment of the Amateur Sports Act of 1978.

The United States Wrestling Federation sought immediate relief by seeking redress in the Superior Court of the District of Columbia requesting that the Wrestling Division of the Amateur Athletic Union be forced to resign its membership in FILA. On the basis of the court's finding of fact and conclusions of law, the court ordered:

1) The Wrestling Division of the AAU would remain the national governing body through the 1980 Olympic Games in Moscow.

2) The United States Wrestling Federation was accorded recognition as governing body-designate.

3) The U.S.O.C. and the Wrestling Division of the AAU were ordered to support the membership application of the USWF before the international amateur wrestling federation.

A copy of the court order is enclosed for your information.

Upon receipt of the above-referenced court order, the United States Olympic Committee immediately provided FILA with a copy of the order. Further, the U.S.O.C. actively supported immediate USWF recognition by FILA and, on May 19,

1979, the President of the United States Olympic Committee and its counselor appeared, to no avail, before the FILA Bureau along with representatives of the USWF in support of their recognition of the USWF.

Further, in its continuing support of the court order, the U.S.O.C. will bring before a meeting of the National Olympic Committees to be held in San Juan, Puerto Rico, June 26-27, the question of the authority of National Olympic Committees to recognize the appropriate body to serve as a national governing body for each sport in its own country.

Also, in accordance with the International Olympic Committee Rules, which define that organization as the "supreme authority" for all matters pertaining to the Olympic movement, the United States Olympic Committee has requested and received approval to meet with the Executive Board of the International Olympic Committee to discuss the matter during their meeting in San Juan on June 28-29, 1979.

Representatives of the National Federation of State High School Associations, the National Collegiate Athletic Association and the United States Wrestling Federation have been present at every meeting of the United States Olympic Committee Executive Board and House of Delegates when discussions of the resolution of the problem were held. At the most recent Executive Board meeting held in Philadelphia, Pennsylvania on June 2, 1979, the matter was discussed and the Board overwhelmingly approved presenting the matter to the National Olympic Committees and the International Olympic Committee in support of the USWF's recognition by FILA.

In view of the foregoing, it is manifestly wrong, due to the lack of findings of fact, to allege that the United States Olympic Committee has not unqualifiedly supported the principles of the Amateur Sports Act of 1978. It is reiterated that the arbitration of the wrestling matter was undertaken prior to the enactment of Public Law 95-606. Since the enactment of the Act, the United States Olympic Committee Constitution has been updated to conform with the Act. The applicable provisions of the current Constitution call for immediate recognition and Group A membership in the U.S.O.C. by an organization receiving a favorable arbitral award.

In conclusion, it would appear to be premature to make any substantive judgments relative to actions taken by the U.S.O.C. as, in accordance with the ruling of the court, all remedies have not been exhausted. Upon returning from the meetings in Puerto Rico of the National Olympic Committees and the Executive Board of the International Olympic Committee, we will provide you with an update on the results of the problem. In the interim, we do, however, wish to assure you that the United States Olympic Committee will continue to support strongly the membership application in FILA of the USWF. We would also take this opportunity to urge you to support the appropriation of $16 million to the United States Olympic Committee as authorized in Public Law 95-482 which is most imperative to the enhancement of amateur sports in the United States and implementing the provisions of the Amateur Sports Act of 1978.

With all good wishes and many thanks for your consideration, I remain

Sincerely,

F. Don Miller

F. DON MILLER

Enclosure

SUPERIOR COURT OF THE DISTRICT OF COLUMBIA

CIVIL DIVISION

UNITED STATES WRESTLING FEDERATION :

Plaintiff :

v. : Civil Action No. 13460-78

UNITED STATES OLYMPIC COMMITTEE :

Defendant :

WRESTLING DIVISION OF THE AAU, INC.:

Defendant-Intervenor :

ORDER

This action having been tried to the Court on March 29, 1979 and the Court having rendered its decision herein on March 29, 1979,

NOW, on the basis of this Court's decision of March 29, 1979 and on the basis of this Court's findings of fact and conclusions of law contemporaneously entered this date, it is hereby

ORDERED, ADJUDGED AND DECREED as follows:.

1. The U.S.O.C., its officers, directors, employees and agents shall be and they hereby are mandatorily enjoined, during the period from the date of entry of Judgment through and including the meeting of the Congress of FILA in 1980, to recommend and support the application of USWF for membership in FILA; provided, however, the U.S.O.C. is authorized to withdraw its prior certification to FILA of the status of the USWF as National Governing Body for amateur wrestling in the United States but shall substitute in lieu thereof its certification to FILA of the status of the USWF as National Governing Body designate for amateur wrestling in the United States and the intention of the U.S.O.C. to recognize the USWF as National Governing Body for amateur wrestling in the United States immediately upon its election to FILA membership.

2. The WD/AAU, its officers, directors, employees and agents shall be and they hereby are mandatorily enjoined, during the period from the date of entry of Judgment through and including the meeting of the Congress of FILA in 1980, to recommend and support the application

of the USWF for membership in FILA, and are restrained and enjoined from interfering with, opposing, voting or arguing against said application of USWF for FILA membership, its efforts to be recognized as the National Governing Body for amateur wrestling in the United States or its efforts to obtain Group A membership in the U.S.O.C.

3. WD/AAU is authorized to continue as the United States member of FILA and as the Group A member for amateur wrestling in the United States until such time as the USWF becomes a member of FILA.

4. The Temporary Restraining Order against U.S.O.C., entered by this Court on December 14, 1978, is dissolved.

5. All claims for declaratory or injunctive relief requested by the parties in their pleadings, other than those granted hereinabove, are denied.

6. The injunction entered hereby may be dissolved after the conclusion of the meeting of the FILA Congress in 1980 upon the showing of good cause on application of any party.

7. Costs of this action shall be borne equally by the parties.

April 19, 1979

William E. Stewart, Jr.
Judge

cc: Michael Scott, Esq.
Attorney for Plaintiff

Richard G. Kline, Esq.
Attorney for Defendant

Judson A. Gould, Esq.
Attorney for Defendant-Intervenor

DEPARTMENT OF COMMERCE

Economic Development Administration

STATEMENT OF ROBERT T. HALL, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

ACCOMPANIED BY:

BRIAN B. WHALEN, BUDGET OFFICER
HAROLD W. WILLIAMS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT
VICTOR HAUSNER, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT POLICY AND PLANNING
HERBERT S. BECKER, DIRECTOR, OFFICE OF MANAGEMENT AND ADMINISTRATION
ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION
CLIFFORD J. PARKER, DIRECTOR, OFFICE OF BUDGET AND PROGRAM EVALUATION

Senator Hollings. Now we will hear from Assistant Secretary Robert Hall and his associates on the EDA items.

What is the status of the $16,000,000 for the Amateur Sports Act?

Ms. Porter. The budget amendment is at the Office of Management and Budget, sir.

Senator Hollings. I see. Then can you outline the new program now, Secretary Hall?

REPROGRAMING FOR 1980 WINTER OLYMPICS

Mr. Hall. Yes, Mr. Chairman, but I will begin with a statement on the reprograming for the winter Olympics.

Senator Hollings. All right, let me insert that reprograming request dated May 29, 1979, in the record.

[The request follows:]

50-498 O - 79 - 6

LETTER FROM ELSA A. PORTER

May 29, 1979

Honorable Ernest F. Hollings
Chairman, Subcommittee on State,
Justice, and Commerce, the
Judiciary, and Related Agencies
Committee on Appropriations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The purpose of this letter is to seek your concurrence in the reprogramming of $11,000,000 from the Economic Development Administration (EDA) funds for completion of Winter Olympics facilities at Lake Placid, New York. As you know, the Administration has been engaged in discussions with New York State and the Olympic Organizing Committee to determine conclusively what is required to complete construction in a timely fashion. The $11,000,000 being proposed here represents the Administration's offer as the proper Federal commitment to ensure completion.

It is proposed that the entire Federal share be reprogrammed from funds available within the Economic development assistance programs for 1979. Of that amount, $7,500,000 would come from demonstration funds in Business development and Technical assistance and $1,500,000 from Trade adjustment technical assistance. The final $2,000,000 would be taken from the District planning grant program. With the $14,950,000 remaining in the District program, EDA would be able to fund a total of 46 new districts in 1979, an increase of 23 percent in the number of funded districts. The district resource level would also provide for needed management improvements and an incentive grant program. Further details on the effects of the reprogramming are set forth in the enclosure.

I know that you and the other members of the Subcommittee have been anxious as we have been to resolve the issues surrounding the completion of the facilities at Lake Placid, and I hope that the Administration's proposal meets with your approval. My staff and I will be glad to answer any questions that you might have with regard to the request.

Sincerely,

Elsa A. Porter
Assistant Secretary
for Administration

Enclosure

DEPARTMENT OF COMMERCE

Notification of Proposed Reprogramming
FY 1979

Operating Unit: Economic Development Administration
Appropriation: Economic Development Assistance Programs
Program: Public Works - Districts

Fiscal Summary

1. Reprogrammed from:

Business development - Demonstration ...	-$7,000
Technical assistance - Trade	-1,500
Technical assistance - Demonstration ...	-500
Planning - Districts	-2,000

2. Reprogrammed to:

Public works - Districts	+11,000

Description/Justification

The purpose of this reprogramming is to provide additional resources to the Lake Placid Winter Olympic Committee to ensure that construction of facilities will continue on schedule. In fiscal 1977, EDA granted the Committee $30.1 million; additional grants of $4.6 million in 1978 and $1.5 million in 1979 were made for a total EDA commitment of $36.2 million. The project has a funding overrun because of a variety of unforeseen events, such as: an environmental requirement that the Olympic site be restabilized after a particularly rainy spring season in 1977 resulted in excessive silt runoff; an increase in the number of athletes expected to participate in the Games; a number of change orders directed by the International Olympic Committee; and lack of an approved transportation plan affecting the number of parking and bus facilities.

Effects

This reprogramming request will reduce the overall amount available for Business development by $7.0 million and Technical assistance by $2.0 million. Of these amounts, $7.5 million is from funds that had been set aside for the EDA Demonstration effort for which no commitments have been made. Since these funds were uncommitted, the effect to this program, would therefore, be negligible.

The remaining $1.5 million would be reprogrammed from Technical assistance - Trade adjustment assistance. Obligations for Trade adjustment assistance to firms are behind schedule since the Trade Adjustment Centers have only recently begun to process applications.

Finally, $2.0 million is to be taken from the District Planning grant program. Even after this reduction, EDA will be able to fund a total of 46 new Districts in FY 1979, bringing the total to 245. This is an increase of more than 23 percent in the number of funded Economic Development Districts.

Mr. HALL. As you know, we are asking your concurrence in the reprograming of $11 million of EDA funds for the completion of the winter Olympic facilities at Lake Placid. Of that amount, $7 million would come from business development demonstration funds and $500,000 from technical assistance demonstration funds; EDA has no present plans or pending applications to use these funds, and therefore, the effect of the reprograming would be negligible. An additional $1.5 million of technical assistance funds earmarked for trade adjustment assistance would also be reprogramed under this proposal; the remaining funds available for trade adjustment technical assistance will be ample to meet all foreseeable demands between now and the end of the fiscal year; we do not expect any significant reduction in our efforts to make technical assistance available to trade-impacted firms or industries as a result of this reprograming.

The balance of $2 million would be reprogramed from the economic development district planning program. The President's budget for fiscal 1979 requested $12,630,000 for district planning grants, enough to provide grants to 230 districts, or 31 more than the number supported in fiscal year 1978. The Congress increased this amount by $4,320,000 to a total of $16,950,000 to fund all designated and authorized districts.

We now plan to fund 245 economic development districts for a total of $13.2 million. This will permit an addition of 46 districts over the fiscal year 1978 level, an increase of 23 percent in the number of funded districts. A total of $750,000 will be used for a first round of incentive grants to the districts. An additional $1 million is proposed for strengthening the district planning grant program through a second round of incentive grants, a series of training programs and additional professional service grants. The final $2 million is proposed for reprograming.

The additional $4,320,000 provided by Congress is thus accounted for in the following fashion: $570,000 for funding 15 additional districts; $750,000 for the first round of incentive grants; $1 million for additional incentive grants, professional services and training; and $2 million for reprograming.

NEED FOR ADDITIONAL OLYMPIC FUNDS

The need for the Olympic funds is quite clear. The original estimates for the cost of Olympic facilities have turned out to be too low by a considerable amount, largely due to higher than anticipated inflation, the need to accommodate more athletes than originally expected, and unexpected environmental protection costs.

It is now expected that total Federal and State costs for construction of Olympic facilities will amount to $109,234,450. Of this amount, $36,226,500 has already been made available by EDA and $22 million by the Bureau of Prisons. The Department of Energy has provided $707,950 for a total of $58,934,450. With the additional $11 million requested in this reprograming, the total direct Federal contribution to construction financing will be close to $70 million.

An additional amount of $10,700,000 in Federal funds will flow through New York State agencies to finance construction, for a

total Federal construction cost of about $80,700,000. An additional $2 million has been appropriated to the Department of Defense for expenses in connection with the conduct of the games, and $10 million more is being sought. If this is provided, the total Federal contribution will amount to $92,700,000.

That, Mr. Chairman, concludes my brief statement on the reprograming. My colleagues and I would be most willing to answer any questions you may have.

DEFENSE DEPARTMENT INVOLVEMENT

Senator HOLLINGS. How does the Department of Defense justify any kind of expenditure on the Olympic games?

Mr. HALL. It is in the conduct and operation of the games, Mr. Chairman. They are looking to the Defense Department to perhaps provide personnel for crowd control and security.

Senator HOLLINGS. They do provide crowd control and security?

Mr. HALL. That is part of the discussion.

Senator HOLLINGS. I can see them shooting a gun at them if they don't win. But where in the world does the Defense Department get into this?

Mr. HALL. This has been the practice for the Defense Department to be available with military personnel to provide temporary personnel required to augment protection at the games, and augment communication. The Signal Corps is used to provide temporary added communication support.

DISTRICT PLANNING FUNDS

Senator HOLLINGS. The $2 million, how do you rationalize taking the $2 million away from the districts? Congress was very strong on the idea of funding all the districts. Now what you say is you are going to fund 46 districts, or an increase of 23 percent. That is considering all the districts and appropriating $16 million. How can you take $2 million from that district program? I know Senator Bumpers has something to say about that.

Senator BUMPERS. I have about 20 telegrams that were generated by the interest on it.

Senator HOLLINGS. Let me yield to you, because I imagine we got quite a few.

TOTAL FEDERAL ASSISTANCE TO OLYMPICS

Senator BUMPERS. Mr. Chairman, of course, I have trouble with this whole thing. As Secretary Hall has listed here, he wonders where this all is going to end. We started out with EDA's contribution of, was it $36 million?

Mr. HALL. Yes, sir.

Senator BUMPERS. And $22 million by the Bureau of Prisons. Then the Department of Energy with this $11 million, we are up to $70 million. Then you have $10 million that is going to flow through the New York State agencies from other Federal funds. That gets us up to $80,700,000. And then the $2 million to the Department of Defense, and they are seeking $10 million more. That brings us to $92,700,000.

There isn't a more avid sports fan, certainly in this room, maybe in the country, than I am. We never have had winter sports in my state, but I love them and we are all skiers in my family. But I am telling you I cannot support this.

The other thing that I would like to point out is that by reprograming, if I understand this—and you correct me if I am not, Mr. Secretary—all you need is this Appropriations Subcommittee concurrence in order to reprogram; isn't that true?

Mr. HALL. That is correct, Senator.

Senator BUMPERS. And I have serious problems with that whole philosophy, be that as it may. When you are talking about getting this up to $90 million, I would a lot rather see this through a supplemental and everybody have a shot, rather than allowing just the members of this subcommittee to authorize the reprograming of $11 million. If this money was appropriated by the Congress for specific purposes, and if it isn't going to be spent, that is just fine; it will revert back to the Treasury, most of it, if it isn't spent.

Mr. HALL. Senator, may I respond to that?

Senator BUMPERS. Yes, please do.

Mr. HALL. Certainly I, too, have been concerned about where this is going to end.

Senator BUMPERS. I am sure you have.

Mr. HALL. And I have some larger, broader views in terms of the conduct of Olympics on the part of the United States. But more specifically, the administration's position was to make investments there. The commitment is there. 1980 is coming. The games are coming. There are unavoidable extra costs. But the administration's position is that we are going to go for $11 million, and that is it. There is still some $2.3 million more that the Winter Olympic Committee has requested. Our view is that it must come from the State and local, or private sources. This is the final absolute Federal payment in terms of construction costs, this $11 million.

Senator BUMPERS. Mr. Secretary, weren't the Olympics held at Squaw Valley several years ago?

Mr. KANE. The winter games of 1960 were held at Squaw Valley.

Mr. HALL. They were held at Lake Placid in 1932.

Senator BUMPERS. And then at Squaw Valley in 1960. How much did the Federal Government contribute to those Olympics?

Mr. HALL. I don't know.

TOTAL FEDERAL CONTRIBUTION

Senator BUMPERS. What is the total cost to all agencies by the Olympic Committee, through private contributions, the State of New York, and the Federal Government? What is the total cost of this going to be?

Senator WEICKER. Would you yield?

Senator BUMPERS. Yes.

Senator WEICKER. What was the original estimate? Let's move in that direction. I would like to hear the original estimate. Do you have that figure?

Mr. HALL. It was $40 million prior to the appropriation.

Senator WEICKER. $40 million for the total cost of the project?

Mr. WILLIAMS. $40 million was the Federal contribution. Then that was increased to $56 million, $34 million from EDA and $22 million from the Bureau of Prisons.

Senator BUMPERS. $34 million from EDA and $22 million from the Bureau of Prisons?

Mr. WILLIAMS. Yes.

Senator BUMPERS. Incidentally, how does the Bureau of Prisons get into this? Do they get a facility when it is finished?

Mr. HALL. One of the major facilities for housing athletes will be converted into a prison.

Senator BUMPERS. From that standpoint, their $22 million would make a little bit of sense. But I don't think we got the answer to Senator Weicker's question. Were you asking what the total contribution was originally planned to be of the Federal Government?

Senator WEICKER. Yes. First of all, what was the original estimate as to the overall cost of this facility? The cost to the Federal Government, of course. But what was the original cost estimate of this?

Mr. HALL. $76 million.

Senator BUMPERS. That was only the Federal share?

Senator WEICKER. No, that was the total, $76 million was the original estimate. What is now the estimate, including the Federal share?

Mr. HALL. In terms of overall construction Federal and State, it is $109 million, and then another $15.8 million of Federal funds for conduct of the games. So in terms of the construction and conduct of the games, we are talking about $125 million.

Senator WEICKER. $125 million is now the estimate. The original Federal share was to be $43 million. That will now be what?

Mr. HALL. If you break it between construction and operation, the total Federal construction cost will be almost $80 million, $70 million direct Federal grants; and another $10.7 million indirect that will flow through the State. So total Federal construction estimates are $81.7 million. In terms of Federal funds for conduct of the census, $2 million has been provided to date, and probably another $10 million will be provided, through the Defense Department's onsite operation. So you add that $12 million to $80.7 and the total is $92.7 million.

STATE CONTRIBUTION

Then in terms of State construction, $28.6 million, and $3.8 million for operation, for a total of $32.4 million.

Senator BUMPERS. What is the State's participation?

Mr. HALL. In terms of construction, $28.6 million and operations $3.8 million for a total of $32.4 million.

Senator BUMPERS. That is New York State?

Mr. HALL. That is correct.

Senator HOLLINGS. When you say State, are those purely State moneys or funds flowing from the Federal Government?

Senator BUMPERS. Does that include this figure you gave in your formal testimony, the $10.7 million in Federal funds that go through State agencies?

Mr. HALL. No, I included that in the total Federal share.

Senator BUMPERS. So the answer to Senator Hollings' question is that is all pure State money.

Mr. HALL. That is my understanding.

Senator BUMPERS. If you will yield, Mr. Chairman, what would it cost to build just the facility that the Bureau of Prisons will get when the games are over, if we were just going to build a prison?

Mr. HALL. I believe that was $22 million.

Senator BUMPERS. I know that is how much is going to it by the Bureau of Prisons. How much is going from the Bureau of Prisons into the construction?

Mr. HALL. That is $22 million.

Senator BUMPERS. So the rest of everything we are putting in, if you took the $22 million off the presently anticipated $92.7 million, the balance of that is what the Government gratuitously gave to the games and Lake Placid.

Mr. HALL. Something on the order of $70 million.

Senator BUMPERS. Currently, that is, if they don't come back for more.

Mr. HALL. As I indicated, Senator, as far as the administration is concerned, this is the last Federal contribution for construction.

Senator BUMPERS. Mr. Secretary, you and I have been through that chute before.

Senator WEICKER. As we get closer and closer to the opening day of those Olympics, believe me, just as the people who are responsible for the appropriations end of things, it doesn't look very good if we go from $43 million to $90 million in the space of a couple years. This request is over double the original estimate. I am not blaming you.

Senator HOLLINGS. Mr. Eden said 35, you got it up to 46. It tells us something more about the regular appropriation procedures. That is, we come and put these moneys in for demonstration funds, we put them in for district moneys, we put so much in for the business development, technical assistance and everything else, and then go around and claim they will appear unused. We must not have very good hearings. We must have appropriated too much money.

Senator BUMPERS. That is a good point that needs to be made, Mr. Chairman. Why are we going through all the formality, fighting for a dollar here, and then if you get to the Olympic games, then all of a sudden you find $11 million.

SOURCE OF REPROGRAMED FUNDS

Senator BUMPERS. How many different funds are you proposing to reprogram funds from?

Mr. HALL. Four including the district planning program.

Senator BUMPERS. That is $2 million?

Mr. HALL. Right. The demonstration program never really got started.

Senator BUMPERS. How much of that?

Mr. HALL. $7.5 million, then $1.5 million from technical assistance related to trade adjustment programs.

Senator BUMPERS. That is to help those businesses that have been adversely affected by imports, isn't it?

Mr. HALL. That is right.

Senator BUMPERS. I have shoe factories closing over in my State. They will be delighted to know we are reprograming that for the Olympics.

Mr. HALL. In terms of technical assistance programs for trade adjustment, we see no adverse impact. The demand hasn't been as great as we initially anticipated, and this program can give up $1.5 million out of $19 or so million.

Mr. WILLIAMS. Every demand by a shoe firm in the State of Arkansas has been met and will be met with this budget.

Senator WEICKER. As I understand it, and correct me if I am wrong, doesn't a town or a city make a presentation before the Olympic Committee to hold this affair? Is that right?

Mr. HALL. Yes.

Senator WEICKER. Then the Olympic Committee makes the decision?

Mr. HALL. That is correct.

Senator WEICKER. Who made the presentation, Lake Placid or the State of New York?

Senator HOLLINGS. EDA and the Bureau of Prisons came right before this subcommittee.

Senator WEICKER. I want to know did we have somebody in the U.S. Government that participated in this presentation, or were we brought in after the fact?

Mr. HALL. I believe it is after the fact. This goes to an earlier comment I made in terms of how we support and run the Olympics in these United States. I raise it in terms of Los Angeles. Los Angeles has "won" the 1984 summer Olympics.

Senator WEICKER. And they do it on their own.

Mr. HALL. And then go to Congress for legislation.

Senator WEICKER. If people are going to make a presentation, I suggest a member of this committee and somebody else be a part of that offer or request to hold this affair.

Senator BUMPERS. These people go out and solicit and get these. Tom Bradley I am sure will be coming up here and asking for $150 to $200 million.

Senator HOLLINGS. $184.3 million.

Senator BUMPERS. Now that is interesting, isn't it.

TRADE ADJUSTMENT FUNDS

Senator HOLLINGS. Mr. Secretary, on the trade adjustment—the program, we appropriated $90.1 million and you have only used $28 million. If you are going to take any out; I don't know whether you are, if you did, why take it from the district moneys that Congress strongly supported and not take it from trade adjustment? It seems to me there is more give in the trade assistance program.

Mr. HALL. Senator, we feel that given what we have in the pipeline as far as trade adjustment loans and trade adjustment technical assistance projects, we will need and will use the funds, all but $1½ million that we are proposing to reprogram. In terms of the district program, we are proposing a substantial increase in the funding, particularly the funding of new districts. We are talking

about 45 additional districts over the 199 we have now. This is about a 23 percent increase. Administratively and operationally, it is our judgment this is what can be effectively handled.

Senator HOLLINGS. You are only talking about four more months. Do you have $60 million in the pipeline for trade assistance?

Mr. HALL. Or loans.

Senator HOLLINGS. You have only approved $28.9 million so far.

Mr. WILLIAMS. Senator, if you will recall, last year we had a supplemental for adjustment assistance which was not passed until September. Therefore, we made a number of grants in the month of September, and they don't come up for renewal until late in the fiscal year. That is why the rate of application was slow in the first part of the year. The new trade adjustment assistance centers that we started with the funds last year have really become very active, and there are predictions to us that beginning around July 1 we are going to be overwhelmed with projects.

Senator HOLLINGS. Gentlemen, we want to move to the new EDA. That is $600 million, isn't it? We have got some other questions. We can debate the Olympics all morning long.

Senator WEICKER. I agree, Mr. Chairman. I think we ought to move along. I hope we will have a serious discussion among ourselves as to what we are going to do. I think there are some real problems associated with it. It is just as they expect, we are going to be caught in a bind. Who are they going to look to if all of a sudden the money doesn't come.

OTHER SOURCES OF OLYMPIC FUNDS

Senator BUMPERS. Mr. Chairman, how much has the Olympic Committee put into this?

Mr. HALL. The local Lake Placid Olympic Committee has put in only a very small amount. Indeed, I believe there are no local funds in this.

Senator BUMPERS. Where does all the money go from the television ads I see saying: "Contribute to the Olympic Committee because we use amateur athletes and the Soviets use professionals"? What happens to that money? Is that just used to send them to the summer Olympics?

Mr. HALL. No. The TV rights, for example, are being used to pay for the administrative costs of the games, in terms of organizing the Olympics and making necessary arrangements and actually contacting and paying for referees, et cetera.

Senator BUMPERS. You mentioned a while ago this $15 million to conduct the games. Where is that coming from?

Mr. HALL. That is Federal and State, $12 million is coming from the Federal Government. This would be Federal Government operational costs. And above and beyond that, there are additional costs that are paid for, in effect, out of private funds, that is, the donations or moneys generated by the Olympic Committee.

Senator BUMPERS. Has the television contract been negotiated on it?

Mr. HALL. Yes.

Senator BUMPERS. How much is it?

Mr. KANE. $15 million.

Senator BUMPERS. Who got it, ABC?

Mr. HALL. I believe so.

Senator WEICKER. I think this raises a question as to whether or not the U.S. Government ought to be the negotiating agent on this matter. We are ending up paying for it. Here is Lake Placid with almost no contribution whatsoever, and they are the ones that went in and bid on it.

Senator BUMPERS. I am going to bid on the Olympics for Arkansas next time.

Senator HOLLINGS. It should have been in downtown New York. Then we could have revived that city, too.

Senator BUMPERS. They have some pretty fast games there.

FUTURE FEDERAL INVOLVEMENT IN OLYMPIC GAMES

Mr. HALL. Perhaps I may be speaking out of turn; I am not representing any administration policy or philosophy. As an administrator stuck with this thing, I think it is a serious question in terms of how this Government relates to the international Olympics. I find it very difficult as an administrator to be put in a situation where something is negotiated between parties A and B and party C has to pick up the tab, the way the situation is negotiated and the way the projects are managed. I think that if the prestige of the United States is on the line, as I hear so often from the managers of the games, and that if the Federal Government doesn't come in, the prestige of the United States will suffer, I think that is unfortunate.

I am going a little beyond my purview, perhaps because I have something in my craw. I think it is appropriate perhaps at some point for Congress and the Government of the United States to sit down and see how we should participate in the future, post-1984, since the summer one is set.

One might even suggest there be some commission that involves the Federal Government that sets ground rules and procedures whereby communities can bid for the Olympics and that there be some understanding of the cost sharing. If the United States wants to participate, maybe we want to have one winter facility and one summer facility for the use as a training ground not only for the Olympics but the pan-American games as well. There is a lot of Federal participation, and I think we ought to try to minimize the cost and get permanent use out of it. That comment has not been cleared by OMB, Mr. Chairman.

Senator WEICKER. It is probably the reason it makes so much sense.

Senator HOLLINGS. Mr. Secretary, we do have a letter from Senators Moynihan and Javits endorsing the $11 million.

Senator BUMPERS. That comes as a great shock to me, Mr. Chairman.

Senator HOLLINGS. We will include that in the record.

[The letter follows:]

Letter From Senator Jacob K. Javits

June 4, 1979

Dear Fritz:

We understand that the Administration has sent a reprogramming request for $11,000,000 in unspent EDA funds for FY 79 to the Subcommittee on State, Justice, Commerce and the Judiciary. As you know, this request will be used to help close an estimated $13.6 million gap in the construction budget for the 1980 Winter Olympic Games to be held in Lake Placid, New York from February 13-24, 1980.

At this time, we would like to request that your subcommittee act favorably upon the Administration's reprogramming request. Meetings between the White House, New York State officials, EDA officers, the Lake Placid Olympic Organizing Committee, and other interested parties have been ongoing for the past month to determine the best possible way to reduce the Lake Placid Olympic Organizing Committee's construction deficit.

The actual debt in the budget was approximately $17 million. Through ardent economies and frugal planning, the LPOOC was able to reduce this deficit to $13.6 million. We are now at a critical point in the funding and planning stage for construction of facilities: there are only eight months left until the opening ceremonies of the XIII Winter Olympiad. This Federal reprogramming commitment will ensure that a safe and secure Winter Olympics occurs next year.

Because EDA has been the primary Federal agency with oversight of construction activities in Lake Placid, we believe that the $11 million reprogramming is both proper and germane to that agency. We hope you concur with this view. We expect that the LPOOC will not need additional Federal funds for the Olympic project, and we are endeavoring to identify alternative sources for the remaining $2.6 million that is needed to eliminate this debt.

We would be most pleased to provide you with additional information and assistance. In addition we have enclosed a recent LPOOC project budget outline which prioritizes facility costs for the upcoming Games.

We appreciate your attention to this reprogramming request.

With best wishes,

Sincerely,

Daniel Patrick Moynihan

Jacob K. Javits

XIII OLYMPIC WINTER GAMES

SUMMARY

TOTAL PROJECTED COST		$71,197,800	$71,197,800
CURRENT FUNDING:			
EDA Funding			
Original Grant	$30,000,000		
Ammendment #1	4,726,500		
Ammendment #2	1,500,000		
	$36,226,500		
		(36,226,500)	
BOP Funds:			
Original Intergency Agreement	19,200,000		
Expected Ammendment	2,171,300		
	21,371,300	(21,371,300)	
			(57,597,800)
ADDITIONAL FUNDING REQUIRED			$13,600,000

FACILITY	CONTRACTS/ COMMITMENTS	PENDING COMMITMENTS	RESERVE CONTINGENCY & CLAIMS	ADDITIONAL FACILITY REQUIREMENTS	TOTAL FACILITY COST
SPEED SKATING OVAL	2,159,098	36,657	27,370	473,270	2,696,395
FIELD HOUSE	14,056,308	337,627	342,531	112,620	14,889,086
RENOVATIONS TO EXISTING ARENA	621,076	25,885	15,056	1,983,070	2,645,087
ATHLETES' HOUSING	17,627,470	1,960,771	315,859	4,542,900	24,447,000
ADMINIS. 'OTIVE OFFICES	619,776	15,942	5,000	0	640,718
70 & 90 METER SKI JUMPS	4,885,694	714,231	60,000	392,260	6,052,185
LUGE	4,675,568	208,745	212,765	279,600	5,376,678
PARKING	26,284	0	0	1,222,210	1,248,494
INCREASED ELECTRICAL POWER	1,856,893	(101,427)	27,915	0	1,783,381
SANITARY & POTABLE WATER	4,200	0	0	222,060	226,260
TEMPORARY & MISC. CONSTRUCTION	1,364,523	606,421	0	2,454,926	4,425,870
PROJECT ADMINISTRATION	4,894,585	1,872,061	0	0	6,766,646
TOTALS	52,791,475	5,716,913	1,006,496	11,682,916	71,197,800

5/1/79

FACILITY: 400 METER SPEED SKATING OVAL

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$2,159,098	
2.	Pending Commitments.[B]	36,657	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	27,370	
4.	Total funds expended or obligated to date.		2,223,125

WORK NECESSARY TO COMPLETE THE FACILITY:

5.	Bleachers	76,170	
6.	Signs	1,500	
7.	Relocated Athletic Facilities	370,600	
	Amount Reserved as a Contingency and for Claims for Items	25,000	
			473,270
	Total Facility Costs		2,696,395

FACIL TY: FIELD HOUSE

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$14,056,308	
2.	Pending Commitments.[B]	377,627	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	342,531	
4.	Total funds expended or obligated to date.		14,776,466

WORK NECESSARY TO COMPLETE THE FACILITY:

5.	Plexi panels with design	10,000	
6.	Canvas panels at rear of temporary bleachers	19,200	
7.	Built-in furnishings	10,000	
8.	Parking lot	66,420	
	Amount Reserved as a Contingency and for Claims for Items	7,000	
			112,620
	Total Facility Costs		14,889,086

FACILITY: RENOVATIONS TO EXISTING ARENA

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1. Contracts and Commitments.[A]	$621,076	
2. Pending Commitments.[B]	25,885	
3. Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	15,056	
4. Total funds expended or obligated to date.		662,017

WORK NECESSARY TO COMPLETE THE FACILITY:

5. Roof	606,530	
6. Renovations	906,860	
7. HVAC	114,300	
8. Plumbing	24,910	
9. Electrical	193,000	
Amount Reserved as a Contingency and for Claims for Items	137,470	
		1,983,070
Total Facility Costs		2,645,087

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FACILITY: ATHLETES' HOUSING

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$17,627,470	
2.	Pending Commitments.[B]	1,960,771	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	315,859	
4.	Total funds expended or obligated to date.		19,904,100

WORK NECESSARY TO COMPLETE THE FACILITY:

5.	Building "Q" Security	477,210	
6.	Sitework	21,840	
7.	Utilities	362,000	
8.	Revisions to Buildings	764,660	
9.	Building "P"	152,970	
10.	Alterations, Buildings "K" & "L"	90,000	
11.	Miscellaneous Requirements	21,400	
12.	Temporary Units	2,144,400	
13.	Removal & Clearing of site	95,400	
	Amount Reserved as a Contingency and for Claims for Items	413,020	
			4,542,900
	Total Facility Costs		24,447,000

FACILITY: ADMINISTRATIVE OFFICES

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1. Contracts and Commitments.[A]	$619,776	
2. Pending Commitments.[B]	15,942	
3. Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	5,000	
4. Total funds expended or obligated to date.		640,718

WORK NECESSARY TO COMPLETE THE FACILITY:

Amount Reserved as a Contingency and for Claims for Items	
Total Facility Costs	640,718

2647

FACILITY: SKI JUMP

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$4,885,694	
2.	Pending Commitments.[B]	714,231	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	60,000	
4.	Total funds expended or obligated to date.		5,659,925

WORK NECESSARY TO COMPLETE THE FACILITY:

5.	Interior Fencing	20,000	
6.	Perimeter Fencing	45,000	
7.	Signs	3,000	
8.	First Aid Building	21,730	
9.	Snow Making Equipment	93,000	
10.	Extension of Water Main	57,170	
11.	Sewage Treatment	8,320	
12.	Additional sitework	31,250	
13.	Terraced Bleachers	109,220	
	Amount Reserved as a Contingency and for Claims for Items	3,570	
			392,260
	Total Facility Costs		6,052,185

FACILITY: LUGE RUN

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$4,675,568	
2.	Pending Commitments.[B]	208,745	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	212,765	
4.	Total funds expended or obligated to date.		5,097,078

WORK NECESSARY TO COMPLETE THE FACILITY:

5.	Crowd Fencing	75,000	
6.	Storage Building	10,000	
7.	Bleachers	9,000	
8.	Modifications to Public Address System	5,000	
9.	Timing Wire	20,000	
10.	Sun Screens	50,000	
11.	Cross Over Bridges	50,000	
12.	Control Tower	20,000	
13.	Paint Run	16,000	
	Amount Reserved as a Contingency and for Claims for Items	24,600	
			279,600
	Total Facility Costs		5,376,678

FACILITY: PARKING FACILITIES

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$ 26,284	
2.	Pending Commitments.[B]	-0-	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	-0-	
4.	Total funds expended or obligated to date.		26,284

WORK NECESSARY TO COMPLETE THE FACILITY:

5.	Access Fencing	15,000	
6.	Information Booths	37,500	
7.	Bus Shelters	100,000	
8.	Signs	11,250	
9.	Temporary Power	50,000	
10.	Site Preparation	322,790	
11.	Site Restoration	254,375	
12.	Lighting	382,545	
	Amount Reserved as a Contingency and for Claims for Items	48,750	
			1,222,210
	Total Facility Costs		1,248,494

FACILITY: INCREASED ELECTRICAL POWER

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1.	Contracts and Commitments.[A]	$1,856,893	
2.	Pending Commitments.[B]	121,573	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	27,915	
4.	Credit - Village of Lake Placid	(223,000)	
5.	Total funds expended or obligated to date.		1,783,381

WORK NECESSARY TO COMPLETE THE FACILITY:

Amount Reserved as a Contingency and for Claims for Items	-0-
Total Facility Costs	1,783,381

FACILITY: SANITARY & POTABLE WATER

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:			
1.	Contracts and Commitments.[A]	4,200	
2.	Pending Commitments.[B]	- 0 -	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	- 0 -	
4.	Total funds expended or obligated to date.		4,200
WORK NECESSARY TO COMPLETE THE FACILITY:			
5.	Extension of Water Main	83,600	
6.	Extension of Sewer Main	118,460	
	Amount Reserved as a Contingency and for Claims for Items	20,000	
			222,060
	Total Facility Costs		226,260

FACILITY: TEMPORARY AND MISCELLANEOUS CONSTRUCTION

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:			
1.	Contracts and Commitments.[A]	$1,364,523	
2.	Pending Commitments.[B]	606,421	
3.	Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]	- 0 -	
4.	Total funds expended or obligated to date.		1,970,944
WORK NECESSARY TO COMPLETE THE FACILITY:			
5.	Design	170,000	
6.	Opening Ceremonies	712,400	
7.	Whiteface Alpine	275,000	
8.	Bobsled Run	80,000	
9.	Scoreboards	144,000	
10.	Cross Country/Biathlon	390,000	
11.	Flag Poles	228,450	
12.	Sanitary Facilities	118,110	
	Amount Reserved as a Contingency and for Claims for Items	336,966	
			2,454,926
	Total Facility Costs		4,425,870

FACILITY: PROJECT ADMINISTRATION

FUNDS EXPENDED OR REQUIRED TO BE OBLIGATED TO DATE:

1. Contracts and Commitments.[A]	$4,894,585.	
2. Pending Commitments.[B]	2,228,061	
3. Amount Reserved as a Contingency and for Claims for Items 1 and 2.[C]		
4. Total funds expended or obligated to date.		7,122,646

WORK NECESSARY TO COMPLETE THE FACILITY:

Amount Reserved as a Contingency and for Claims for Items	
Total Facility Costs	7,122,646

FUNDS FOR DISTRICTS

Senator HOLLINGS. We have have a copy of a letter to the Secretary from Senators Huddleston, Bayh, Sasser, and Leahy of this committee, as well as Senators Domenici and Baucus, relative to their unfunded districts. Will those be funded under these 43 new districts?

Mr. HALL. Some portion of them would be funded in terms of the new districts.

Senator HOLLINGS. What does that mean? "Some" means nothing to me.

Mr. HALL. If you are asking directly will all of these be funded, the answer is no.

Senator HOLLINGS. That loses us those votes.

Mr. HALL. Let me say that two or three of these will be funded, and what we are doing in terms of the new districts is we will be funding their pending district applications in each of the regions and each part of the country, and we will be funding a portion of those in each part. So no one State will be getting all their districts funded, but they would be getting their fair share.

[The letters follow:]

Letter From Various Senators

April 18, 1979

The Honorable Juanita Kreps
Secretary
Department of Commerce
14th and Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Madam Secretary:

As you know, Congress has appropriated $16.95 million for the EDA economic development district program in fiscal 1979. In providing this amount -- approximately $4 million more than the budget request -- the Senate Appropriations Committee in its report specifically stated that the additional funding was for the purpose of funding the bulk of the 103 unfunded districts.

At this point, it appears, however, that OMB intends to limit to 30 the number of new districts to be funded from the FY 79 appropriation. This is clearly contrary to Congressional intent.

When EDA Assistant Secretary Robert Hall testified before both the House and Senate Appropriations Subcommittees on State, Justice, Commerce, the Judiciary, he stated that OMB and EDA were discussing funding additional districts as well as modifying the fiscal 1980 request. After several weeks, the Subcommittees still have no final word on the matter.

More than six months has elapsed since Congress appropriated this FY 79 funding. We believe that a prompt release of these funds is in order. If the Administration does not wish to spend this money to fund the bulk of the 103 unfunded districts as was intended by Congress, then it should immediately send to the Appropriations Committees a rescission of this budget item. That is the procedure to be followed when the Administration seeks to avoid the expenditure of appropriated funds.

For your information, we are enclosing a letter signed by several Senators last year requesting additional funding for the unfunded districts. This enclosure makes obvious the purpose for which the funds were to be used and was the basis for their addition to the bill. ..

Your prompt reply to this letter would be appreciated.

Sincerely,

Birch Bayh

Walter D. Huddleston

Jim Sasser

Patrick J. Leahy

Pete V. Domenici

Max Baucus

Enclosures

LETTER FROM VARIOUS SENATORS

June 7, 1978

The Honorable Ernest F. Hollings
Chairman
State, Justice, Commerce and
the Judiciary Subcommittee
Committee on Appropriations
S-146A Capitol
Washington, D.C.

Dear Mr. Chairman:

We are writing to urge that the Subcommittee include an appropriation of $20 million for Section 301(b) of Title III of the Public Works and Economic Development Act. This section provides planning funds to designated Economic Development Districts throughout the country.

The fiscal 1979 budget request for this program is $13.2 million which represents a $3.2 million increase over the fiscal 1978 appropriation. Of the $3.2 million, EDA would use $1 million for increased support for current grantees and $2.2 million to fund some 30 new grantees. The problem is that there are

not 30 new potential grantees, but instead there are some 110 authorized or designated districts throughout the country which are awaiting funding. A list of those districts is attached.

In view of the importance of economic development and the role which EDA has been given in both rural and urban areas, we believe that funds should be made available not only to provide a cost-of-living increase for existing grantees but also to fund the authorized and designated but unfunded districts.

While the House Subcommittee decision to provide $15.2 million is certainly a step in the right direction, we would hope the Senate Subcommittee would include $20 million so that a conference compromise which would both adequately assist existing districts and fund unfunded ones might be obtained.

Thank you for your consideration of this matter.

Sincerely,

Birch Bayh

Walter D. Huddleston

Quentin N. Burdick

Patrick J. Leahy

Jim Sasser

Unfunded Economic Development Districts

ALABAMA

East Alabama EDD
Muscle Shoals EDD
North Central EDD
West Alabama EDD

CALIFORNIA

North Coast EDD
Superior EDD
Central Sierra EDD

COLORADO

San Juan Plng Region 9
Dist 10 Reg Plng Comm

FLORIDA

Northwest Fla Plng Coun
District 4 EDD
District 5 EDD
District 6 EDD
District 7 EDD
District 8 EDD
District 10 EDD

GEORGIA

Atlanta Regional Comm
Altamaha-GA Southern
Middle Georgia APDC

HAWAII

Hawaii Econ Dev Dist

ILLINOIS

Southern Five RPDD
Southwestern ILL. RPDC
Greater Wabash RPDC
West Central Valley RPC
Rock Valley RPDC (WI)

INDIANA

Region 12 EDD
Region 2 EDD
River Hills Reg Plng
Region 6 EDD
Region 11 EDD
Plng and Dev Region 1-B
Plng and Dev Region 5
Region 3-A EDD

IOWA

District 8 EDD
District 1 EDD
Iowa Northland Region 7

KANSAS

Southwest KS EDD

KENTUCKY

Fivco Area Dev Council
Big Sandy Area Dev Dist
Cumberland Valley ADD
Gateway Area Dev Dist
Kentucky Kyr Ar Dev Dst
Lake Cumberland EDD
Buffalo Trace Ar DEVDST
Bluegrass EDD
Northern Kentucky EDD

MAINE

Kennebec Reg Plng Dist

MASSACHUSETTS

Merrimac Valley Area
Northern Middlesex Area
Old Colony Area

MICHIGAN

Region 2 Plng Comm
Southeast Michigan COG
Reg V Plng & Dev Comm
Plng & Dev Reg 6

MINNESOTA

West Central EDD
Six East Reg Dev Comm
Six West Reg Dev Comm
Central Minnesota EDD
C. Central Reg Dev Comm
Southwest Reg Dev Comm

MISSISSIPPI

Golden Triangle PSDD
Three Rivers PSDD
Northeast MS PSDD

MISSOURI

Northwest Missouri EDD
Ozark Gateway EDD
Lake of the Ozarks EDD
Mid-Missouri EDD

MONTANA

Big Horn Dev Corp
Tri-County (Reg 5) EDD

District 1 EDD
District 11 EDD

NEBRASKA

Region 4 and 7 EDD
Regions 18 and 19 EDD
Northeast Region

NEW MEXICO

Eastern Plains COG

NORTH CAROLINA

Region L EDD
Southwestern N.C. PDDC

NORTH DAKOTA

North Central Reg 3 EDD
Region 2 EDD

OHIO

Ohio Plng Dev Reg 2(A)
Western Resrv ED Agncy
NE Ohio Four Cnty EDD

OREGON

District 3, Ore EDD
District 4 EDD
Area 10 Econ Dev Dist

PENNSYLVANIA

Southwestern PA. EDD
Northwest PA. EDD
Region 5 EDD

SOUTH CAROLINA

Central Midlands Coun
SC Appalachian COG

SOUTH DAKOTA

Fifth Dist Plng Dev Com

TENNESSEE

Memphis-Delta EDD
Northwest TN. Dev Dist

TEXAS

Golden Crescent COG
Capital Area Plng Coun
South Plains Assn Govt

UTAH

Southwest EDD

VERMONT

Southeastern VT. EDC

VIRGINIA

Central Shenandoah EDD
Mt Rogers Plng Dist 3

WASHINGTON

South Coast EDD
KI-YAK RES CONSV & EDD
SOUTHEAST (AREA 11) EDD
Big Ben EDD (Area 9)

WEST VIRGINIA

Region 2 Plng Dev Coun
Region 10 Econ Dev Dist

WISCONSIN

East Central EDD
North Central Wisc. EDD
Rocky Valley RPDC (IL)

ENERGY EXPO 1982

Senator HOLLINGS. The subcommittee has received a letter from Senator Sasser as well as a statement from Senator Baker regarding Energy Expo 1982, which will be a 6-month international exposition in Knoxville, Tenn., from May to October 1982. We will include those in the record.

[The letter and statement follow:]

50-498 O - 79 - 8

LETTER FROM SENATOR JIM SASSER

Honorable Ernest Hollings
Chairman
Subcommittee on State, Justice, Commerce
and the Judiciary Appropriations
Committee on Appropriations
United States Senate
Washington, D. C. 20510

June 4, 1979

Dear Fritz:

Energy Expo '82 will be a six-month international exposition to be held in Knoxville, Tennessee, from May to October 1982. In October, 1977, President Carter granted official federal recognition to Expo '82. Within the next two weeks, the Office of Management and Budget will send a budget amendment to the Congress requesting funding for the American pavilion which will be the key structure of this exposition. I want to urge the Subcommittee on State, Justice, Commerce and the Judiciary Appropriations to favorably consider this budget amendment.

As you know, this exposition will be based on the theme, "Energy Turns the World." This theme has been selected because of the Knoxville area's worldwide prominence and recognition for its energy-related facilities, including the Tennessee Valley Authority, the Oak Ridge National Laboratory, and the national energy-related research being conducted by the University of Tennessee. The Expo will focus on all aspects of energy including fossil, solar, geothermal, and nuclear, as well as conservation.

I would like to point out that other nations are already planning participation in this exposition. The U.S.S.R., for example, has visited Knoxville to select a site for their pavilion. In addition, the local community and state government are making substantial contributions to the event. Expo '82 has already received $25 million in private financial commitments. The State of Tennessee is providing $10 million for a State pavilion.

I want to urge the Subcommittee to provide the funding which will be requested by the Administration. I hope these funds can be included in the regular Fiscal Year 1980 Appropriations Act. I would like to point out that in order for the pavilion to be completed in time for the opening of Expo, construction must begin by February 1980. Providing the funding on a later FY 1980 supplemental bill would be too late to keep the project on schedule.

Attached is a statement by Senator Howard Baker on behalf of this project. I would appreciate your placing my letter and Senator Baker's statement in the hearing record.

Thank you for your assistance in this matter.

Sincerely,

Jim Sasser
United States Senator

Enclosure

STATEMENT OF SENATOR HOWARD H. BAKER, JR.

June 4, 1979

I appreciate this opportunity to endorse funding for the international exposition planned for Knoxville, Tennessee during 1982. Energy-Expo '82 will draw upon the diverse resources of the Knoxville vicinity including the nation's foremost energy laboratory at Oak Ridge, the nation's largest public utility - The Tennessee Valley Authority, and the University of Tennessee. The timeliness and urgency of the theme-energy technology development - can not be disputed.

This project enjoys the support of the Tennessee delegation in Congress and the Administration. The final plan for federal participation is being prepared by the Office of Management and Budget and a request for funding is expected shortly.

I anticipate also expeditious action in the Senate Foreign Relations Committee on S. 1012, a bill authorizing federal participation, co-sponsored by Senator Sasser and myself.

Because of the substantial lead times for construction of pavilions and other facilities on the site, it is essential that the project receive funding during the current appropriations process.

I urge the Subcommittee to carefully review this request and to provide adequate funding for this project.

Senator HOLLINGS. Do you have an authorization for that?

Mr. HALL. We have a grant.

We have $2,450,000 for site preparation of Energy Expo. It is currently awaiting an environmental review, Senator, and we anticipate that in 30 days. When the second environmental review is completed and hopefully no problems occur, we will proceed to consummate that $4.2 million grant. This is from EDA. I believe there is some other funding pending for the U.S. pavilion at the Expo, and some $25 million is being requested. That request I believe is on the Hill now.

Mr. PARKER. That request is at OMB.

PROPOSED NEW EDA LEGISLATION

Senator HOLLINGS. Mr. Hall, what can you tell us about the new legislation?

Mr. HALL. Senator, just to be very brief, as you know, the administration's——

Senator BUMPERS. Mr. Chairman, before he starts, is there any kind of document that should be in front of us outlining that? Do you have a prepared statement?

Mr. HALL. Not on the new legislation.

Mr. Chairman, as you may recall, the administration had a major organizational and program decision to make in the area of economic development. On March 1, the President decided that he would expand the role and function of the Economic Development Administration as the Nation's economic development agency. As you may recall, there was some discussion of setting up a Department of Economic Development that would incorporate portions of HUD, EDA, and the Department of Agriculture.

The decision instead was to keep EDA in the Department of Commerce and to take those roles and functions that heretofore had been housed in the National Development Bank and assign those to EDA in the course of EDA reauthorization legislation coming up to the Hill, to fold those functions in the EDA authorization. The administration submitted a bill with a Presidential message on economic development on April 4. We are currently dealing with some four committees—the Public Works Committees in the Senate and House and the Banking Committee in the Senate and House.

The House Public Works Committee has reported out a bill which incorporates almost all the features of the proposed development financing program. These are the banking provisions which have been folded in the existing title II business development program. The committee has also picked up several other features that the administration proposed in its legislation. I should note that the House Public Works Committee has also proposed a standby countercyclical local public works program, which the administration has not and does not support.

The House Banking Committee has not marked up their bill yet. They did not meet the May 15 deadline.

Senator HOLLINGS. What about the Budget Committee? We have the concurrent resolution out, adopted by both houses. For example, energy impact assistance; was that included?

Mr. HALL. No, it was not included.

Senator HOLLINGS. In the final budget resolution, the concurrent resolution No. 1?

Mr. HALL. It is not in that, but in the joint resolution. As you may be well aware, Mr. Chairman, the Senate did provide for the additional funds that were requested for the expanded program, $708 million; the House provided $500 million. I believe the House is interpreting the joint resolution one way and the Senate the other way.

Senator HOLLINGS. We have leeway either way.

Mr. HALL. You have leeway to move within it. The administration supports the full funding. Our budget will be coming up very shortly. We will request the full funding the administration will propose.

Senator HOLLINGS. Save energy impact.

Mr. HALL. Save that. If the authorizing committees decide to go forward with the energy impact program, these funds would have to come out of the funds that are appropriated.

Senator HOLLINGS. They have to be authorized, but they are not in the budget. We can't appropriate unless they are.

CORRESPONDENCE

[CLERK'S NOTE.—Subsequent to the hearing the following letter was received from Assistant Secretary Hall. By direction of the chairman it has been printed in the record.]

[The letter follows:]

LETTER FROM ROBERT T. HALL

JUN 8 1979

Honorable Ernest Hollings
United States Senate
Washington, D. C. 20510

Dear Senator Hollings:

I wanted to share with you the attached letter from Senator Muskie to Secretary Kreps on the results of the House/Senate Conference on the First Concurrent Resolution on the FY 1980 Budget.

The Senator's letter makes it clear that the Resolution contains sufficient funds for the EDA initiatives proposed for FY 1980. As you are aware, these initiatives, which involve an expanded development financing program and increased public sector economic development funds, are contained in the Administration's proposed National Public Works and Economic Development Act of 1979 (NPWEDA). Modified forms of that legislation have already been reported out by the House Public Works and the Senate Banking Committees, and bills incorporating many of NPWEDA's provisions are expected to be reported by the Senate Public Works and House Banking Committees later this month. At this point, we are optimistic that the Congress will approve legislation that closely resembles NPWEDA.

As you know, OMB is currently reviewing the FY 1980 budget amendment associated with the EDA initiatives. We have been advised that every effort is being made to complete the review and transmit the amendment to Congress the week of June 18. At that time, I look forward to discussing our funding request for these important initiatives with you.

Sincerely,

Bob

Robert T. Hall
Assistant Secretary for
Economic Development

Attachment

Your support in the budget resolution process was appreciated.
Thanks
Bob

LETTER FROM SENATOR EDMUND S. MUSKIE

June 6, 1979

The Honorable Juanita Kreps
Secretary, Department of Commerce
14th Street and Constitution Avenue
Washington, D.C. 20230

Dear Juanita:

You have asked me to clarify the implications for the Economic Development Administration's new development financ-

ing program of the conference agreement on the First Concurrent Resolution on the Budget. I understand your concern derives from press accounts suggesting the conference agreement placed a limit on the amount which might be appropriated for the EDA program. Such reports are inaccurate and have no basis in fact. Full funding of the new EDA initiatives is possible under the Budget Resolution.

Under the longstanding precedents of the Congressional Budget Process, the totals contained in the Budget Resolutions may be allocated by Congressional committees in any manner agreed upon in the authorization and appropriation process provided that the total spending does not exceed the functional totals agreed upon by the Budget conference.

The assumptions of one House or the other about a particular functional total do not control the outcome, unless the Statement of Managers or the Conference Report itself sets forth such a limitation. There is no such limitation on the potential EDA funding under the First Resolution.

Our Senate version of the Resolution assumed $9.0 billion in budget authority and $8.2 billion in outlays for function 450, which contains the EDA program, and assumed full funding for the new EDA initiatives. The House assumed $8.2 billion in budget authority and $7.6 billion in outlays for function 450. The Budget Resolution agreed to contains figures $100 million lower in both budget authority and outlays than the Senate, but $600 million in budget authority and $500 million in outlays higher than the House.

Thus the conference agreement clearly contains sufficient funds for the EDA initiatives, although the $100 million reduction from the Senate levels will require some reduction in other programs contemplated in function 450 to achieve that result. This is particularly the case now that Congress has passed new disaster loan legislation increasing by $100 million the expected cost of that program, which is also in function 450. For example, funding for the proposed new Inland Energy program would jeopardize the possibility of full funding for EDA initiatives.

For my own part, I regard the new EDA initiatives as one of the most meritorious and promising programs in this year's budget and will support a full appropriation for them, provided the economies in other programs necessary to stay within the function 450 totals are realized.

With best wishes, I am

Sincerely,

Edmund S. Muskie

Senator HOLLINGS. Go right ahead. That then brings us down to the new development financing program and add-on to the ongoing EDA programs; is that right?

Mr. HALL. That is correct, Senator.

Just to briefly note the Senate action, as far as the authorizing committee, the Senate Public Works Committee reported out a shell bill in order to make the May 15 deadline. They are going back and marking up a simple extension of the EDA legislation, and we anticipate getting very close to the administration's request in those areas of their jurisdiction.

On the Senate Banking side, they have reported out the principal elements of the administration's request for the development and financing program. Their initial bill does contain some cut in the level of funds that were requested by the administration for fiscal 1980. As far as authorization, we have asked for $191 million in direct loan authority. The Senate Banking Committee is proposing at this point only $150 million for direct loans. In terms of guaranteed loan authority, the authority requested is $1.8 billion. The Senate Banking Committee is proposing $1 billion. In interest subsidies, we proposed $350 million, and the Banking Committee is reporting out $50 million. I should note there is some reexamination on the part of all these committees, and the two committees of the House and Senate, respectively, have to work together before they go to the floor.

In sum, we are very pleased with the progress so far, and we are hopeful of getting all or most of the administration's substantive authorization requests.

In terms of what the administration is requesting for fiscal year 1980, the formal budget amendment for fiscal year 1980 will be up very shortly, but in round numbers we are requesting $1.3 billion in appropriations. This would support an authorized program level of $3.1 billion. This is outlays of $660 million.

Senator BUMPERS. Mr. Chairman, may I ask if the loan guarantee is on-budget?

Mr. HALL. Starting in fiscal year 1980, it will not be on-budget, sir, no. That accounts for the principal difference between the appropriation level and authorization level.

Senator HOLLINGS. But, for example, Mr. Secretary, you asked for $191 million in direct loans; the committee bill is $150 million.

Mr. HALL. On the Senate side.

Senator HOLLINGS. So that was cut down in the regular authorizing committee. Similarly, $1.8 billion in guarantees, and the committee cut that to $1 billion.

Mr. HALL. The Senate Banking Committee.

Senator HOLLINGS. So what you are saying is the authorizing committees are heading in the direction of the House authorization anyway, or the House concurrent resolution.

Mr. HALL. One committee. But I might add again, I am not sure the final verdict is in from the Senate Banking Committee, and the House Banking Committee still has to make a decision as to what levels they will recommend. On the House side, there has been no clear delineation of assignment of responsibility by the parliamen-

tarian. So the House Public Works Committee has come in for the full authorization, including $1.8 billion for guaranteed loans, $191 million for direct loans, and $350 million for interest subsidies. My major point, I think that is, we are a long way from the final decisions on what authorization level we are going to see.

AREA ELIGIBILITY

Senator HOLLINGS. Now let's look into this thing about the criteria, because that is the thing that Senator Bumpers and myself are interested in. When you get that criteria, the eligibility is on the basis of population and poverty. We see these formulas jimmied around so the funds will go up to the centers of the large per capita income. Senator Bumpers I guess would have $5,300. Connecticut would have about $7,500 in per capita income. Tell us about this 155 percent, because I have correspondence from our Governor, Mr. Secretary, to the effect that 155 percent eliminates all our counties.

Mr. HALL. I think, as I indicated in my comments, in the area of eligibility there is much discussion and much confusion. If I may, let me take it from the top.

One of the problems we found in reauthorizing the PWEDA legislation is that there are a considerable number of areas which are statistically ineligible, but are included in the PWEDA. Some 67 million in population are in areas in the United States which are no longer eligible even under the current PWEDA. This results from two factors.

One, the Congress wrote in a tight grandfather or non-de-designation clause. So if an area has been participating in the EDA program and the economy has improved or recovered, they are not de-designated, even though they no longer meet the eligibility criteria of the act.

Another problem arises because these are different types of unemployment. A lot of areas became eligible during the recent recession. It was a sharp, deep recession. So many areas became eligible not because of structural unemployment, but because of cyclical unemployment.

So under the present criteria, some 67 million people are not even eligible under that act.

What we have done is to try to step back and take a look at what are the several types of economic distress that exist in this country. There are different varieties. For example, in the southeastern part of the United States, the type of economic growth problems you have are reflected in terms of underemployment, low income, that sort of thing. In the northeastern part of the United States, you find deterioration of what heretofore were stable economies.

We have identified on the basis of our program experience five basic types of economic distress. The first one is chronic problems of decline, economies with persistently high unemployment and lagging job growth. Second, economies with persistent underemployment and low income, and high unemployment and persistent low income.

We also identified incipient economic deterioration. There are a lot of areas where previously healthy economies belly-up, so to speak. We think there is enough information so that we can identi-

fy those areas where we ought to be providing assistance before they get down to the bottom of the slide.

Fourth, there are areas of sudden and severe economic dislocation. This may occur in a small community where a single employer goes out of business, and the total economy of that area just turns over. Military base closings are a classic example of Government action which can have a major impact.

Last, there are areas of the country where the overall economy is in very good shape, but you have within these areas—pockets of distress; the statistics for the overall area disguise the problems of what I call high localized and concentrated problems. For example, one always talks about Houston as being an area of great vibrant economy. But in Houston you have a pocket of distress and economic problems which involves some 250,000 people. As I may have mentioned before this committee in the past, the number of people living in poverty, unemployment and distress, in Houston in this particular concentrated pocket of highly localized distress is actually higher than that which exists in Newark, N.J.

So we have identified these five types of what we think are appropriate ways to look at and consider economic distress. We have a series of eligibility criteria using different types of data that measure this type of distress. We think what we have come up with is balanced and fair in terms of dealing with different types of economic distress. It doesn't favor one region over the other. What we are looking for in EDA is balanced national growth.

The bottom line of all this is that the current EDA Act qualifies a little over 80 percent of the population of the United States. What we are talking about in the administration's proposal of eligibility is something a little over 60 percent of the Nation's population. That would be in areas that are eligible for assistance. The 20 percent of the population that we are, in effect, dropping, are primarily those individuals that aren't even qualified, or statistically eligible, under the current act.

AREA ELIGIBILITY LISTING

Senator HOLLINGS. Have you published a list of them? I don't believe the committee has received one. But can you furnish one for the record? Is that State-by-State?

Mr. HALL. This is State-by-State and is also area-by-area, that is, county-by-county and city-by-city in the United States.

Senator HOLLINGS. How they are now and how they fare under the new program?

Mr. HALL. Yes, under the Public Works and Economic Development Act and how they would fare under the administration's proposed National Public Works and Economic Development Act.

I should note, Senator, that we have made five additions to the eligibility criteria after the submission of the original lists to the world. The letters indicating these changes went up to the Congress on Friday, and in another week or so, we will be rerunning the data so we will know exactly on a county-by-county basis what impact these changes will have.

Senator HOLLINGS. Can you give us a copy of that revision?

Mr. HALL. We will give you this one, and subsequently when we rerun this, we will give you that as well. I would like to point out that we went through this criteria very carefully. We put in the data; we showed each area, a locality, why they are in and why they are out. We think this is an appropriate way to discuss and debate the question of eligibility.

Senator HOLLINGS. Any questions on criteria? Let us have that for the committee, and we will put it in the record.

[The information follows:]

AREA ELIGIBILITY LISTING

The Preliminary Eligibility Analysis (April 26, 1979) contains the basic eligibility information. Several modifications have been made since then. No place has lost eligibility through these changes. This package includes:

1. Letter and attachments to Senator Proxmire explaining eligibility modifications.
2. An updated South Carolina summary table displaying the increase and a list of those areas added.
3. Updated summary table for the United States, and tables for the remaining 49 States.

LETTER FROM ROBERT T. HALL

June 1, 1979

Honorable William Proxmire
United States Senate
Washington, D. C. 20510

Dear Senator Proxmire:

A major feature of the Administration's proposed National Public Works and Economic Development Act (NPWEDA) is the restructuring of the existing program's eligibility criteria. Changing economic circumstances and shifts in local economies indicate that the current eligibility criteria must be adjusted to ensure that economic development assistance is directed only to those areas which are experiencing inadequate economic development.

The NPWEDA legislation initially submitted in early April envisioned a set of eligibility criteria which encompassed areas involving 61.9% of the nation's population. This compares to 84.5% of the population in areas currently eligible for the EDA program.

On the basis of external consultations which EDA has undertaken since the NPWEDA legislation was introduced, we have modified partially the NPWEDA eligibility criteria. The net effect will be to increase the overall population eligibility by 5.7%, for a total of 67.6%. Attachment A provides a summary of the original NPWEDA eligibility and the subsequent modifications. Attachment B shows the modified eligibility by state. The modifications will further increase the responsiveness of the NPWEDA system to the nation's different types of economic distress. The modifications and their impacts on total eligibility are described below. Revised statutory language incorporating the modifications is contained in Attachment C.

The four modifications of the NPWEDA eligibility system are outlined below:

1. "Persons below the poverty line should be employed as the indicator for population in poverty. (Section 4(a) (1) (V))

This change does not require any change in the statutory language of NPWEDA. In the Preliminary Eligibility Analysis distributed on April 26, EDA used "families" in poverty as the poverty indicator. It has been suggested that "persons" in poverty would be more consistent with the bill's language and provide a better measure. EDA agrees. This interpretation adds 219 county areas containing about 6.5 million people, increasing the percentage of the nation's eligible population by approximately 3%.

2. Job growth of 20% or less of the national rate should be substituted for absolute job loss. (Section 4(a) (1) (IV))

Extremely slow employment growth is often related to other measures of economic and fiscal need and is a sign of current and incipient deterioration. While economic growth that is simply less than the national rate is not a sign of serious need, employment growth that is 20% or less of the national rate over five years is a stiff test. This change would add another 45 county areas containing about 6.2 million people, increasing total eligibility by approximately 3%.

3. The high unemployment rate exception to the job growth ceiling should be lowered from 175% to 150%. (Section 4(a) (3) (IV))

Excluding areas from eligibility if their job growth exceeds 200% is a sound policy. It separates areas with structural problems from those fast growing areas whose unemployment problems are basically frictional. Providing such areas with further economic stimulus would be unwarranted. It also prevents aid from going to places where greater economic stimulus is unneeded. NPWEDA contains an exception to this cap for areas that have experienced extraordinarily high unemployment--5 years of unemployment exceeding 175% of the national average. Because so few places can meet the test, it is probably too severe. EDA, therefore, thinks that 150% would be a sufficiently stringent exception threshold. The aggregate impact would add 10 more county areas containing about 200,000 people.

4. The per capita income and job growth ceilings should not be applied in Alaska. (Section 4(a) (3) (i) and (iv))

The income and employment growth trends in Alaska are volatile, unique and not readily comparable to the rest of the United States. Alaska's "roller coaster" economic change, producing boom and bust conditions makes income and job growth impossible to employ as dependable exclusion indicators. Elsewhere the per capita income and job growth ceilings accomplish a sound purpose. We have concluded that in Alaska they are not reflective of a clear picture of economic conditions and, therefore, should not be applied. This change would add 18 county areas containing a population of approximately 175,000 people.

These four modifications would add 192 more redevelopment areas for a total of 2,259. This will make communities containing about 139 million people eligible for EDA assistance.

The NPWEDA system as modified would reduce the current EDA eligible population by 36 million or 20%. Simply comparing the totals does not make the case for the proposed system. Sixty-seven percent is not an arbitrary goal. It is the result of employing sound criteria that identify places with serious economic development needs. The current eligibility system does not do this job well. Eight hundred twenty-three areas containing 67 million people eligible to receive aid through the current EDA program are not qualified by the existing criteria. That means that nearly 40% of EDA's currently eligible population does not meet the test of the existing criteria.

This situation has developed because of the statutory bar to dedesignating those areas whose economic circumstances have improved and which no longer meet the program's eligibility criteria. In addition many areas qualified for EDA assistance during the recent recession when abnormally high unemployment rates were prevalent. Now that the general economy has recovered, these areas are no longer statistically eligible.

The NPWEDA criteria would not qualify areas containing 37 million people in this category. Thus the net reduction of eligible population under NPWEDA is largely those areas which are not eligible by the criteria in the existing act. Other areas involving some 30 million individuals, although not statistically eligible under the current act's criteria, do have significant economic growth problems and are therefore qualified under NPWEDA's distress indicators.

In addition to reducing total eligibility and putting eligibility for aid on a firmer footing, the NPWEDA criteria produce sound results.

- The system is responsive to all of the types of economic need. Its factors identify the problems of underdevelopment as well as developed local economies, and produce an eligibility system that is balanced among regions.

- Metropolitan areas would contain about 70% of the eligible population and rural areas 30%, compared with the 75% urban and 25% rural under PWEDA.

- Eligible areas would contain 71% of the nation's unemployed, 75% of the low-income population and 83% of the black population.

Intensive discussions and comment during the past six weeks have confirmed our opinion that the NPWEDA eligibility system works in a targeted, responsive, and balanced fashion. The modifications I describe above will improve its performance.

If you require further information, please contact me.

Sincerely,

ROBERT T. HALL
Assistant Secretary
for Economic Development

Enclosures

ATTACHMENT A

SUMMARY OF NPWEDA ELIGIBILITY

	Percent of U.S. Population
A. Initial NPWEDA Eligibility	
Basic eligibility which can be distributed by State and area	58.9
Pockets of Distress and Growth Centers which cannot be readily distributed 1/	3.0
Total Initial NPWEDA Eligibility	61.9
B. Subsequent NPWEDA Eligibility	
Redefinition of Poverty Standard	+ 3.0
20% Job Growth Lag	+ 2.9
150% Unemployment Rate Exception	+ 0.1
Alaska Execption from Ceiling	+ 0.1
Less Overlap of the Four Modifications 2/	- 0.4
Net Addition Form Modifications	+ 5.7
TOTAL NPWEDA ELIGIBILITY WITH MODIFICATIONS	67.6

1/ Both factors depend upon application and Agency review and approval, a precise judgement of their eligibility impact is not possible.

2/ Some areas would be made eligible by more than one of the modifications.

ATTACHMENT B

TOTAL PWEDA AND NPWEDA ELIGIBLE POPULATION BY STATE 1/

State	State Pop	PWEDA (Current) Total Elig.Pop.	NPWEDA (As Initially Proposed) Total Elig.Pop.	NPWEDA (As Modified) Total Elig.Pop.
Alabama	3.7	3.3	3.0	3.4
Alaska	0.4	0.4	0.0	0.2
Arizona	2.2	2.2	2.2	2.2
Arkansas	2.1	2.1	1.6	2.1
California	21.5	20.7	12.6	12.6
Colorado	2.6	1.2	0.6	1.1
Connecticut	3.1	2.6	1.9	1.9
Delaware	0.6	0.6	0.4	0.4
District of Columbia	0.7	0.7	0.7	0.7
Florida	8.3	8.1	6.3	7.4
Georgia	5.0	4.9	4.3	4.4
Hawaii	0.9	0.9	0.8	0.8
Idaho	0.8	0.5	0.2	0.2
Illinois	11.2	8.7	4.6	6.6
Indiana	5.2	3.6	1.5	2.4
Iowa	2.9	1.1	0.2	0.4
Kansas	2.3	0.8	0.2	0.4
Kentucky	3.4	2.9	2.2	2.4
Louisiana	3.9	3.4	2.8	2.8
Maine	1.1	1.0	1.0	1.0
Maryland	4.1	2.7	1.3	1.4
Massachusetts	5.8	5.5	5.2	5.2
Michigan	9.1	8.4	7.5	7.5
Minnesota	4.0	3.0	1.8	1.9
Mississippi	2.4	1.9	2.3	2.3
Missouri	4.8	2.7	1.8	2.0
Montana	0.8	0.6	0.3	0.3
Nebraska	1.6	0.3	0.3	0.4
Nevada	0.6	0.4	0.1	0.1
New Hampshire	0.8	0.5	0.3	0.3
New Jersey	7.4	7.4	4.9	4.9
New Mexico	1.2	1.1	0.5	0.6
New York	18.1	17.5	15.5	15.5
North Carolina	5.5	4.8	3.1	3.5

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State	State Pop.	PWEDA (Current) Total Elig.Pop.	NPWEDA (As Initially Proposed) Total Elig.Pop.	NPWEDA (As Modified) Total Elig.Pop.
North Dakota	0.6	0.2	0.1	0.2
Ohio	10.7	9.1	6.7	7.7
Oklahoma	2.8	2.3	1.0	1.3
Oregon	2.3	2.3	1.4	1.4
Pennsylvania	11.8	9.9	7.2	7.8
Rhode Island	0.9	0.9	0.9	0.9
South Carolina	2.8	2.8	1.9	2.2
South Dakota	0.7	0.3	0.3	0.3
Tennessee	4.2	3.7	2.3	3.7
Texas	12.6	5.1	5.0	5.8
Utah	1.2	1.2	0.4	0.4
Vermont	0.5	0.3	0.3	0.3
Virginia	5.1	2.3	2.1	2.1
Washington	3.6	3.5	2.6	2.6
West Virginia	1.8	1.4	1.3	1.5
Wisconsin	4.6	3.0	1.0	1.0
Wyoming	0.4	0.1	0.0	0.1
TOTAL	214.6	174.8	126.3	138.7

Population (1979) given in millions.

1/ Does not include the eligibility impact of growth centers or pockets of distress as it is not possible to estimate where they will occur. It is estimated that nationally some 6 million persons or 3% in population would be added.

ATTACHMENT C

Statutory Amendment to the National Public Works and Economic Development Act of 1979

DESIGNATION OF AREAS

Sec. 4. Area designation will carry out the mission of encouraging balanced national growth and development by responding to the varying economic development needs of the nation.

(a) Upon the application of any area which meets criteria established by the Secretary by regulation and which has an Overall Economic Development Program approved by the Secretary or which is located in an Economic Development District with such a program, the Secretary is authorized to designate:

REDEVELOPMENT AREAS

(1) A developed area suffering chronic economic distress, an area with persistent underdevelopment, or an area exhibiting incipient decline or short-term economic distress as a Redevelopment Area. Such area shall be eligible for all forms of assistance authorized by titles I, II, III and IV of this Act. In order to be designated, an area must meet one of the following criteria:

(i) have a per capita income of 80 per centum or less of the national per capita income rate as determined by statistics from the Department of the Commerce;

(ii) for the most recent 5 calendar year period for which statistics are available from the Department of Labor, suffer an average unemployment rate above the national average unemployment rate;

(iii) for the most recent 24 month period for which

statistics are available from the Department of Labor, suffer an average unemployment rate at least 1 per centum above the national average unemployment rate, and suffer an average unemployment rate for the same 24 month period of at least 7 and 1/2 per centum;

(iv) an employment growth rate that is 20 per centum or less of the national average for the most recent 5 year period for which statistics are available from the Secretary of Labor; or

(v) the percentage of population living in poverty exceeds 16 and 1/2 per centum of the area's population for the most recent year for which statistics are available.

(vi) In the case of a local government which encompasses, or is within, a Standard Metropolitan Statistical Area or central city for which current population surveys were used to detemine annual unemployment rates before January 1, 1978, the Secretary of Labor, for the purposes of clauses (ii), (iii), and (iv) of this subsection, shall determine or assign the unemployment rates for such government calculated by the current population survey methodology, if such rates are higher than rates determined or assigned by the Secretary of Labor for that government for the appropriate six-month periods without applying the current population survey methodology. This methodology shall be used until such time as the Secretary of Labor determines that current population survey data is available for use on a satisfactory basis for such areas and the remaining area of each State.

POCKET OF DISTRESS

(2)(i) An area as a Pocket of Distress if such area has severe economic distress as indicated by the criteria of

paragraph (1)(i), (ii), (iii), (iv), or (v) of this subsection but the appropriate Department of Labor or Department of Commerce statistics are not available or, in areas of extreme need, such area does not otherwise meet the definition of area established by the Secretary by regulation. An area requesting designation as a Pocket of Distress shall submit the statistical information on which it relies for qualification to the Secretary; Provided however, That the designation of an area which is defined without regard to political boundaries shall be requested by the chief executive officer or the officer's designee of the political subdivision(s) within which it is contained. The Secretary shall evaluate the accuracy and reliability of such statistics and shall determine if such statistics qualify the area for designation. A Pocket of Distress is eligible for all forms of assistance under titles I, II, III and IV of the Act.

(ii) Notwithstanding any other provision of this Act, the Secretary shall have the authority to waive or modify the Overall Economic Development Program requirement for Pockets of Distress in circumstances where the capacity of the area and the nature of the assistance sought make the requirement inappropriate.

(3)(i) Any area which has a per capita income in excess of 125 per centum of its group average national per capita income is not eligible for designation under the criteria of clause (ii), (iii) or (iv) of paragraph (1) and under paragraph (2).

(ii) A project may not be located in any community which is in a designated area and which has a per capita income in excess of 125 per centum of its group average national per capita income, except where the area's Overall Economic Development Program specifically sets forth the proposed project and the project will have substantial benefits to the unemployed and underemployed of the area.

(iii) The percentage of its group average national per capita income used to limit designations in clause (i) shall, for local governments in the State of Hawaii, be increased by the average State percentage of basic pay which civilian employees of the United States Government receive as an allowance under section 5941 of title 5, United States Code. Such average State percentage shall be determined for the most recently completed calendar year for which data are available based on data provided by the Office of Personnel Management and reported to the Secretary.

(iv) Any area which has for the most recent 5 year period for which statistics are available an employment growth rate exceeding 200 per centum of the national group average employment growth rate is not eligible for designation under the criteria of clause (ii), (iii) or (v) of paragraph (1) or under the criteria of paragraph (2), unless the area's average unemployment rate for that 5 year period exceeds 150 per centum of the national average unemployment rate for that period.

(v) The provisions of clauses (i), (ii), and (iv) of this paragraph shall not apply to areas which are located in the State of Alaska.

(4) A project may not be located in a non-qualified balance of central county area in a Redevelopment Area unless the Secretary determines that such project shall provide substantial direct benefits to the population of the qualified areas within such counties.

(5) An area receiving financial support from the Community Services Administration as a special impact area under the provisions of Part A of title VII of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2981). Such an area shall

be eligible for all forms of assistance authorized by titles I, II, III and IV of this Act.

(6) An area in which the majority of the families are living in poverty, as defined by the Community Services Administration guidelines, 45 CFR 1060.2, Attachment A. Such an area shall be eligible for all forms of assistance authorized by titles I, II, III and IV of this Act.

(7) The Secretary shall terminate or modify designations under the authority of subsection (a) whenever such areas no longer satisfy the designation requirements of this subsection. A designation under this subsection may not be terminated prior to the expiration of the third year after the date of the original designation. Areas designated under the authority of title IV of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3161 et seq.) which are or remain designated in fiscal year 1979 shall be eligible to receive assistance under titles I, II and IV of this Act for fiscal years 1980, 1981 and 1982.

ECONOMIC ADJUSTMENT AREAS

(b)(1) Upon the application of an area, the Secretary is authorized to designate such an area as an Economic Adjustment Area eligible for assistance authorized by titles I, II, III and IV of this Act if:

(i) the Secretary determines that the area has recently suffered, or is threatened with, a severe economic adjustment problem; and

(ii) the Secretary approves the area's Economic Adjustment Plan.

(2) A designation under this subsection shall expire in three years unless the Secretary approves an application for continued designation.

(3) The Secretary shall terminate or modify such designations whenever such areas no longer satisfy the designation requirements of this subsection.

(c) Upon an area's application, the Secretary is authorized to designate, with the concurrence of the appropriate State or States, as:

ECONOMIC DEVELOPMENT DISTRICTS

(1) An Economic Development District, any area (which may include portions of more than one State) which meets all the following requirements:

(i) is smaller than a State (except in the case of the State of Hawaii), and is of sufficient size or population and contains sufficient resources to foster economic development on a scale involving more than a single Redevelopment Area;

(ii) includes one or more areas designated under subsection (a)(1) of this section, whose economy(ies) is (are) closely related to other areas of the District; and

(iii) has an Overall Economic Development Program approved by the Secretary which the Secretary determines will substantially contribute to the economic development of the entire District, including any area designated under subsection (a).

ECONOMIC DEVELOPMENT CENTERS

(2) An Economic Development Center eligible for assistance authorized by titles I, II, III and IV of this Act, any area within an Economic Development District which has been identified in the District's Overall Economic Development Program and which the Secretary determines to be a center of District economic activity and which provides or can provide

substantial employment or other economic benefits to areas designated under subsection (a) of this section. No project shall be funded in an Economic Development Center unless the applicant demonstrates that the project will provide benefits to such area designated under subsection (a) of this section.

(3) In designating Economic Development Districts and approving District Overall Economic Development Programs, the Secretary is authorized by regulation:

(i) to invite the several States to draw up proposed District boundaries consistent with existing sub-State boundaries, where possible;

(ii) to cooperate with the several States --

(A) in sponsoring and assisting District economic planning and development groups, and

(B) in assisting such District groups to formulate District Overall Economic Development Programs;

(iii) to provide for participation in District activities by all important elements of the District economy, including appropriate local governmental authorities, the private sector, minorities, and representatives of the disadvantaged and long-term unemployed; and

(iv) to promote to the extent feasible the participation by members of the Private Industry Councils authorized by the Comprehensive Employment and Training Act of 1978 (29 U.S.C 801) as private-sector representatives in District activities.

(4) The Secretary shall terminate or modify such designations whenever such areas no longer satisfy the designation requirements of this subsection.

(d) No designated area, including an Economic Development District, shall retain its designation unless it maintains a currently approved Overall Economic Development Program or Economic Adjustment Plan, as appropriate.

(e) In making designations under this section the Secretary shall use the most recent available Federal, State, or local statistics which the Secretary determines are suitable for the purpose.

(f) The size and boundaries of areas eligible for designation under this section shall be as determined by the Secretary.

IMPACT ON SELECTED STATES OF ELIGIBILITY AMENDMENTS

State	Persons in Poverty	150% 5-YR. Unemploy.	20% Employ. Growth Lag
South Carolina			
Anderson City	X		
Greenville City	X		
Richland County	X		
Spartanburg County	X		

SOUTH CAROLINA

PER-CAPITA INCOME(1975)..... $3794
EMPLOYMENT GROWTH(1974-1978)..... 13.4%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.9%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.5%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 22.9%

PERCENT OF U.S. POPULATION IN S. CAROLINA..... 1.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN S. CAROLINA..... 1.6%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN S. CAROLINA..... 1.5%

PERCENT OF S. CAROLINA POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF S. CAROLINA POPULATION IN PWEDA DESIGNATED AREAS.... 100.0%
PERCENT OF S. CAROLINA POPULATION IN NPWEDA ELIGIBLE AREAS..... 66.0%
PERCENT OF S. CAROLINA POPULATION IN NPWEDA (AMENDED) AREAS..... 79.0%

	SOUTH CAROLINA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFILD)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.0	4	34.1	1.0	4(3)&	0	34.1	0.4	1	22.4	0.8	3	33.9
CENTRAL CITY	0.3	5	11.9	0.3	5(3)	0	11.9	0.3	4	14.9	0.3	5	15.0
SUBURBAN COUNTY	0.4	5	14.2	0.4	5(3)	0	14.2	0.2	3	11.3	0.2	3	9.4
NON-METRO COUNTY	1.5	37	51.7	1.5	37(13)	0	51.7	1.2	34	66.3	1.3	34	56.6
METRO	1.4	9	48.3	1.4	9(6)	0	48.3	0.6	4	33.7	1.0	6	43.4
NON-METRO	1.5	37	51.7	1.5	37(13)	0	51.7	1.2	34	66.3	1.3	34	56.6
TOTAL	2.8	46	100.0	2.8	46(19)	0	100.0	1.9	38	100.0	2.2	40	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR SOUTH CAROLINA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	38	40
PWEDA ELIGIBLE[@]	46	46
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	8	6
(NOT PWEDA STATISTICALLY QUALIFIED)	(8)	(6)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-8	-6

UNITED STATES

PER-CAPITA INCOME(1975)..... $4819
EMPLOYMENT GROWTH(1974-1978)..... 9.7%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.0%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.5%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 13.4%

PERCENT OF U.S. POPULATION IN PWEDA ELIGIBLE AREAS..... 81.5%
PERCENT OF U.S. POPULATION IN PWEDA DESIGNATED AREAS..... 77.9%

PERCENT OF U.S. POPULATION IN NPWEDA ELIGIBLE AREAS..... 58.9%
PERCENT OF U.S. POPULATION IN NPWEDA (AMENDED) ELIGIBLE AREAS... 64.6%

	UNITED STATES TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF U.S. POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	119.1	312	55.5	103.3	229(109)&	12	59.1	72.7	148	57.5	81.1	173	58.5
CENTRAL CITY	66.2	362	30.8	56.8	280(118)	15	32.5	44.4	219	35.1	48.7	242	35.2
SUBURBAN COUNTY	37.9	362	17.6	27.1	222(132)	12	15.5	14.2	151	11.2	15.4	167	11.1
NON-METRO COUNTY	57.6	2,500	26.8	44.5	1661(582)	95	25.4	39.5	1,768	31.3	42.1	1,919	30.4
METRO	157.0	674	73.2	130.4	451(241)	24	74.6	86.8	299	68.7	96.5	340	69.6
NON-METRO	57.6	2,500	26.8	44.5	1661(582)	95	25.4	39.5	1,768	31.3	42.1	1,919	30.4
TOTAL	214.6	3,174	100.0	174.8	2112(823)	119	100.0	126.3	2,067	100.0	138.6	2,259	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR UNITED STATES COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	2067	2259
PWEDA ELIGIBLE[@]	2231	2231
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	507	411
(NOT PWEDA STATISTICALLY QUALIFIED)	(309)	(266)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	343	439
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-164	28

ALABAMA

PER-CAPITA INCOME(1975)..... $3896
EMPLOYMENT GROWTH(1974-1978)..... 10.9%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.7%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 24.7%

PERCENT OF U.S. POPULATION IN ALABAMA..... 1.7%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN ALABAMA..... 1.9%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN ALABAMA..... 2.4%

PERCENT OF ALABAMA POPULATION IN PWEDA ELIGIBLE AREAS..... 91.4%
PERCENT OF ALABAMA POPULATION IN PWEDA DESIGNATED AREAS..... 91.4%
PERCENT OF ALABAMA POPULATION IN NPWEDA ELIGIBLE AREAS..... 81.9%
PERCENT OF ALABAMA POPULATION IN NPWEDA (AMENDED) AREAS..... 93.6%

AREA	ALABAMA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.8	8	48.5	1.8	8(3)&	0	53.0	1.2	6	41.6	1.6	7	46.4
CENTRAL CITY	1.0	8	26.2	1.0	8(3)	0	28.6	0.8	7	27.4	0.8	7	24.0
SUBURBAN COUNTY	0.5	10	13.3	0.3	7(2)	0	10.4	0.4	9	14.6	0.4	9	12.7
NON-METRO COUNTY	1.4	49	38.2	1.2	46(13)	0	36.5	1.3	48	43.9	1.4	49	40.9
METRO	2.3	18	61.8	2.1	15(5)	0	63.5	1.7	15	56.1	2.0	16	59.1
NON-METRO	1.4	49	38.2	1.2	46(13)	0	36.5	1.3	48	43.9	1.4	49	40.9
TOTAL	3.7	67	100.0	3.3	61(18)	0	100.0	3.0	63	100.0	3.4	65	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR ALABAMA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	63	65
PWEDA ELIGIBLE[@]	61	61
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	4	2
(NOT PWEDA STATISTICALLY QUALIFIED)	(2)	(1)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	6	6
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	2	4

ALASKA

PER-CAPITA INCOME(1975)..... $8051
EMPLOYMENT GROWTH(1974-1978)..... 41.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.7%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978). 10.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.7%

PERCENT OF U.S. POPULATION IN ALASKA..... 0.2%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN ALASKA..... 0.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN ALASKA..... 0.0%

PERCENT OF ALASKA POPULATION IN PWEDA ELIGIBLE AREAS..... 95.4%
PERCENT OF ALASKA POPULATION IN PWEDA DESIGNATED AREAS..... 95.4%
PERCENT OF ALASKA POPULATION IN NPWEDA ELIGIBLE AREAS..... 10.1%
PERCENT OF ALASKA POPULATION IN NPWEDA (AMENDED) AREAS..... 54.2%

AREA	ALASKA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.2	1	43.8	0.2	1(0)&	0	45.9	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.2	1	43.8	0.2	1(0)	0	45.9	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.2	28	56.2	0.2	27(0)	0	54.1	0.0	9	100.0	0.2	27	100.0
METRO	0.2	1	43.8	0.2	1(0)	0	45.9	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.2	28	56.2	0.2	27(0)	0	54.1	0.0	9	100.0	0.2	27	100.0
TOTAL	0.4	29	100.0	0.4	28(0)	0	100.0	0.0	9	100.0	0.2	27	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR ALASKA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	9	27
PWEDA ELIGIBLE[@]	28	28
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	19	2
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	1
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-19	-1

ARIZONA

PER-CAPITA INCOME(1975)..... $4682
EMPLOYMENT GROWTH(1974-1978)..... 12.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.6%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 15.0%

PERCENT OF U.S. POPULATION IN ARIZONA..... 1.0%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN ARIZONA..... 1.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN ARIZONA..... 1.7%

PERCENT OF ARIZONA POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF ARIZONA POPULATION IN PWEDA DESIGNATED AREAS..... 74.2%
PERCENT OF ARIZONA POPULATION IN NPWEDA ELIGIBLE AREAS..... 98.2%
PERCENT OF ARIZONA POPULATION IN NPWEDA (AMENDED) AREAS..... 98.2%

	ARIZONA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.7	2	74.5	1.7	1(1)&	1	74.5	1.7	2	75.8	1.7	2	75.8
CENTRAL CITY	1.1	3	48.0	1.1	2(2)	1	48.0	1.1	3	48.9	1.1	3	48.9
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.6	12	25.5	0.6	9(0)	3	25.5	0.5	11	24.2	0.5	11	24.2
METRO	1.7	2	74.5	1.7	1(1)	1	74.5	1.7	2	75.8	1.7	2	75.8
NON-METRO	0.6	12	25.5	0.6	9(0)	3	25.5	0.5	11	24.2	0.5	11	24.2
TOTAL	2.2	14	100.0	2.2	10(1)	4	100.0	2.2	13	100.0	2.2	13	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR ARIZONA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	13	13
PWEDA ELIGIBLE[@]	14	14
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	1	1
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-1	-1

ARKANSAS

PER-CAPITA INCOME(1975)..... $3654
EMPLOYMENT GROWTH(1974-1978)..... 10.7%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.0%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.6%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 27.0%

PERCENT OF U.S. POPULATION IN ARKANSAS..... 1.0%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN ARKANSAS..... 1.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN ARKANSAS..... 1.3%

PERCENT OF ARKANSAS POPULATION IN PWEDA ELIGIBLE AREAS..... 97.0%
PERCENT OF ARKANSAS POPULATION IN PWEDA DESIGNATED AREAS..... 97.0%
PERCENT OF ARKANSAS POPULATION IN NPWEDA ELIGIBLE AREAS..... 75.8%
PERCENT OF ARKANSAS POPULATION IN NPWEDA (AMENDED) AREAS..... 98.0%

AREA	ARKANSAS TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.6	4	27.5	0.6	4(2)&	0	28.3	0.2	2	10.9	0.6	4	28.1
CENTRAL CITY	0.4	5	17.5	0.4	5(3)	0	18.0	0.1	2	5.5	0.4	5	17.8
SUBURBAN COUNTY	0.2	6	10.9	0.2	6(2)	0	11.2	0.1	4	7.9	0.2	5	9.0
NON-METRO COUNTY	1.3	65	61.6	1.2	62(17)	0	60.4	1.3	65	81.2	1.3	65	62.9
METRO	0.8	10	38.4	0.8	10(4)	0	39.6	0.3	6	18.8	0.8	9	37.1
NON-METRO	1.3	65	61.6	1.2	62(17)	0	60.4	1.3	65	81.2	1.3	65	62.9
TOTAL	2.1	75	100.0	2.1	72(21)	0	100.0	1.6	71	100.0	2.1	74	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR ARKANSAS COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	71	74
PWEDA ELIGIBLE[@]	72	72
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	4	1
(NOT PWEDA STATISTICALLY QUALIFIED)	(3)	(1)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	3
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-1	2

CALIFORNIA

PER-CAPITA INCOME(1975)..... $5439
EMPLOYMENT GROWTH(1974-1978)..... 15.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 10.8%

PERCENT OF U.S. POPULATION IN CALIF..... 10.0%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN CALIF..... 11.8%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN CALIF..... 9.9%

PERCENT OF CALIF. POPULATION IN PWEDA ELIGIBLE AREAS..... 96.0%
PERCENT OF CALIF. POPULATION IN PWEDA DESIGNATED AREAS..... 91.3%
PERCENT OF CALIF. POPULATION IN NPWEDA ELIGIBLE AREAS..... 58.4%
PERCENT OF CALIF. POPULATION IN NPWEDA (AMENDED) AREAS..... 58.5%

	CALIFORNIA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	18.4	20	85.3	17.6	17(1)&	1	85.4	10.8	10	85.8	10.8	10	85.8
CENTRAL CITY	7.7	30	35.7	7.6	25(3)	4	37.0	5.0	17	39.7	5.0	17	39.6
SUBURBAN COUNTY	1.6	5	7.5	1.6	4(3)	1	7.8	0.6	1	4.6	0.6	1	4.6
NON-METRO COUNTY	1.6	33	7.2	1.4	28(1)	2	6.8	1.2	25	9.6	1.2	25	9.6
METRO	20.0	25	92.8	19.2	21(4)	2	93.2	11.4	11	90.4	11.4	11	90.4
NON-METRO	1.6	33	7.2	1.4	28(1)	2	6.8	1.2	25	9.6	1.2	25	9.6
TOTAL	21.5	58	100.0	20.7	49(5)	4	100.0	12.6	36	100.0	12.6	36	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR CALIFORNIA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	36	36
PWEDA ELIGIBLE[@]	53	53
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	18	18
(NOT PWEDA STATISTICALLY QUALIFIED)	(3)	(3)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	1	1
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-17	-17

COLORADO

PER-CAPITA INCOME(1975)..... $5303
EMPLOYMENT GROWTH(1974-1978)..... 12.2%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.7%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.9%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.9%

PERCENT OF U.S. POPULATION IN COLORADO..... 1.2%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN COLORADO..... 0.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN COLORADO..... 0.4%

PERCENT OF COLORADO POPULATION IN PWEDA ELIGIBLE AREAS..... 45.5%
PERCENT OF COLORADO POPULATION IN PWEDA DESIGNATED AREAS..... 42.8%
PERCENT OF COLORADO POPULATION IN NPWEDA ELIGIBLE AREAS..... 21.9%
PERCENT OF COLORADO POPULATION IN NPWEDA (AMENDED) AREAS..... 44.5%

AREA	COLORADO TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.3	6	49.6	0.4	2(0)&	0	34.3	0.4	2	71.3	0.9	3	77.0
CENTRAL CITY	0.9	6	36.7	0.3	2(0)	0	24.3	0.3	2	50.4	0.8	3	66.7
SUBURBAN COUNTY	0.8	6	30.9	0.6	3(2)	0	47.0	0.0	1	1.1	0.0	2	0.7
NON-METRO COUNTY	0.5	51	19.4	0.2	17(2)	7	18.7	0.2	20	27.7	0.3	29	22.3
METRO	2.1	12	80.6	1.0	5(2)	0	81.3	0.4	3	72.3	0.9	5	77.7
NON-METRO	0.5	51	19.4	0.2	17(2)	7	18.7	0.2	20	27.7	0.3	29	22.3
TOTAL	2.6	63	100.0	1.2	22(4)	7	100.0	0.6	23	100.0	1.1	34	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR COLORADO COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	23	34
PWEDA ELIGIBLE[@]	29	29
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	15	13
(NOT PWEDA STATISTICALLY QUALIFIED)	(2)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	9	18
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-6	5

CONNECTICUT

PER-CAPITA INCOME(1975)..... $5503
EMPLOYMENT GROWTH(1974-1978)..... 7.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.0%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 8.3%

PERCENT OF U.S. POPULATION IN CONN..... 1.5%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN CONN..... 1.5%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN CONN..... 1.5%

PERCENT OF CONN. POPULATION IN PWEDA ELIGIBLE AREAS..... 82.1%
PERCENT OF CONN. POPULATION IN PWEDA DESIGNATED AREAS..... 64.8%
PERCENT OF CONN. POPULATION IN NPWEDA ELIGIBLE AREAS..... 61.3%
PERCENT OF CONN. POPULATION IN NPWEDA (AMENDED) AREAS..... 61.3%

	CONNECTICUT TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	2.7	12	86.7	2.2	7(5)&	1	85.9	1.7	7	85.9	1.7	7	85.9
CENTRAL CITY	1.1	13	33.7	1.0	9(4)	2	37.0	1.0	12	49.5	1.0	12	49.5
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.4	5	13.3	0.4	4(1)	0	14.1	0.3	3	14.1	0.3	3	14.1
METRO	2.7	12	86.7	2.2	7(5)	1	85.9	1.7	7	85.9	1.7	7	85.9
NON-METRO	0.4	5	13.3	0.4	4(1)	0	14.1	0.3	3	14.1	0.3	3	14.1
TOTAL	3.1	17	100.0	2.6	11(6)	1	100.0	1.9	10	100.0	1.9	10	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR CONNECTICUT COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	10	10
PWEDA ELIGIBLE[@]	12	12
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	3	3
(NOT PWEDA STATISTICALLY QUALIFIED)	(2)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	1	1
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-2	-2

DELAWARE

PER-CAPITA INCOME(1975)..... $5034
EMPLOYMENT GROWTH(1974-1978)..... 8.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 8.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 10.6%

PERCENT OF U.S. POPULATION IN DELAWARE..... 0.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN DELAWARE..... 0.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN DELAWARE..... 0.3%

PERCENT OF DELAWARE POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF DELAWARE POPULATION IN PWEDA DESIGNATED AREAS..... 100.0%
PERCENT OF DELAWARE POPULATION IN NPWEDA ELIGIBLE AREAS..... 68.9%
PERCENT OF DELAWARE POPULATION IN NPWEDA (AMENDED) AREAS..... 68.9%

AREA	DELAWARE TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.4	1	68.9	0.4	1(0)&	0	68.9	0.4	1	100.0	0.4	1	100.0
CENTRAL CITY	0.1	1	12.9	0.1	1(0)	0	12.9	0.1	1	18.7	0.1	1	18.7
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.2	2	31.1	0.2	2(1)	0	31.1	0.0	0	0.0	0.0	0	0.0
METRO	0.4	1	68.9	0.4	1(0)	0	68.9	0.4	1	100.0	0.4	1	100.0
NON-METRO	0.2	2	31.1	0.2	2(1)	0	31.1	0.0	0	0.0	0.0	0	0.0
TOTAL	0.6	3	100.0	0.6	3(1)	0	100.0	0.4	1	100.0	0.4	1	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR DELAWARE COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	1	1
PWEDA ELIGIBLE[@]	3	3
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	2	2
(NOT PWEDA STATISTICALLY QUALIFIED)	(1)	(1)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-2	-2

DISTRICT OF COLUMBIA

PER-CAPITA INCOME(1975)..... $5566
EMPLOYMENT GROWTH(1974-1978)..... -1.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 9.0%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 16.2%

PERCENT OF U.S. POPULATION IN D.C..... 0.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN D.C..... 0.4%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN D.C..... 0.6%

PERCENT OF D.C. POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF D.C. POPULATION IN PWEDA DESIGNATED AREAS..... 100.0%
PERCENT OF D.C. POPULATION IN NPWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF D.C. POPULATION IN NPWEDA (AMENDED) AREAS..... 100.0%

AREA	DISTRICT OF COLUMBIA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.7	1	100.0	0.7	1(0)&	0	100.0	0.7	1	100.0	0.7	1	100.0
CENTRAL CITY	0.7	1	100.0	0.7	1(0)	0	100.0	0.7	1	100.0	0.7	1	100.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
METRO	0.7	1	100.0	0.7	1(0)	0	100.0	0.7	1	100.0	0.7	1	100.0
NON-METRO	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
TOTAL	0.7	1	100.0	0.7	1(0)	0	100.0	0.7	1	100.0	0.7	1	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR DISTRICT OF COLUMBIA

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	1	1
PWEDA ELIGIBLE[@]	1	1
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	0	0
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	0	0

FLORIDA

PER-CAPITA INCOME(1975)..... $4919
EMPLOYMENT GROWTH(1974-1978)..... 11.6%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.4%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 16.0%

PERCENT OF U.S. POPULATION IN FLORIDA..... 3.9%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN FLORIDA..... 4.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN FLORIDA..... 5.0%

PERCENT OF FLORIDA POPULATION IN PWEDA ELIGIBLE AREAS..... 97.9%
PERCENT OF FLORIDA POPULATION IN PWEDA DESIGNATED AREAS..... 96.9%
PERCENT OF FLORIDA POPULATION IN NPWEDA ELIGIBLE AREAS..... 75.6%
PERCENT OF FLORIDA POPULATION IN NPWEDA (AMENDED) AREAS..... 88.7%

	FLORIDA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP.	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	6.6	16	78.7	6.4	15(6)&	0	78.9	5.0	11	79.5	6.0	15	81.8
CENTRAL CITY	2.4	19	28.4	2.3	18(6)	0	28.0	1.5	13	23.1	2.1	16	29.0
SUBURBAN COUNTY	0.6	10	7.2	0.6	10(5)	0	7.3	0.3	6	5.2	0.4	7	5.1
NON-METRO COUNTY	1.2	41	14.1	1.1	33(13)	4	13.8	1.0	36	15.3	1.0	36	13.1
METRO	7.2	26	85.9	7.0	25(11)	0	86.2	5.3	17	84.7	6.4	22	86.9
NON-METRO	1.2	41	14.1	1.1	33(13)	4	13.8	1.0	36	15.3	1.0	36	13.1
TOTAL	8.3	67	100.0	8.1	58(24)	4	100.0	6.3	53	100.0	7.4	58	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR FLORIDA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	53	58
PWEDA ELIGIBLE[@]	62	62
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	12	8
(NOT PWEDA STATISTICALLY QUALIFIED)	(9)	(5)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	4
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-9	-4

GEORGIA

PER-CAPITA INCOME(1975)..... $4230
EMPLOYMENT GROWTH(1974-1978)..... 8.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.9%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 20.1%

PERCENT OF U.S. POPULATION IN GEORGIA..... 2.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN GEORGIA..... 2.8%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN GEORGIA..... 3.4%

PERCENT OF GEORGIA POPULATION IN PWEDA ELIGIBLE AREAS..... 98.0%
PERCENT OF GEORGIA POPULATION IN PWEDA DESIGNATED AREAS..... 86.6%
PERCENT OF GEORGIA POPULATION IN NPWEDA ELIGIBLE AREAS..... 86.4%
PERCENT OF GEORGIA POPULATION IN NPWEDA (AMENDED) AREAS..... 87.9%

	GEORGIA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFILD)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.6	7	31.3	1.6	6(1)&	1	32.0	1.6	7	36.2	1.6	7	35.7
CENTRAL CITY	1.0	7	19.7	1.0	6(1)	1	20.1	1.0	7	22.8	1.0	7	22.4
SUBURBAN COUNTY	1.3	24	25.4	1.2	23(16)	0	25.3	0.7	13	16.5	0.7	13	16.3
NON-METRO COUNTY	2.2	128	43.2	2.1	124(79)	0	42.7	2.0	126	47.2	2.1	127	48.1
METRO	2.8	31	56.8	2.8	29(17)	1	57.3	2.3	20	52.8	2.3	20	51.9
NON-METRO	2.2	128	43.2	2.1	124(79)	0	42.7	2.0	126	47.2	2.1	127	48.1
TOTAL	5.0	159	100.0	4.9	153(96)	1	100.0	4.3	146	100.0	4.4	147	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR GEORGIA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	146	147
PWEDA ELIGIBLE[@]	154	154
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	12	11
(NOT PWEDA STATISTICALLY QUALIFIED)	(10)	(9)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	4	4
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-8	-7

HAWAII

PER-CAPITA INCOME(1975)..... $5268
EMPLOYMENT GROWTH(1974-1978)..... 9.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 8.9%

PERCENT OF U.S. POPULATION IN HAWAII..... 0.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN HAWAII..... 0.5%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN HAWAII..... 0.7%

PERCENT OF HAWAII POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF HAWAII POPULATION IN PWEDA DESIGNATED AREAS..... 100.0%
PERCENT OF HAWAII POPULATION IN NPWEDA ELIGIBLE AREAS..... 93.5%
PERCENT OF HAWAII POPULATION IN NPWEDA (AMENDED) AREAS..... 93.5%

	HAWAII TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFILD)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.7	1	80.9	0.7	1(0)&	0	80.9	0.7	1	86.5	0.7	1	86.5
CENTRAL CITY	0.7	1	80.9	0.7	1(0)	0	80.9	0.7	1	86.5	0.7	1	86.5
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.2	3	19.1	0.2	3(1)	0	19.1	0.1	2	13.5	0.1	2	13.5
METRO	0.7	1	80.9	0.7	1(0)	0	80.9	0.7	1	86.5	0.7	1	86.5
NON-METRO	0.2	3	19.1	0.2	3(1)	0	19.1	0.1	2	13.5	0.1	2	13.5
TOTAL	0.9	4	100.0	0.9	4(1)	0	100.0	0.8	3	100.0	0.8	3	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR HAWAII COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	3	3
PWEDA ELIGIBLE[@]	4	4
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	1	1
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-1	-1

IDAHO

PER-CAPITA INCOME(1975)..... $4409
EMPLOYMENT GROWTH(1974-1978)..... 22.6%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.8%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 12.9%

PERCENT OF U.S. POPULATION IN IDAHO..... 0.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN IDAHO..... 0.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN IDAHO..... 0.2%

PERCENT OF IDAHO POPULATION IN PWEDA ELIGIBLE AREAS..... 63.0%
PERCENT OF IDAHO POPULATION IN PWEDA DESIGNATED AREAS..... 63.0%
PERCENT OF IDAHO POPULATION IN NPWEDA ELIGIBLE AREAS..... 25.7%
PERCENT OF IDAHO POPULATION IN NPWEDA (AMENDED) AREAS..... 29.7%

	IDAHO TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.1	1	16.8	0.0	0(0)&	0	0.0	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.1	1	12.4	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.7	43	83.2	0.5	35(14)	0	100.0	0.2	25	100.0	0.2	27	100.0
METRO	0.1	1	16.8	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.7	43	83.2	0.5	35(14)	0	100.0	0.2	25	100.0	0.2	27	100.0
TOTAL	0.8	44	100.0	0.5	35(14)	0	100.0	0.2	25	100.0	0.2	27	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR IDAHO COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	25	27
PWEDA ELIGIBLE[@]	35	35
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	13	11
(NOT PWEDA STATISTICALLY QUALIFIED)	(9)	(7)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	3
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-10	-8

ILLINOIS

PER-CAPITA INCOME(1975)..... $5307
EMPLOYMENT GROWTH(1974-1978)..... 5.8%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 10.0%

PERCENT OF U.S. POPULATION IN ILLINOIS..... 5.2%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN ILLINOIS..... 5.0%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN ILLINOIS..... 3.6%

PERCENT OF ILLINOIS POPULATION IN PWEDA ELIGIBLE AREAS..... 77.5%
PERCENT OF ILLINOIS POPULATION IN PWEDA DESIGNATED AREAS..... 75.0%
PERCENT OF ILLINOIS POPULATION IN NPWEDA ELIGIBLE AREAS..... 40.8%
PERCENT OF ILLINOIS POPULATION IN NPWEDA (AMENDED) AREAS..... 58.6%

	ILLINOIS TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	6.6	9	59.1	6.0	4(3)&	1	68.7	3.4	2	74.1	5.2	4	79.8
CENTRAL CITY	3.8	13	34.2	3.4	5(3)	1	39.5	3.2	4	70.3	3.3	6	50.4
SUBURBAN COUNTY	2.5	14	22.2	1.7	8(5)	0	19.4	0.3	1	7.6	0.3	1	5.3
NON-METRO COUNTY	2.1	79	18.7	1.0	29(6)	7	11.8	0.8	36	18.4	1.0	43	14.9
METRO	9.1	23	81.3	7.6	12(8)	1	88.2	3.7	3	81.6	5.6	5	85.1
NON-METRO	2.1	79	18.7	1.0	29(6)	7	11.8	0.8	36	18.4	1.0	43	14.9
TOTAL	11.2	102	100.0	8.7	41(14)	8	100.0	4.6	39	100.0	6.6	48	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR ILLINOIS COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	39	48
PWEDA ELIGIBLE[@]	49	49
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	18	14
(NOT PWEDA STATISTICALLY QUALIFIED)	(14)	(11)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	8	13
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-10	-1

INDIANA

PER-CAPITA INCOME(1975)..... $4627
EMPLOYMENT GROWTH(1974-1978)..... 7.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.6%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.6%

PERCENT OF U.S. POPULATION IN INDIANA..... 2.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN INDIANA..... 2.1%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN INDIANA..... 1.2%

PERCENT OF INDIANA POPULATION IN PWEDA ELIGIBLE AREAS..... 69.0%
PERCENT OF INDIANA POPULATION IN PWEDA DESIGNATED AREAS..... 67.7%
PERCENT OF INDIANA POPULATION IN NPWEDA ELIGIBLE AREAS..... 29.4%
PERCENT OF INDIANA POPULATION IN NPWEDA (AMENDED) AREAS..... 45.9%

	INDIANA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	2.5	10	48.1	1.8	9(8)&	0	50.1	0.5	2	29.3	1.3	4	52.9
CENTRAL CITY	1.8	13	34.0	1.1	11(10)	0	29.0	0.4	4	23.4	1.2	7	48.2
SUBURBAN COUNTY	1.0	23	19.3	0.5	12(9)	0	15.2	0.3	5	17.4	0.3	5	11.1
NON-METRO COUNTY	1.7	59	32.6	1.3	40(23)	3	34.7	0.8	32	53.3	0.9	34	36.0
METRO	3.5	33	67.4	2.4	21(17)	0	65.3	0.7	7	46.7	1.5	9	64.0
NON-METRO	1.7	59	32.6	1.3	40(23)	3	34.7	0.8	32	53.3	0.9	34	36.0
TOTAL	5.2	92	100.0	3.6	61(40)	3	100.0	1.5	39	100.0	2.4	43	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR INDIANA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	39	43
PWEDA ELIGIBLE[@]	64	64
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	29	28
(NOT PWEDA STATISTICALLY QUALIFIED)	(28)	(27)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	4	7
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-25	-21

IOWA

PER-CAPITA INCOME(1975)..... $4766
EMPLOYMENT GROWTH(1974-1978)..... 10.2%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 3.7%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 3.9%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.2%

PERCENT OF U.S. POPULATION IN IOWA..... 1.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN IOWA..... 0.6%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN IOWA..... 0.2%

PERCENT OF IOWA POPULATION IN PWEDA ELIGIBLE AREAS..... 38.1%
PERCENT OF IOWA POPULATION IN PWEDA DESIGNATED AREAS..... 35.6%
PERCENT OF IOWA POPULATION IN NPWEDA ELIGIBLE AREAS..... 6.8%
PERCENT OF IOWA POPULATION IN NPWEDA (AMENDED) AREAS..... 12.4%

	IOWA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.0	6	33.2	0.5	3(3)&	0	42.8	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.7	7	23.1	0.4	5(4)	0	33.0	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.1	2	4.1	0.1	1(1)	0	7.9	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	1.8	91	62.6	0.5	23(15)	4	49.3	0.2	15	100.0	0.4	24	100.0
METRO	1.1	8	37.4	0.6	4(4)	0	50.7	0.0	0	0.0	0.0	0	0.0
NON-METRO	1.8	91	62.6	0.5	23(15)	4	49.3	0.2	15	100.0	0.4	24	100.0
TOTAL	2.9	99	100.0	1.1	27(19)	4	100.0	0.2	15	100.0	0.4	24	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR IOWA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	15	24
PWEDA ELIGIBLE[@]	31	31
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	23	17
(NOT PWEDA STATISTICALLY QUALIFIED)	(18)	(15)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	7	10
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-16	-7

KANSAS

PER-CAPITA INCOME(1975)..... $4880
EMPLOYMENT GROWTH(1974-1978)..... 12.4%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 3.9%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 3.6%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 12.2%

PERCENT OF U.S. POPULATION IN KANSAS..... 1.1%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN KANSAS..... 0.4%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN KANSAS..... 0.2%

PERCENT OF KANSAS POPULATION IN PWEDA ELIGIBLE AREAS..... 33.6%
PERCENT OF KANSAS POPULATION IN PWEDA DESIGNATED AREAS..... 32.9%
PERCENT OF KANSAS POPULATION IN NPWEDA ELIGIBLE AREAS..... 10.5%
PERCENT OF KANSAS POPULATION IN NPWEDA (AMENDED) AREAS..... 18.3%

	KANSAS TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.7	4	32.4	0.5	2(2)&	0	68.2	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.6	4	26.4	0.4	2(2)	0	56.3	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.3	4	13.5	0.0	1(1)	0	5.2	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	1.2	97	54.1	0.2	11(5)	2	26.5	0.2	26	100.0	0.4	41	100.0
METRO	1.1	8	45.9	0.6	3(3)	0	73.5	0.0	0	0.0	0.0	0	0.0
NON-METRO	1.2	97	54.1	0.2	11(5)	2	26.5	0.2	26	100.0	0.4	41	100.0
TOTAL	2.3	105	100.0	0.8	14(8)	2	100.0	0.2	26	100.0	0.4	41	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR KANSAS COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	26	41
PWEDA ELIGIBLE[@]	16	16
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	9	7
(NOT PWEDA STATISTICALLY QUALIFIED)	(4)	(3)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	19	32
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	10	25

KENTUCKY

PER-CAPITA INCOME(1975)..... $4022
EMPLOYMENT GROWTH(1974-1978)..... 9.6%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.4%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 4.9%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 22.3%

PERCENT OF U.S. POPULATION IN KENTUCKY..... 1.6%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN KENTUCKY..... 1.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN KENTUCKY..... 1.7%

PERCENT OF KENTUCKY POPULATION IN PWEDA ELIGIBLE AREAS..... 84.6%
PERCENT OF KENTUCKY POPULATION IN PWEDA DESIGNATED AREAS..... 84.4%
PERCENT OF KENTUCKY POPULATION IN NPWEDA ELIGIBLE AREAS..... 63.6%
PERCENT OF KENTUCKY POPULATION IN NPWEDA (AMENDED) AREAS..... 70.0%

	KENTUCKY TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.1	5	31.4	0.9	4(4)&	0	30.7	0.4	1	19.4	0.4	1	17.6
CENTRAL CITY	0.6	5	18.2	0.4	4(4)	0	15.0	0.4	3	17.6	0.4	3	16.0
SUBURBAN COUNTY	0.5	12	14.1	0.4	8(8)	0	14.1	0.1	3	5.5	0.2	7	9.8
NON-METRO COUNTY	1.9	103	54.5	1.6	88(40)	1	55.3	1.6	97	75.1	1.7	100	72.5
METRO	1.6	17	45.5	1.3	12(12)	0	44.7	0.5	4	24.9	0.7	8	27.5
NON-METRO	1.9	103	54.5	1.6	88(40)	1	55.3	1.6	97	75.1	1.7	100	72.5
TOTAL	3.4	120	100.0	2.9	100(52)	1	100.0	2.2	101	100.0	2.4	108	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR KENTUCKY COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	101	108
PWEDA ELIGIBLE[@]	101	101
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	12	8
(NOT PWEDA STATISTICALLY QUALIFIED)	(12)	(8)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	12	15
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	0	7

LOUISIANA

PER-CAPITA INCOME(1975)..... $3888
EMPLOYMENT GROWTH(1974-1978)..... 17.8%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.0%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.0%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 25.6%

PERCENT OF U.S. POPULATION IN LOUISIANA..... 1.8%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN LOUISIANA..... 2.0%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN LOUISIANA..... 2.2%

PERCENT OF LOUISIANA POPULATION IN PWEDA ELIGIBLE AREAS..... 89.2%
PERCENT OF LOUISIANA POPULATION IN PWEDA DESIGNATED AREAS..... 89.2%
PERCENT OF LOUISIANA POPULATION IN NPWEDA ELIGIBLE AREAS..... 71.4%
PERCENT OF LOUISIANA POPULATION IN NPWEDA (AMENDED) AREAS..... 72.1%

	LOUISIANA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.6	7	42.7	1.5	6(2)&	0	44.1	1.1	4	38.5	1.1	4	38.1
CENTRAL CITY	1.3	7	34.3	1.2	6(2)	0	36.2	0.9	4	31.5	0.9	4	31.2
SUBURBAN COUNTY	0.8	9	20.4	0.8	9(2)	0	22.9	0.4	7	13.4	0.4	7	13.3
NON-METRO COUNTY	1.4	48	36.9	1.1	43(12)	0	33.0	1.3	45	48.1	1.4	46	48.6
METRO	2.4	16	63.1	2.3	15(4)	0	67.0	1.4	11	51.9	1.4	11	51.4
NON-METRO	1.4	48	36.9	1.1	43(12)	0	33.0	1.3	45	48.1	1.4	46	48.6
TOTAL	3.9	64	100.0	3.4	58(16)	0	100.0	2.8	56	100.0	2.8	57	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR LOUISIANA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	56	57
PWEDA ELIGIBLE[@]	58	58
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	6	6
(NOT PWEDA STATISTICALLY QUALIFIED)	(2)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	4	5
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-2	-1

MAINE

PER-CAPITA INCOME(1975)..... $3795
EMPLOYMENT GROWTH(1974-1978)..... 6.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.2%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 13.5%

PERCENT OF U.S. POPULATION IN MAINE..... 0.5%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MAINE..... 0.6%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MAINE..... 0.8%

PERCENT OF MAINE POPULATION IN PWEDA ELIGIBLE AREAS..... 92.9%
PERCENT OF MAINE POPULATION IN PWEDA DESIGNATED AREAS..... 92.9%
PERCENT OF MAINE POPULATION IN NPWEDA ELIGIBLE AREAS..... 96.0%
PERCENT OF MAINE POPULATION IN NPWEDA (AMENDED) AREAS..... 96.0%

	MAINE TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.2	2	22.4	0.2	2(1)&	0	24.1	0.2	2	23.3	0.2	2	23.3
CENTRAL CITY	0.1	2	9.8	0.1	2(1)	0	10.5	0.1	2	10.2	0.1	2	10.2
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.8	28	77.6	0.7	23(1)	0	75.9	0.8	26	76.7	0.8	26	76.7
METRO	0.2	2	22.4	0.2	2(1)	0	24.1	0.2	2	23.3	0.2	2	23.3
NON-METRO	0.8	28	77.6	0.7	23(1)	0	75.9	0.8	26	76.7	0.8	26	76.7
TOTAL	1.1	30	100.0	1.0	25(2)	0	100.0	1.0	28	100.0	1.0	28	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MAINE COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	28	28
PWEDA ELIGIBLE[@]	25	25
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	0	0
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	3
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	3	3

MARYLAND

PER-CAPITA INCOME(1975)..... $5575
EMPLOYMENT GROWTH(1974-1978)..... 12.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.0%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.8%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.9%

PERCENT OF U.S. POPULATION IN MARYLAND..... 1.9%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MARYLAND..... 1.5%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MARYLAND..... 1.0%

PERCENT OF MARYLAND POPULATION IN PWEDA ELIGIBLE AREAS..... 64.8%
PERCENT OF MARYLAND POPULATION IN PWEDA DESIGNATED AREAS..... 63.4%
PERCENT OF MARYLAND POPULATION IN NPWEDA ELIGIBLE AREAS..... 31.0%
PERCENT OF MARYLAND POPULATION IN NPWEDA (AMENDED) AREAS..... 33.4%

	MARYLAND TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.8	1	20.1	0.8	1(0)&	0	30.9	0.8	1	64.6	0.8	1	60.1
CENTRAL CITY	0.8	1	20.1	0.8	1(0)	0	30.9	0.8	1	64.6	0.8	1	60.1
SUBURBAN COUNTY	2.7	9	65.0	1.3	6(5)	0	49.7	0.1	1	4.2	0.1	1	3.9
NON-METRO COUNTY	0.6	14	14.9	0.5	12(1)	1	19.3	0.4	8	31.1	0.5	12	36.0
METRO	3.5	10	85.1	2.2	7(5)	0	80.7	0.9	2	68.9	0.9	2	64.0
NON-METRO	0.6	14	14.9	0.5	12(1)	1	19.3	0.4	8	31.1	0.5	12	36.0
TOTAL	4.1	24	100.0	2.7	19(6)	1	100.0	1.3	10	100.0	1.4	14	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MARYLAND COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	10	14
PWEDA ELIGIBLE[@]	20	20
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	10	6
(NOT PWEDA STATISTICALLY QUALIFIED)	(6)	(5)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-10	-6

MASSACHUSETTS

PER-CAPITA INCOME(1975)..... $5019
EMPLOYMENT GROWTH(1974-1978)..... 9.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.4%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.0%

PERCENT OF U.S. POPULATION IN MASS..... 2.7%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MASS..... 3.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MASS..... 4.1%

PERCENT OF MASS. POPULATION IN PWEDA ELIGIBLE AREAS..... 95.1%
PERCENT OF MASS. POPULATION IN PWEDA DESIGNATED AREAS..... 94.0%
PERCENT OF MASS. POPULATION IN NPWEDA ELIGIBLE AREAS..... 89.8%
PERCENT OF MASS. POPULATION IN NPWEDA (AMENDED) AREAS..... 89.8%

	MASSACHUSETTS TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	5.0	10	86.2	4.9	10(2)&	0	88.1	4.7	10	90.0	4.7	10	90.0
CENTRAL CITY	1.7	14	29.0	1.7	14(4)	0	30.5	1.7	14	32.3	1.7	14	32.3
SUBURBAN COUNTY	0.1	1	1.6	0.1	1(0)	0	1.7	0.1	1	1.8	0.1	1	1.8
NON-METRO COUNTY	0.7	19	12.2	0.6	12(1)	1	10.2	0.4	12	8.2	0.4	12	8.2
METRO	5.1	11	87.8	4.9	11(2)	0	89.8	4.8	11	91.8	4.8	11	91.8
NON-METRO	0.7	19	12.2	0.6	12(1)	1	10.2	0.4	12	8.2	0.4	12	8.2
TOTAL	5.8	30	100.0	5.5	23(3)	1	100.0	5.2	23	100.0	5.2	23	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MASSACHUSETTS COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	23	23
PWEDA ELIGIBLE[@]	24	24
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	3	3
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	2	2
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-1	-1

MICHIGAN

PER-CAPITA INCOME(1975)..... $4868
EMPLOYMENT GROWTH(1974-1978)..... 8.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.8%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.5%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.2%

PERCENT OF U.S. POPULATION IN MICHIGAN..... 4.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MICHIGAN..... 4.8%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MICHIGAN..... 5.9%

PERCENT OF MICHIGAN POPULATION IN PWEDA ELIGIBLE AREAS..... 91.7%
PERCENT OF MICHIGAN POPULATION IN PWEDA DESIGNATED AREAS..... 89.4%
PERCENT OF MICHIGAN POPULATION IN NPWEDA ELIGIBLE AREAS..... 82.2%
PERCENT OF MICHIGAN POPULATION IN NPWEDA (AMENDED) AREAS..... 82.6%

	MICHIGAN TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	4.9	11	53.3	4.9	11(4)&	0	58.2	4.6	10	61.5	4.6	10	61.3
CENTRAL CITY	2.3	13	25.5	2.3	13(5)	0	27.8	2.3	12	30.5	2.3	12	30.4
SUBURBAN COUNTY	2.6	14	28.1	1.8	10(4)	2	21.6	1.5	9	19.6	1.5	9	19.5
NON-METRO COUNTY	1.7	58	18.6	1.7	56(3)	2	20.3	1.4	51	18.8	1.4	53	19.2
METRO	7.4	25	81.4	6.7	21(8)	2	79.7	6.1	19	81.2	6.1	19	80.8
NON-METRO	1.7	58	18.6	1.7	56(3)	2	20.3	1.4	51	18.8	1.4	53	19.2
TOTAL	9.1	83	100.0	8.4	77(11)	4	100.0	7.5	70	100.0	7.5	72	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MICHIGAN COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	70	72
PWEDA ELIGIBLE[@]	81	81
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	12	10
(NOT PWEDA STATISTICALLY QUALIFIED)	(4)	(4)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	1	1
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-11	-9

MINNESOTA

PER-CAPITA INCOME(1975)..... $4849
EMPLOYMENT GROWTH(1974-1978)..... 12.4%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.0%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 4.4%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 10.4%

PERCENT OF U.S. POPULATION IN MINNESOTA..... 1.8%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MINNESOTA..... 1.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MINNESOTA..... 1.5%

PERCENT OF MINNESOTA POPULATION IN PWEDA ELIGIBLE AREAS..... 76.4%
PERCENT OF MINNESOTA POPULATION IN PWEDA DESIGNATED AREAS..... 76.4%
PERCENT OF MINNESOTA POPULATION IN NPWEDA ELIGIBLE AREAS..... 46.6%
PERCENT OF MINNESOTA POPULATION IN NPWEDA (AMENDED) AREAS..... 48.3%

	MINNESOTA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.8	6	46.3	1.7	4(4)&	0	56.1	1.2	2	65.1	1.2	2	62.8
CENTRAL CITY	0.9	6	21.9	0.8	4(4)	0	25.8	0.7	3	37.2	0.7	3	35.9
SUBURBAN COUNTY	0.7	10	17.9	0.5	6(6)	0	16.5	0.1	2	3.9	0.1	2	3.7
NON-METRO COUNTY	1.4	71	35.8	0.8	43(22)	0	27.3	0.6	32	31.1	0.6	35	33.4
METRO	2.5	16	64.2	2.2	10(10)	0	72.7	1.3	4	68.9	1.3	4	66.6
NON-METRO	1.4	71	35.8	0.8	43(22)	0	27.3	0.6	32	31.1	0.6	35	33.4
TOTAL	4.0	87	100.0	3.0	53(32)	0	100.0	1.8	36	100.0	1.9	39	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MINNESOTA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	36	39
PWEDA ELIGIBLE[@]	53	53
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	23	22
(NOT PWEDA STATISTICALLY QUALIFIED)	(21)	(20)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	6	8
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-17	-14

MISSISSIPPI

PER-CAPITA INCOME(1975)..... $3297
EMPLOYMENT GROWTH(1974-1978)..... 4.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.8%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 34.3%

PERCENT OF U.S. POPULATION IN MISS..... 1.1%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MISS..... 1.1%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MISS..... 1.8%

PERCENT OF MISS. POPULATION IN PWEDA ELIGIBLE AREAS..... 80.4%
PERCENT OF MISS. POPULATION IN PWEDA DESIGNATED AREAS..... 80.4%
PERCENT OF MISS. POPULATION IN NPWEDA ELIGIBLE AREAS..... 96.7%
PERCENT OF MISS. POPULATION IN NPWEDA (AMENDED) AREAS..... 96.7%

AREA	MISSISSIPPI TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.5	3	20.7	0.1	1(0)&	0	7.7	0.4	2	17.9	0.4	2	17.9
CENTRAL CITY	0.3	4	13.1	0.1	2(0)	0	4.7	0.3	4	13.5	0.3	4	13.5
SUBURBAN COUNTY	0.1	4	5.8	0.1	3(2)	0	4.1	0.1	4	6.0	0.1	4	6.0
NON-METRO COUNTY	1.7	75	73.5	1.7	74(20)	0	88.2	1.7	75	76.1	1.7	75	76.1
METRO	0.6	7	26.5	0.2	4(2)	0	11.8	0.5	6	23.9	0.5	6	23.9
NON-METRO	1.7	75	73.5	1.7	74(20)	0	88.2	1.7	75	76.1	1.7	75	76.1
TOTAL	2.4	82	100.0	1.9	78(22)	0	100.0	2.3	81	100.0	2.3	81	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MISSISSIPPI COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	81	81
PWEDA ELIGIBLE[@]	78	78
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	0	0
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	3
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	3	3

MISSOURI

PER-CAPITA INCOME(1975)..... $4505
EMPLOYMENT GROWTH(1974-1978)..... 8.4%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.8%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.5%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 14.3%

PERCENT OF U.S. POPULATION IN MISSOURI..... 2.2%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MISSOURI..... 1.6%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MISSOURI..... 1.5%

PERCENT OF MISSOURI POPULATION IN PWEDA ELIGIBLE AREAS..... 56.9%
PERCENT OF MISSOURI POPULATION IN PWEDA DESIGNATED AREAS..... 54.1%
PERCENT OF MISSOURI POPULATION IN NPWEDA ELIGIBLE AREAS..... 38.4%
PERCENT OF MISSOURI POPULATION IN NPWEDA (AMENDED) AREAS..... 42.0%

	MISSOURI TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.5	5	30.9	1.1	2(1)&	0	41.8	0.5	1	28.2	0.5	1	25.9
CENTRAL CITY	1.2	5	26.1	1.0	2(1)	0	35.9	0.5	1	28.2	0.5	1	25.9
SUBURBAN COUNTY	1.6	10	32.6	0.4	4(2)	0	16.0	0.0	2	1.8	0.0	2	1.7
NON-METRO COUNTY	1.7	100	36.5	1.1	57(21)	6	42.1	1.3	85	69.9	1.5	91	72.5
METRO	3.0	15	63.5	1.6	6(3)	0	57.9	0.6	3	30.1	0.6	3	27.5
NON-METRO	1.7	100	36.5	1.1	57(21)	6	42.1	1.3	85	69.9	1.5	91	72.5
TOTAL	4.8	115	100.0	2.7	63(24)	6	100.0	1.8	88	100.0	2.0	94	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MISSOURI COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	88	94
PWEDA ELIGIBLE[@]	69	69
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	11	9
(NOT PWEDA STATISTICALLY QUALIFIED)	(8)	(7)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	30	34
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	19	25

MONTANA

PER-CAPITA INCOME(1975)..... $4516
EMPLOYMENT GROWTH(1974-1978)..... 11.9%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 13.2%

PERCENT OF U.S. POPULATION IN MONTANA..... 0.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN MONTANA..... 0.4%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN MONTANA..... 0.2%

PERCENT OF MONTANA POPULATION IN PWEDA ELIGIBLE AREAS..... 81.6%
PERCENT OF MONTANA POPULATION IN PWEDA DESIGNATED AREAS..... 74.6%
PERCENT OF MONTANA POPULATION IN NPWEDA ELIGIBLE AREAS..... 33.6%
PERCENT OF MONTANA POPULATION IN NPWEDA (AMENDED) AREAS..... 38.5%

	MONTANA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.2	2	24.4	0.2	2(2)&	0	29.8	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.1	2	17.4	0.1	2(2)	0	21.4	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.6	55	75.6	0.4	26(8)	5	70.2	0.3	27	100.0	0.3	33	100.0
METRO	0.2	2	24.4	0.2	2(2)	0	29.8	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.6	55	75.6	0.4	26(8)	5	70.2	0.3	27	100.0	0.3	33	100.0
TOTAL	0.8	57	100.0	0.6	28(10)	5	100.0	0.3	27	100.0	0.3	33	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR MONTANA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	27	33
PWEDA ELIGIBLE[@]	33	33
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	17	13
(NOT PWEDA STATISTICALLY QUALIFIED)	(8)	(7)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	11	13
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-6	0

NEBRASKA

PER-CAPITA INCOME(1975)..... $4720
EMPLOYMENT GROWTH(1974-1978)..... 8.2%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 3.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 3.4%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 12.6%

PERCENT OF U.S. POPULATION IN NEBRASKA..... 0.7%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN NEBRASKA..... 0.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN NEBRASKA..... 0.2%

PERCENT OF NEBRASKA POPULATION IN PWEDA ELIGIBLE AREAS..... 17.2%
PERCENT OF NEBRASKA POPULATION IN PWEDA DESIGNATED AREAS..... 9.1%
PERCENT OF NEBRASKA POPULATION IN NPWEDA ELIGIBLE AREAS..... 16.9%
PERCENT OF NEBRASKA POPULATION IN NPWEDA (AMENDED) AREAS..... 23.0%

	NEBRASKA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.6	2	38.4	0.0	0(0)&	0	0.0	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.5	2	34.5	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.1	2	6.4	0.1	1(1)	0	31.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.9	89	55.3	0.2	11(1)	15	69.0	0.3	43	100.0	0.4	56	100.0
METRO	0.7	4	44.7	0.1	1(1)	0	31.0	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.9	89	55.3	0.2	11(1)	15	69.0	0.3	43	100.0	0.4	56	100.0
TOTAL	1.6	93	100.0	0.3	12(2)	15	100.0	0.3	43	100.0	0.4	56	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NEBRASKA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	43	56
PWEDA ELIGIBLE[@]	27	27
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	9	4
(NOT PWEDA STATISTICALLY QUALIFIED)	(1)	(1)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	25	33
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	16	29

NEVADA

PER-CAPITA INCOME(1975)..... $5506
EMPLOYMENT GROWTH(1974-1978)..... 25.7%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.5%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.8%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 8.9%

PERCENT OF U.S. POPULATION IN NEVADA..... 0.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN NEVADA..... 0.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN NEVADA..... 0.1%

PERCENT OF NEVADA POPULATION IN PWEDA ELIGIBLE AREAS..... 68.0%
PERCENT OF NEVADA POPULATION IN PWEDA DESIGNATED AREAS..... 7.8%
PERCENT OF NEVADA POPULATION IN NPWEDA ELIGIBLE AREAS..... 12.3%
PERCENT OF NEVADA POPULATION IN NPWEDA (AMENDED) AREAS..... 12.3%

	NEVADA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP.	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.5	2	80.9	0.3	0(0)&	1	83.0	0.0	0	51.4	0.0	0	51.4
CENTRAL CITY	0.2	2	38.1	0.2	0(0)	1	36.9	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.1	15	19.1	0.1	4(3)	3	17.0	0.0	5	48.6	0.0	5	48.6
METRO	0.5	2	80.9	0.3	0(0)	1	83.0	0.0	0	51.4	0.0	0	51.4
NON-METRO	0.1	15	19.1	0.1	4(3)	3	17.0	0.0	5	48.6	0.0	5	48.6
TOTAL	0.6	17	100.0	0.4	4(3)	4	100.0	0.1	5	100.0	0.1	5	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NEVADA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	5	5
PWEDA ELIGIBLE[@]	8	8
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	5	5
(NOT PWEDA STATISTICALLY QUALIFIED)	(2)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	2	2
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-3	-3

NEW HAMPSHIRE

PER-CAPITA INCOME(1975)..... $4480
EMPLOYMENT GROWTH(1974-1978)..... 16.9%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 8.8%

PERCENT OF U.S. POPULATION IN N. HAMPSHIRE..... 0.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN N. HAMPSHIRE..... 0.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN N. HAMPSHIRE..... 0.2%

PERCENT OF N. HAMPSHIRE POPULATION IN PWEDA ELIGIBLE AREAS..... 58.1%
PERCENT OF N. HAMPSHIRE POPULATION IN PWEDA DESIGNATED AREAS.... 58.1%
PERCENT OF N. HAMPSHIRE POPULATION IN NPWEDA ELIGIBLE AREAS..... 30.4%
PERCENT OF N. HAMPSHIRE POPULATION IN NPWEDA (AMENDED) AREAS.... 30.4%

	NEW HAMPSHIRE TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.2	1	29.8	0.2	1(1)&	0	51.4	0.1	0	58.1	0.1	0	58.1
CENTRAL CITY	0.1	2	17.7	0.1	2(2)	0	30.4	0.1	2	58.1	0.1	2	58.1
SUBURBAN COUNTY	0.3	2	30.9	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.3	7	39.2	0.2	5(4)	0	48.6	0.1	3	41.9	0.1	3	41.9
METRO	0.5	3	60.8	0.2	1(1)	0	51.4	0.1	0	58.1	0.1	0	58.1
NON-METRO	0.3	7	39.2	0.2	5(4)	0	48.6	0.1	3	41.9	0.1	3	41.9
TOTAL	0.8	10	100.0	0.5	6(5)	0	100.0	0.3	3	100.0	0.3	3	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NEW HAMPSHIRE COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	3	3
PWEDA ELIGIBLE[@]	6	6
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	4	4
(NOT PWEDA STATISTICALLY QUALIFIED)	(4)	(4)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	1	1
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-3	-3

NEW JERSEY

PER-CAPITA INCOME(1975)..... $5512
EMPLOYMENT GROWTH(1974-1978)..... 6.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.7%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 8.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 8.0%

PERCENT OF U.S. POPULATION IN NEW JERSEY..... 3.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN NEW JERSEY..... 4.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN NEW JERSEY..... 3.9%

PERCENT OF NEW JERSEY POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF NEW JERSEY POPULATION IN PWEDA DESIGNATED AREAS..... 98.9%
PERCENT OF NEW JERSEY POPULATION IN NPWEDA ELIGIBLE AREAS..... 66.3%
PERCENT OF NEW JERSEY POPULATION IN NPWEDA (AMENDED) AREAS..... 66.7%

AREA	NEW JERSEY TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	3.6	8	49.4	3.6	8(1)&	0	49.4	3.3	7	66.7	3.3	7	66.3
CENTRAL CITY	1.2	13	16.6	1.2	13(0)	0	16.6	1.2	13	25.0	1.2	13	24.9
SUBURBAN COUNTY	3.2	9	42.9	3.2	8(3)	1	42.9	1.5	5	31.8	1.5	5	31.6
NON-METRO COUNTY	0.6	4	7.6	0.6	4(1)	0	7.6	0.1	1	1.5	0.1	1	2.2
METRO	6.8	17	92.4	6.8	16(4)	1	92.4	4.8	12	98.5	4.8	12	97.8
NON-METRO	0.6	4	7.6	0.6	4(1)	0	7.6	0.1	1	1.5	0.1	1	2.2
TOTAL	7.4	21	100.0	7.4	20(5)	1	100.0	4.9	13	100.0	4.9	13	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NEW JERSEY COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	13	13
PWEDA ELIGIBLE[@]	21	21
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	8	8
(NOT PWEDA STATISTICALLY QUALIFIED)	(5)	(5)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-8	-8

NEW MEXICO

PER-CAPITA INCOME(1975)..... $3998
EMPLOYMENT GROWTH(1974-1978)..... 27.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 22.3%

PERCENT OF U.S. POPULATION IN NEW MEXICO..... 0.5%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN NEW MEXICO..... 0.6%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN NEW MEXICO..... 0.4%

PERCENT OF NEW MEXICO POPULATION IN PWEDA ELIGIBLE AREAS..... 90.4%
PERCENT OF NEW MEXICO POPULATION IN PWEDA DESIGNATED AREAS..... 90.4%
PERCENT OF NEW MEXICO POPULATION IN NPWEDA ELIGIBLE AREAS..... 46.1%
PERCENT OF NEW MEXICO POPULATION IN NPWEDA (AMENDED) AREAS..... 49.6%

	NEW MEXICO TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.4	1	31.5	0.4	1(0)&	0	34.9	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.3	1	24.3	0.3	1(0)	0	26.9	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	1	2.0	0.0	1(0)	0	2.2	0.0	1	4.4	0.0	1	4.1
NON-METRO COUNTY	0.8	30	66.4	0.7	23(5)	0	62.9	0.5	23	95.6	0.6	24	95.9
METRO	0.4	2	33.6	0.4	2(0)	0	37.1	0.0	1	4.4	0.0	1	4.1
NON-METRO	0.8	30	66.4	0.7	23(5)	0	62.9	0.5	23	95.6	0.6	24	95.9
TOTAL	1.2	32	100.0	1.1	25(5)	0	100.0	0.5	24	100.0	0.6	25	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NEW MEXICO COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	24	25
PWEDA ELIGIBLE[@]	25	25
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	6	5
(NOT PWEDA STATISTICALLY QUALIFIED)	(2)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	5	5
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-1	0

NEW YORK

PER-CAPITA INCOME(1975)..... $5120
EMPLOYMENT GROWTH(1974-1978)..... 3.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.6%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 8.4%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 10.8%

PERCENT OF U.S. POPULATION IN NEW YORK..... 8.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN NEW YORK..... 10.0%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN NEW YORK..... 12.3%

PERCENT OF NEW YORK POPULATION IN PWEDA ELIGIBLE AREAS..... 97.1%
PERCENT OF NEW YORK POPULATION IN PWEDA DESIGNATED AREAS..... 95.6%
PERCENT OF NEW YORK POPULATION IN NPWEDA ELIGIBLE AREAS..... 85.7%
PERCENT OF NEW YORK POPULATION IN NPWEDA (AMENDED) AREAS..... 85.7%

	NEW YORK TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	11.1	11	61.5	10.7	9(2)&	0	61.1	9.9	6	63.7	9.9	6	63.7
CENTRAL CITY	8.8	12	48.6	8.7	10(1)	0	49.4	8.7	11	56.2	8.7	11	56.2
SUBURBAN COUNTY	4.9	16	27.0	4.8	13(2)	2	27.5	3.6	11	23.3	3.6	11	23.3
NON-METRO COUNTY	2.1	31	11.5	2.0	27(0)	3	11.3	2.0	30	13.0	2.0	30	13.0
METRO	16.0	27	88.5	15.5	22(4)	2	88.7	13.5	17	87.0	13.5	17	87.0
NON-METRO	2.1	31	11.5	2.0	27(0)	3	11.3	2.0	30	13.0	2.0	30	13.0
TOTAL	18.1	58	100.0	17.5	49(4)	5	100.0	15.5	47	100.0	15.5	47	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NEW YORK COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	47	47
PWEDA ELIGIBLE[@]	54	54
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	7	7
(NOT PWEDA STATISTICALLY QUALIFIED)	(4)	(4)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-7	-7

NORTH CAROLINA

PER-CAPITA INCOME(1975)..... $4020
EMPLOYMENT GROWTH(1974-1978)..... 9.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.9%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 19.5%

PERCENT OF U.S. POPULATION IN N. CAROLINA..... 2.5%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN N. CAROLINA..... 2.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN N. CAROLINA..... 2.4%

PERCENT OF N. CAROLINA POPULATION IN PWEDA ELIGIBLE AREAS..... 87.8%
PERCENT OF N. CAROLINA POPULATION IN PWEDA DESIGNATED AREAS..... 87.8%
PERCENT OF N. CAROLINA POPULATION IN NPWEDA ELIGIBLE AREAS..... 56.2%
PERCENT OF N. CAROLINA POPULATION IN NPWEDA (AMENDED) AREAS..... 63.5%

AREA	NORTH CAROLINA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.8	9	33.2	1.4	7(5)&	0	29.3	0.5	3	15.8	0.6	4	18.0
CENTRAL CITY	1.0	10	18.4	0.8	8(5)	0	16.0	0.2	4	7.1	0.3	5	9.2
SUBURBAN COUNTY	0.7	10	12.0	0.6	8(6)	0	11.7	0.1	5	3.8	0.3	5	7.4
NON-METRO COUNTY	3.0	81	54.7	2.8	77(51)	0	59.0	2.5	72	80.5	2.6	75	74.6
METRO	2.5	19	45.3	2.0	15(11)	0	41.0	0.6	8	19.5	0.9	9	25.4
NON-METRO	3.0	81	54.7	2.8	77(51)	0	59.0	2.5	72	80.5	2.6	75	74.6
TOTAL	5.5	100	100.0	4.8	92(62)	0	100.0	3.1	80	100.0	3.5	84	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NORTH CAROLINA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	80	84
PWEDA ELIGIBLE[@]	92	92
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	16	14
(NOT PWEDA STATISTICALLY QUALIFIED)	(16)	(14)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	4	6
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-12	-8

NORTH DAKOTA

PER-CAPITA INCOME(1975)..... $4618
EMPLOYMENT GROWTH(1974-1978)..... 13.7%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 4.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 4.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 15.0%

PERCENT OF U.S. POPULATION IN N. DAKOTA..... 0.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN N. DAKOTA..... 0.1%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN N. DAKOTA..... 0.1%

PERCENT OF N. DAKOTA POPULATION IN PWEDA ELIGIBLE AREAS..... 28.8%
PERCENT OF N. DAKOTA POPULATION IN PWEDA DESIGNATED AREAS..... 28.8%
PERCENT OF N. DAKOTA POPULATION IN NPWEDA ELIGIBLE AREAS..... 23.1%
PERCENT OF N. DAKOTA POPULATION IN NPWEDA (AMENDED) AREAS..... 31.2%

	NORTH DAKOTA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.1	2	22.7	0.0	0(0)&	0	0.0	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.1	2	15.4	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.5	51	77.3	0.2	27(6)	0	100.0	0.1	19	100.0	0.2	26	100.0
METRO	0.1	2	22.7	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.5	51	77.3	0.2	27(6)	0	100.0	0.1	19	100.0	0.2	26	100.0
TOTAL	0.6	53	100.0	0.2	27(6)	0	100.0	0.1	19	100.0	0.2	26	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR NORTH DAKOTA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	19	26
PWEDA ELIGIBLE[@]	27	27
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	13	9
(NOT PWEDA STATISTICALLY QUALIFIED)	(4)	(4)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	5	8
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-8	-1

OHIO

PER-CAPITA INCOME(1975)..... $4725
EMPLOYMENT GROWTH(1974-1978)..... 4.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.7%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.9%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.8%

PERCENT OF U.S. POPULATION IN OHIO..... 5.0%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN OHIO..... 5.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN OHIO..... 5.3%

PERCENT OF OHIO POPULATION IN PWEDA ELIGIBLE AREAS..... 84.7%
PERCENT OF OHIO POPULATION IN PWEDA DESIGNATED AREAS..... 71.6%
PERCENT OF OHIO POPULATION IN NPWEDA ELIGIBLE AREAS..... 62.4%
PERCENT OF OHIO POPULATION IN NPWEDA (AMENDED) AREAS..... 72.3%

	OHIO TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	7.0	16	65.8	6.5	11(8)&	3	71.7	4.7	9	69.9	5.7	12	73.2
CENTRAL CITY	3.2	18	29.6	3.1	14(7)	3	34.4	2.5	14	37.6	3.1	16	39.7
SUBURBAN COUNTY	1.5	23	14.1	1.0	12(8)	3	10.8	0.5	8	7.1	0.5	8	6.1
NON-METRO COUNTY	2.2	49	20.1	1.6	28(13)	6	17.5	1.5	35	23.1	1.6	37	20.7
METRO	8.5	39	79.9	7.5	23(16)	6	82.5	5.1	17	76.9	6.1	20	79.3
NON-METRO	2.2	49	20.1	1.6	28(13)	6	17.5	1.5	35	23.1	1.6	37	20.7
TOTAL	10.7	88	100.0	9.1	51(29)	12	100.0	6.7	52	100.0	7.7	57	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR OHIO COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	52	57
PWEDA ELIGIBLE[@]	63	63
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	17	15
(NOT PWEDA STATISTICALLY QUALIFIED)	(16)	(14)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	6	9
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-11	-6

OKLAHOMA

PER-CAPITA INCOME(1975)..... $4477
EMPLOYMENT GROWTH(1974-1978)..... 12.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 4.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 18.1%

PERCENT OF U.S. POPULATION IN OKLAHOMA..... 1.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN OKLAHOMA..... 1.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN OKLAHOMA..... 0.8%

PERCENT OF OKLAHOMA POPULATION IN PWEDA ELIGIBLE AREAS..... 81.4%
PERCENT OF OKLAHOMA POPULATION IN PWEDA DESIGNATED AREAS..... 81.4%
PERCENT OF OKLAHOMA POPULATION IN NPWEDA ELIGIBLE AREAS..... 37.5%
PERCENT OF OKLAHOMA POPULATION IN NPWEDA (AMENDED) AREAS..... 45.8%

AREA	OKLAHOMA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.1	3	39.1	1.1	3(3)&	0	48.0	0.0	0	0.0	0.1	0	6.4
CENTRAL CITY	0.8	3	28.3	0.8	3(3)	0	34.8	0.0	0	0.0	0.1	1	6.4
SUBURBAN COUNTY	0.5	11	16.4	0.3	8(6)	0	14.5	0.2	6	18.2	0.2	7	18.9
NON-METRO COUNTY	1.2	63	44.5	0.8	43(24)	0	37.5	0.8	46	81.8	0.9	53	74.8
METRO	1.5	14	55.5	1.4	11(9)	0	62.5	0.2	6	18.2	0.3	7	25.2
NON-METRO	1.2	63	44.5	0.8	43(24)	0	37.5	0.8	46	81.8	0.9	53	74.8
TOTAL	2.8	77	100.0	2.3	54(33)	0	100.0	1.0	52	100.0	1.3	60	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR OKLAHOMA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	52	60
PWEDA ELIGIBLE[@]	54	54
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	8	6
(NOT PWEDA STATISTICALLY QUALIFIED)	(7)	(6)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	6	12
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-2	6

OREGON

PER-CAPITA INCOME(1975)..... $4985
EMPLOYMENT GROWTH(1974-1978)..... 18.9%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.5%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.3%

PERCENT OF U.S. POPULATION IN OREGON..... 1.1%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN OREGON..... 1.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN OREGON..... 1.1%

PERCENT OF OREGON POPULATION IN PWEDA ELIGIBLE AREAS..... 98.3%
PERCENT OF OREGON POPULATION IN PWEDA DESIGNATED AREAS..... 90.3%
PERCENT OF OREGON POPULATION IN NPWEDA ELIGIBLE AREAS..... 58.3%
PERCENT OF OREGON POPULATION IN NPWEDA (AMENDED) AREAS..... 59.4%

	OREGON TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.9	3	40.5	0.9	2(1)&	1	41.2	0.6	1	41.4	0.6	1	40.6
CENTRAL CITY	0.6	4	25.5	0.6	3(1)	1	25.9	0.4	2	30.6	0.4	2	30.1
SUBURBAN COUNTY	0.5	3	19.4	0.4	2(2)	0	18.0	0.2	1	15.6	0.2	1	15.3
NON-METRO COUNTY	0.9	30	40.1	0.9	29(7)	1	40.8	0.6	19	43.0	0.6	20	44.0
METRO	1.4	6	59.9	1.4	4(3)	1	59.2	0.8	2	57.0	0.8	2	56.0
NON-METRO	0.9	30	40.1	0.9	29(7)	1	40.8	0.6	19	43.0	0.6	20	44.0
TOTAL	2.3	36	100.0	2.3	33(10)	2	100.0	1.4	21	100.0	1.4	22	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR OREGON COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	21	22
PWEDA ELIGIBLE[@]	35	35
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	14	13
(NOT PWEDA STATISTICALLY QUALIFIED)	(6)	(6)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-14	-13

PENNSYLVANIA

PER-CAPITA INCOME(1975)..... $4749
EMPLOYMENT GROWTH(1974-1978)..... 2.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 10.4%

PERCENT OF U.S. POPULATION IN PENN..... 5.5%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN PENN..... 5.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN PENN..... 5.7%

PERCENT OF PENN. POPULATION IN PWEDA ELIGIBLE AREAS..... 84.1%
PERCENT OF PENN. POPULATION IN PWEDA DESIGNATED AREAS..... 79.1%
PERCENT OF PENN. POPULATION IN NPWEDA ELIGIBLE AREAS..... 60.7%
PERCENT OF PENN. POPULATION IN NPWEDA (AMENDED) AREAS..... 66.3%

	PENNSYLVANIA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	6.2	14	52.8	5.4	11(4)&	0	54.6	3.8	7	53.5	4.0	8	51.1
CENTRAL CITY	3.1	16	26.5	3.1	15(4)	0	31.0	3.0	14	41.2	3.0	14	37.8
SUBURBAN COUNTY	3.3	14	27.7	2.5	8(0)	1	25.2	1.6	6	22.4	2.0	7	25.5
NON-METRO COUNTY	2.3	39	19.5	2.0	35(3)	1	20.2	1.7	31	24.1	1.8	32	23.3
METRO	9.5	28	80.5	7.9	19(4)	1	79.8	5.4	13	75.9	6.0	15	76.7
NON-METRO	2.3	39	19.5	2.0	35(3)	1	20.2	1.7	31	24.1	1.8	32	23.3
TOTAL	11.8	67	100.0	9.9	54(7)	2	100.0	7.2	44	100.0	7.8	47	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR PENNSYLVANIA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	44	47
PWEDA ELIGIBLE[@]	56	56
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	12	9
(NOT PWEDA STATISTICALLY QUALIFIED)	(6)	(5)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-12	-9

RHODE ISLAND

PER-CAPITA INCOME(1975)..... $4741
EMPLOYMENT GROWTH(1974-1978)..... 2.7%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.0%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.2%

PERCENT OF U.S. POPULATION IN R. ISLAND..... 0.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN R. ISLAND..... 0.5%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN R. ISLAND..... 0.7%

PERCENT OF R. ISLAND POPULATION IN PWEDA ELIGIBLE AREAS..... 100.0%
PERCENT OF R. ISLAND POPULATION IN PWEDA DESIGNATED AREAS..... 100.0%
PERCENT OF R. ISLAND POPULATION IN NPWEDA ELIGIBLE AREAS..... 96.4%
PERCENT OF R. ISLAND POPULATION IN NPWEDA (AMENDED) AREAS..... 96.4%

	RHODE ISLAND TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.8	1	88.9	0.8	1(0)&	0	88.9	0.8	1	92.2	0.8	1	92.2
CENTRAL CITY	0.3	3	34.6	0.3	3(0)	0	34.6	0.3	3	35.9	0.3	3	35.9
SUBURBAN COUNTY	0.0	1	1.4	0.0	1(0)	0	1.4	0.0	1	1.5	0.0	1	1.5
NON-METRO COUNTY	0.1	2	9.7	0.1	2(0)	0	9.7	0.1	1	6.3	0.1	1	6.3
METRO	0.8	2	90.3	0.8	2(0)	0	90.3	0.8	2	93.7	0.8	2	93.7
NON-METRO	0.1	2	9.7	0.1	2(0)	0	9.7	0.1	1	6.3	0.1	1	6.3
TOTAL	0.9	4	100.0	0.9	4(0)	0	100.0	0.9	3	100.0	0.9	3	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR RHODE ISLAND COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	3	3
PWEDA ELIGIBLE[@]	4	4
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	1	1
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	0
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-1	-1

SOUTH DAKOTA

PER-CAPITA INCOME(1975)..... $4134
EMPLOYMENT GROWTH(1974-1978)..... 7.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 3.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 3.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 17.9%

PERCENT OF U.S. POPULATION IN S. DAKOTA..... 0.3%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN S. DAKOTA..... 0.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN S. DAKOTA..... 0.2%

PERCENT OF S. DAKOTA POPULATION IN PWEDA ELIGIBLE AREAS..... 41.0%
PERCENT OF S. DAKOTA POPULATION IN PWEDA DESIGNATED AREAS..... 35.3%
PERCENT OF S. DAKOTA POPULATION IN NPWEDA ELIGIBLE AREAS..... 39.3%
PERCENT OF S. DAKOTA POPULATION IN NPWEDA (AMENDED) AREAS..... 44.6%

	SOUTH DAKOTA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.2	2	24.8	0.1	1(1)&	0	24.6	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.1	2	18.4	0.1	1(1)	0	18.3	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	1	2.7	0.0	1(1)	0	6.6	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.5	64	72.5	0.2	23(13)	9	68.8	0.3	49	100.0	0.3	52	100.0
METRO	0.2	3	27.5	0.1	2(2)	0	31.2	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.5	64	72.5	0.2	23(13)	9	68.8	0.3	49	100.0	0.3	52	100.0
TOTAL	0.7	67	100.0	0.3	25(15)	9	100.0	0.3	49	100.0	0.3	52	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR SOUTH DAKOTA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	49	52
PWEDA ELIGIBLE[@]	34	34
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	6	5
(NOT PWEDA STATISTICALLY QUALIFIED)	(5)	(5)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	21	23
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	15	18

TENNESSEE

PER-CAPITA INCOME(1975)..... $3968
EMPLOYMENT GROWTH(1974-1978)..... 5.3%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 6.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 21.3%

PERCENT OF U.S. POPULATION IN TENNESSEE..... 2.0%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN TENNESSEE..... 2.1%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN TENNESSEE..... 1.8%

PERCENT OF TENNESSEE POPULATION IN PWEDA ELIGIBLE AREAS..... 89.0%
PERCENT OF TENNESSEE POPULATION IN PWEDA DESIGNATED AREAS..... 89.0%
PERCENT OF TENNESSEE POPULATION IN NPWEDA ELIGIBLE AREAS..... 53.8%
PERCENT OF TENNESSEE POPULATION IN NPWEDA (AMENDED) AREAS..... 88.1%

AREA	TENNESSEE TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	2.0	7	48.3	1.7	5(4)&	0	44.3	0.5	3	20.1	1.6	6	43.2
CENTRAL CITY	1.6	8	38.0	1.4	6(4)	0	36.3	0.3	5	14.0	1.2	7	31.5
SUBURBAN COUNTY	0.6	16	14.6	0.5	14(11)	0	14.7	0.2	10	10.9	0.5	15	14.6
NON-METRO COUNTY	1.6	72	37.2	1.5	71(19)	0	41.1	1.6	72	69.0	1.6	72	42.2
METRO	2.6	23	62.8	2.2	19(15)	0	58.9	0.7	13	31.0	2.1	21	57.8
NON-METRO	1.6	72	37.2	1.5	71(19)	0	41.1	1.6	72	69.0	1.6	72	42.2
TOTAL	4.2	95	100.0	3.7	90(34)	0	100.0	2.3	85	100.0	3.7	93	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR TENNESSEE COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	85	93
PWEDA ELIGIBLE[@]	90	90
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	8	2
(NOT PWEDA STATISTICALLY QUALIFIED)	(8)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	5
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-5	3

TEXAS

PER-CAPITA INCOME(1975)..... $4614
EMPLOYMENT GROWTH(1974-1978)..... 16.2%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.1%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 18.2%

PERCENT OF U.S. POPULATION IN TEXAS..... 5.9%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN TEXAS..... 2.9%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN TEXAS..... 4.0%

PERCENT OF TEXAS POPULATION IN PWEDA ELIGIBLE AREAS..... 40.8%
PERCENT OF TEXAS POPULATION IN PWEDA DESIGNATED AREAS..... 40.5%
PERCENT OF TEXAS POPULATION IN NPWEDA ELIGIBLE AREAS..... 39.8%
PERCENT OF TEXAS POPULATION IN NPWEDA (AMENDED) AREAS..... 46.0%

	TEXAS TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	8.8	27	69.6	3.8	14(5)&	0	73.9	2.4	8	48.6	3.0	11	51.3
CENTRAL CITY	6.1	32	48.0	2.5	17(5)	0	49.2	1.9	13	38.8	2.3	16	38.8
SUBURBAN COUNTY	1.2	26	9.6	0.2	6(6)	0	4.7	0.3	10	6.9	0.4	12	7.5
NON-METRO COUNTY	2.6	201	20.9	1.1	83(32)	4	21.4	2.2	164	44.5	2.4	178	41.2
METRO	10.0	53	79.1	4.0	20(11)	0	78.6	2.8	18	55.5	3.4	23	58.8
NON-METRO	2.6	201	20.9	1.1	83(32)	4	21.4	2.2	164	44.5	2.4	178	41.2
TOTAL	12.6	254	100.0	5.1	103(43)	4	100.0	5.0	182	100.0	5.8	201	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR TEXAS COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	182	201
PWEDA ELIGIBLE[@]	107	107
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	15	12
(NOT PWEDA STATISTICALLY QUALIFIED)	(9)	(7)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	90	106
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	75	94

UTAH

PER-CAPITA INCOME(1975)..... $4340
EMPLOYMENT GROWTH(1974-1978)..... 14.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.2%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 4.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.2%

PERCENT OF U.S. POPULATION IN UTAH..... 0.6%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN UTAH..... 0.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN UTAH..... 0.3%

PERCENT OF UTAH POPULATION IN PWEDA ELIGIBLE AREAS..... 95.1%
PERCENT OF UTAH POPULATION IN PWEDA DESIGNATED AREAS..... 95.1%
PERCENT OF UTAH POPULATION IN NPWEDA ELIGIBLE AREAS..... 31.9%
PERCENT OF UTAH POPULATION IN NPWEDA (AMENDED) AREAS..... 33.6%

	UTAH TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.8	3	67.4	0.8	3(3)&	0	70.9	0.2	1	61.0	0.2	1	57.9
CENTRAL CITY	0.3	4	26.9	0.3	4(4)	0	28.3	0.2	3	41.3	0.2	3	39.2
SUBURBAN COUNTY	0.1	2	11.4	0.1	1(1)	0	10.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.3	24	21.2	0.2	20(13)	0	19.1	0.2	13	39.0	0.2	15	42.1
METRO	1.0	5	78.8	0.9	4(4)	0	80.9	0.2	1	61.0	0.2	1	57.9
NON-METRO	0.3	24	21.2	0.2	20(13)	0	19.1	0.2	13	39.0	0.2	15	42.1
TOTAL	1.2	29	100.0	1.2	24(17)	0	100.0	0.4	14	100.0	0.4	16	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR UTAH COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	14	16
PWEDA ELIGIBLE[@]	24	24
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	12	11
(NOT PWEDA STATISTICALLY QUALIFIED)	(8)	(8)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	2	3
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-10	-8

VERMONT

PER-CAPITA INCOME(1975)..... $4113
EMPLOYMENT GROWTH(1974-1978)..... 17.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.4%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.8%

PERCENT OF U.S. POPULATION IN VERMONT..... 0.2%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN VERMONT..... 0.2%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN VERMONT..... 0.2%

PERCENT OF VERMONT POPULATION IN PWEDA ELIGIBLE AREAS..... 71.0%
PERCENT OF VERMONT POPULATION IN PWEDA DESIGNATED AREAS..... 65.7%
PERCENT OF VERMONT POPULATION IN NPWEDA ELIGIBLE AREAS..... 62.9%
PERCENT OF VERMONT POPULATION IN NPWEDA (AMENDED) AREAS..... 62.9%

	VERMONT TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.0	0	0.0	0.0	0(0)&	0	0.0	0.0	0	0.0	0.0	0	0.0
CENTRAL CITY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
SUBURBAN COUNTY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO COUNTY	0.5	11	100.0	0.3	6(1)	1	100.0	0.3	8	100.0	0.3	8	100.0
METRO	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	0.0	0.0	0	0.0
NON-METRO	0.5	11	100.0	0.3	6(1)	1	100.0	0.3	8	100.0	0.3	8	100.0
TOTAL	0.5	11	100.0	0.3	6(1)	1	100.0	0.3	8	100.0	0.3	8	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR VERMONT COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	8	8
PWEDA ELIGIBLE[@]	7	7
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	1	1
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	2	2
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	1	1

VIRGINIA

PER-CAPITA INCOME(1975)..... $5001
EMPLOYMENT GROWTH(1974-1978)..... 13.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.5%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 5.3%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 14.8%

PERCENT OF U.S. POPULATION IN VIRGINIA..... 2.4%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN VIRGINIA..... 1.3%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN VIRGINIA..... 1.7%

PERCENT OF VIRGINIA POPULATION IN PWEDA ELIGIBLE AREAS..... 44.9%
PERCENT OF VIRGINIA POPULATION IN PWEDA DESIGNATED AREAS..... 42.1%
PERCENT OF VIRGINIA POPULATION IN NPWEDA ELIGIBLE AREAS..... 41.4%
PERCENT OF VIRGINIA POPULATION IN NPWEDA (AMENDED) AREAS..... 42.5%

	VIRGINIA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	1.4	12	27.8	0.8	5(4)&	2	35.6	0.7	4	31.2	0.7	4	30.4
CENTRAL CITY	1.3	8	25.1	0.7	5(4)	0	31.5	0.6	3	29.0	0.6	3	28.3
SUBURBAN COUNTY	1.9	34	37.8	0.1	5(4)	2	5.1	0.3	12	13.5	0.3	12	13.2
NON-METRO COUNTY	1.7	90	34.5	1.3	62(13)	3	59.3	1.2	69	55.3	1.2	73	56.4
METRO	3.3	46	65.5	0.9	10(8)	4	40.7	0.9	16	44.7	0.9	16	43.6
NON-METRO	1.7	90	34.5	1.3	62(13)	3	59.3	1.2	69	55.3	1.2	73	56.4
TOTAL	5.1	136	100.0	2.3	72(21)	7	100.0	2.1	85	100.0	2.1	89	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR VIRGINIA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	85	89
PWEDA ELIGIBLE[@]	79	79
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	19	19
(NOT PWEDA STATISTICALLY QUALIFIED)	(8)	(8)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	25	29
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	6	10

WASHINGTON

PER-CAPITA INCOME(1975)..... $5286
EMPLOYMENT GROWTH(1974-1978)..... 15.1%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 8.1%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 7.5%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.8%

PERCENT OF U.S. POPULATION IN WASHINGTON..... 1.7%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN WASHINGTON..... 2.0%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN WASHINGTON..... 2.1%

PERCENT OF WASHINGTON POPULATION IN PWEDA ELIGIBLE AREAS..... 97.0%
PERCENT OF WASHINGTON POPULATION IN PWEDA DESIGNATED AREAS..... 97.0%
PERCENT OF WASHINGTON POPULATION IN NPWEDA ELIGIBLE AREAS..... 72.3%
PERCENT OF WASHINGTON POPULATION IN NPWEDA (AMENDED) AREAS..... 72.3%

AREA	WASHINGTON TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	2.4	7	66.9	2.4	7(0)&	0	69.0	2.2	5	85.7	2.2	5	85.7
CENTRAL CITY	1.0	6	26.3	1.0	6(0)	0	27.2	0.9	5	35.3	0.9	5	35.3
SUBURBAN COUNTY	0.2	1	4.4	0.2	1(1)	0	4.5	0.0	0	1.8	0.0	0	1.8
NON-METRO COUNTY	1.0	31	28.7	0.9	25(3)	0	26.4	0.3	15	12.5	0.3	15	12.5
METRO	2.6	8	71.3	2.6	8(1)	0	73.6	2.3	5	87.5	2.3	5	87.5
NON-METRO	1.0	31	28.7	0.9	25(3)	0	26.4	0.3	15	12.5	0.3	15	12.5
TOTAL	3.6	39	100.0	3.5	33(4)	0	100.0	2.6	20	100.0	2.6	20	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR WASHINGTON COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	20	20
PWEDA ELIGIBLE[@]	33	33
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	15	15
(NOT PWEDA STATISTICALLY QUALIFIED)	(4)	(4)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	2	2
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-13	-13

WEST VIRGINIA

PER-CAPITA INCOME(1975)..... $4038
EMPLOYMENT GROWTH(1974-1978)..... 10.5%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 7.3%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 6.7%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 21.7%

PERCENT OF U.S. POPULATION IN W. VIRGINIA..... 0.9%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN W. VIRGINIA..... 0.8%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN W. VIRGINIA..... 1.0%

PERCENT OF W. VIRGINIA POPULATION IN PWEDA ELIGIBLE AREAS..... 76.5%
PERCENT OF W. VIRGINIA POPULATION IN PWEDA DESIGNATED AREAS..... 76.5%
PERCENT OF W. VIRGINIA POPULATION IN NPWEDA ELIGIBLE AREAS..... 70.0%
PERCENT OF W. VIRGINIA POPULATION IN NPWEDA (AMENDED) AREAS..... 79.9%

AREA	WEST VIRGINIA TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.5	5	28.3	0.3	3(3)&	0	18.1	0.2	2	15.1	0.3	2	17.8
CENTRAL CITY	0.2	5	13.4	0.2	3(3)	0	10.9	0.1	2	8.5	0.2	3	12.0
SUBURBAN COUNTY	0.1	5	8.0	0.1	3(1)	0	6.0	0.0	2	3.5	0.0	2	3.1
NON-METRO COUNTY	1.2	45	63.6	1.1	43(9)	0	75.9	1.0	41	81.4	1.2	44	79.1
METRO	0.7	10	36.4	0.3	6(4)	0	24.1	0.2	4	18.6	0.3	4	20.9
NON-METRO	1.2	45	63.6	1.1	43(9)	0	75.9	1.0	41	81.4	1.2	44	79.1
TOTAL	1.8	55	100.0	1.4	49(13)	0	100.0	1.3	45	100.0	1.5	48	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR WEST VIRGINIA COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	45	48
PWEDA ELIGIBLE[@]	49	49
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	5	3
(NOT PWEDA STATISTICALLY QUALIFIED)	(3)	(2)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	1	2
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-4	-1

WISCONSIN

PER-CAPITA INCOME(1975)..... $4734
EMPLOYMENT GROWTH(1974-1978)..... 10.0%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 5.5%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 4.9%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970)... 9.5%

PERCENT OF U.S. POPULATION IN WISCONSIN..... 2.1%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN WISCONSIN..... 1.7%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN WISCONSIN..... 0.8%

PERCENT OF WISCONSIN POPULATION IN PWEDA ELIGIBLE AREAS..... 66.0%
PERCENT OF WISCONSIN POPULATION IN PWEDA DESIGNATED AREAS..... 51.6%
PERCENT OF WISCONSIN POPULATION IN NPWEDA ELIGIBLE AREAS..... 22.7%
PERCENT OF WISCONSIN POPULATION IN NPWEDA (AMENDED) AREAS..... 22.7%

	WISCONSIN TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	2.4	11	51.9	1.6	8(6)&	0	52.7	0.2	3	23.1	0.2	3	23.1
CENTRAL CITY	1.4	12	30.8	1.2	9(7)	1	39.1	0.2	3	15.3	0.2	3	15.3
SUBURBAN COUNTY	0.5	6	11.3	0.0	1(1)	0	1.6	0.0	1	4.7	0.0	1	4.7
NON-METRO COUNTY	1.7	55	36.9	1.4	47(28)	0	45.6	0.8	38	72.1	0.8	38	72.1
METRO	2.9	17	63.1	1.7	9(7)	0	54.4	0.3	4	27.9	0.3	4	27.9
NON-METRO	1.7	55	36.9	1.4	47(28)	0	45.6	0.8	38	72.1	0.8	38	72.1
TOTAL	4.6	72	100.0	3.0	56(35)	0	100.0	1.0	42	100.0	1.0	42	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR WISCONSIN COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	42	42
PWEDA ELIGIBLE[@]	56	56
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	17	17
(NOT PWEDA STATISTICALLY QUALIFIED)	(17)	(17)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	3	3
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-14	-14

WYOMING

PER-CAPITA INCOME(1975)..... $5125
EMPLOYMENT GROWTH(1974-1978)..... 35.6%
5 YEAR AVERAGE UNEMPLOYMENT RATE(1974-1978).... 3.4%
24 MONTH AVERAGE UNEMPLOYMENT RATE(1977-1978).. 3.2%
PERCENT OF PERSONS BELOW POVERTY LEVEL(1970).. 11.4%

PERCENT OF U.S. POPULATION IN WYOMING..... 0.2%
PERCENT OF U.S. PWEDA ELIGIBLE POPULATION IN WYOMING..... 0.0%
PERCENT OF U.S. NPWEDA ELIGIBLE POPULATION IN WYOMING..... 0.0%

PERCENT OF WYOMING POPULATION IN PWEDA ELIGIBLE AREAS..... 21.5%
PERCENT OF WYOMING POPULATION IN PWEDA DESIGNATED AREAS..... 19.7%
PERCENT OF WYOMING POPULATION IN NPWEDA ELIGIBLE AREAS..... 0.0%
PERCENT OF WYOMING POPULATION IN NPWEDA (AMENDED) AREAS..... 3.1%

	WYOMING TOTALS			PWEDA ELIGIBLE[@]				NPWEDA ELIGIBLE (STATISTICALLY QUALIFIED)			NPWEDA (AMENDED) ELIGIBLE (STATISTICALLY QUALIFIED)		
AREA	POP	AREA COUNT	% OF STATE POP	POP OF ELIG AREAS	NO. OF DESIGNATED AREAS	NO. OF QND AREA	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP	POP OF AREAS	NO. OF AREAS	% OF ELIG AREA POP
CORE COUNTY	0.0	0	0.0	0.0	0(0)&	0	0.0	0.0	0	NC	0.0	0	0.0
CENTRAL CITY	0.0	0	0.0	0.0	0(0)	0	0.0	0.0	0	NC	0.0	0	0.0
SUBURBAN COUNTY	0.1	1	16.3	0.1	1(0)	0	76.1	0.0	0	NC	0.0	0	0.0
NON-METRO COUNTY	0.3	22	83.7	0.0	2(0)	1	23.9	0.0	0	NC	0.0	1	100.0
METRO	0.1	1	16.3	0.1	1(0)	0	76.1	0.0	0	NC	0.0	0	0.0
NON-METRO	0.3	22	83.7	0.0	2(0)	1	23.9	0.0	0	NC	0.0	1	100.0
TOTAL	0.4	23	100.0	0.1	3(0)	1	100.0	0.0	0	NC	0.0	1	100.0

POPULATION(1976) GIVEN IN MILLIONS
& PWEDA DESIGNATED THAT ARE NOT STATISTICALLY QUALIFIED
@ PWEDA ELIGIBLE AREAS ARE THOSE AREAS THAT ARE DESIGNATED OR ARE QUALIFIED NOT DESIGNATED

SUMMARY OF ELIGIBILITY CHANGE FOR WYOMING COUNTY AREAS

ELIGIBILITY STATUS	PROPOSED COUNT OF AREAS	AMENDED COUNT OF AREAS
NPWEDA ELIGIBLE	0	1
PWEDA ELIGIBLE[@]	4	4
PWEDA ELIGIBLE BUT NOT NPWEDA ELIGIBLE	4	4
(NOT PWEDA STATISTICALLY QUALIFIED)	(0)	(0)
NPWEDA ELIGIBLE BUT NOT PWEDA ELIGIBLE	0	1
NET CHANGE IN ELIGIBILITY FROM PWEDA TO NPWEDA	-4	-3

MAY 24, 1979

TOTAL PWEDA AND NPWEDA ELIGIBLE POPULATION BY STATE

State	State Pop	% of U.S. Pop	PWEDA (CURRENT) Total Elig Pop	% of U.S. Elig Pop	NPWEDA (PROPOSED) Total Elig Pop	% of U.S. Elig Pop	NPWEDA (AMENDED) Total Elig Pop	% of U.S. Elig Pop
ALABAMA	3.7	1.7	3.3	1.9	3.0	2.4	3.4	2.5
ALASKA	0.4	0.2	0.4	0.2	0.0	0.0	0.2	0.2
ARIZONA	2.2	1.0	2.2	1.3	2.2	1.7	2.2	1.6
ARKANSAS	2.1	1.0	2.1	1.2	1.6	1.3	2.1	1.5
CALIFORNIA	21.5	10.0	20.7	11.8	12.6	9.9	12.6	9.1
COLORADO	2.6	1.2	1.2	0.7	0.6	0.4	1.1	0.8
CONNECTICUT	3.1	1.5	2.6	1.5	1.9	1.5	1.9	1.4
DELAWARE	0.6	0.3	0.6	0.3	0.4	0.3	0.4	0.3
DIST. OF COL.	0.7	0.3	0.7	0.4	0.7	0.6	0.7	0.5
FLORIDA	8.3	3.9	8.1	4.7	6.3	5.0	7.4	5.3
GEORGIA	5.0	2.3	4.9	2.8	4.3	3.4	4.4	3.2
HAWAII	0.9	0.4	0.9	0.5	0.8	0.7	0.8	0.6
IDAHO	0.8	0.4	0.5	0.3	0.2	0.2	0.2	0.2
ILLINOIS	11.2	5.2	8.7	5.0	4.6	3.6	6.6	4.7
INDIANA	5.2	2.4	3.6	2.1	1.5	1.2	2.4	1.7
IOWA	2.9	1.3	1.1	0.6	0.2	0.2	0.4	0.3
KANSAS	2.3	1.1	0.8	0.4	0.2	0.2	0.4	0.3
KENTUCKY	3.4	1.6	2.9	1.7	2.2	1.7	2.4	1.7
LOUISIANA	3.9	1.8	3.4	2.0	2.8	2.2	2.8	2.0
MAINE	1.1	0.5	1.0	0.6	1.0	0.8	1.0	0.7
MARYLAND	4.1	1.9	2.7	1.5	1.3	1.0	1.4	1.0
MASSACHUSETTS	5.8	2.7	5.5	3.2	5.2	4.1	5.2	3.8
MICHIGAN	9.1	4.3	8.4	4.8	7.5	5.9	7.5	5.4
MINNESOTA	4.0	1.8	3.0	1.7	1.8	1.5	1.9	1.4
MISSISSIPPI	2.4	1.1	1.9	1.1	2.3	1.8	2.3	1.7
MISSOURI	4.8	2.2	2.7	1.6	1.8	1.5	2.0	1.5
MONTANA	0.8	0.4	0.6	0.4	0.3	0.2	0.3	0.2
NEBRASKA	1.6	0.7	0.3	0.2	0.3	0.2	0.4	0.3
NEVADA	0.6	0.3	0.4	0.2	0.1	0.1	0.1	0.1
NEW HAMPSHIRE	0.8	0.4	0.5	0.3	0.3	0.2	0.3	0.2
NEW JERSEY	7.4	3.4	7.4	4.2	4.9	3.9	4.9	3.5
NEW MEXICO	1.2	0.5	1.1	0.6	0.5	0.4	0.6	0.4
NEW YORK	18.1	8.4	17.5	10.0	15.5	12.3	15.5	11.2
NORTH CAROLINA	5.5	2.5	4.8	2.7	3.1	2.4	3.5	2.5
NORTH DAKOTA	0.6	0.3	0.2	0.1	0.1	0.1	0.2	0.1
OHIO	10.7	5.0	9.1	5.2	6.7	5.3	7.7	5.6
OKLAHOMA	2.8	1.3	2.3	1.3	1.0	0.8	1.3	0.9
OREGON	2.3	1.1	2.3	1.3	1.4	1.1	1.4	1.0
PENNSYLVANIA	11.8	5.5	9.9	5.7	7.2	5.7	7.8	5.6
RHODE ISLAND	0.9	0.4	0.9	0.5	0.9	0.7	0.9	0.6
SOUTH CAROLINA	2.8	1.3	2.8	1.6	1.9	1.5	2.2	1.6
SOUTH DAKOTA	0.7	0.3	0.3	0.2	0.3	0.2	0.3	0.2
TENNESSEE	4.2	2.0	3.7	2.1	2.3	1.8	3.7	2.7
TEXAS	12.6	5.9	5.1	2.9	5.0	4.0	5.8	4.2
UTAH	1.2	0.6	1.2	0.7	0.4	0.3	0.4	0.3
VERMONT	0.5	0.2	0.3	0.2	0.3	0.2	0.3	0.2
VIRGINIA	5.1	2.4	2.3	1.3	2.1	1.7	2.1	1.5
WASHINGTON	3.6	1.7	3.5	2.0	2.6	2.1	2.6	1.9
WEST VIRGINIA	1.8	0.9	1.4	0.8	1.3	1.0	1.5	1.1
WISCONSIN	4.6	2.1	3.0	1.7	1.0	0.8	1.0	0.8
WYOMING	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0
TOTAL	214.6	100.0	174.8	100.0	126.3	100.0	138.6	100.0

POPULATION(1976) GIVEN IN MILLIONS

NPWEDA/PROPOSED-NPWEDA/AMENDED

REVOLVING FUND

Senator HOLLINGS. You have already mentioned about the Banking Committee and how they have lowered the levels. The administration would terminate the economic development revolving fund, but I can't find where the Banking Committee report touches on that. Do you still have that as a goal?

Mr. HALL. Yes, Senator, it goes back to Senator Bumpers' question earlier. In effect, what we are doing is eliminating the revolving loan fund, the section 203 account. At the end of this fiscal year, some $90 million would be in that account; that $90 million would revert permanently to the Treasury. Henceforth under the guaranteed loan program, to the extent we have deficiencies, defaults, et cetera funds would be requested to be directly appropriated and would not come out of the revolving fund.

LOAN DEFAULTS

I should note in the budget that is coming, we will be asking for $27.9 million to be appropriated in fiscal 1980 for defaults on guarantees made in fiscal 1979 and prior years.

Senator BUMPERS. What percentage of defaults do you have?

Mr. HALL. We are running about 6½ percent in terms of losses.

Senator HOLLINGS. That is high, though, isn't it, 6½, or low?

Senator BUMPERS. That is high. SBA's loss ratio is about 1 percent or 2 percent.

Mr. HALL. I think we do a little different kind of business.

Senator BUMPERS. I know, you are riskier.

Mr. HALL. SBA deals with highly creditworthy firms. EDA lends money to firms that cannot get funds from anywhere else, have no access to capital markets. So by definition, we are working with a more marginal set of firms. Indeed, I might say 6½ percent could be too low. Maybe we should be running 12 or 13.

Senator BUMPERS. How would you justify a statement maybe we ought to be running twice as big a default ratio as we are?

Mr. HALL. Maybe we are turning down firms we should be providing assistance to.

Senator BUMPERS. And the certain knowledge they are going to go broke and lose it?

Mr. HALL. Certain knowledge perhaps that we might have a proportion of them go broke, but then looking at it from the standpoint of a greater number we could have saved and the jobs we could have saved.

Senator WEICKER. The banks get all the good risks.

Senator BUMPERS. I am aware of that.

Senator WEICKER. That is a solid point you have.

Senator HOLLINGS. Has that been projected? Have you got statistical studies that show if you did have a higher rate, you would be saving more jobs and industries? In other words, the program from that standpoint would be a greater success.

Mr. HALL. No, sir, in all honesty, I don't think I could provide you with the documentation. I would suggest, if I may, under the expanded development financing program, EDA will now be dealing with more creditworthy firms, because with the authority, we will now be dealing with such firms as IBM, to get them to locate

in distressed areas. Before we couldn't deal with IBM. So we would see our default rate going down, but I think we would be comparing apples and oranges.

Senator BUMPERS. You have given a 6½-percent default ratio. Is that dollars or loans?

Mr. HALL. That is dollars.

Senator BUMPERS. What is your default ratio on the number of loans you make?

Mr. HALL. 9.9 percent.

Senator HOLLINGS. That is more nearly approximate what you think it should be. Let's not try to get it up to 12 percent.

Senator BUMPERS. I don't think that is a laudable goal for this committee to be seeking.

Senator HOLLINGS. No, we almost saved a few dollars on the Olympics, now we lose it here.

PRESIDENT'S REORGANIZATION PLAN

The reorganization plan that was submitted to transfer EDA to the Farmers Home Administration's business and industrial loan program, we have had a good success with that in our particular area. Can you comment on it? Are you going to get that program and what is the plan?

Mr. HALL. Yes; that is the proposal of the administration. We will be coming up to the Hill very shortly with a reorganization plan proposal to effect the transfer of the business and industry loan program of the Farmers Home Administration of the Department of Agriculture to EDA, as well as the Small Business Administration's 501–502 program, which provides some $100 million for financing local development corporations. We believe that this is an appropriate direction. It reinforces the concept of establishing a central and single economic development agency in the Federal Government. It reinforces the concept of bringing under one roof, so to speak, the development loan and financing programs, so you can look at them in one package. For example, this committee would then be looking at development financing loans of EDA as well as loans made under the Farmers Home program and those related loans made by SBA. So you have in one place on the appropriations side and also on the authorizing side a chance to look at, review, assess, and make judgments on the totality of the Federal Government's development financing program. We think that makes good management sense. And we think it is important from another standpoint; it goes to this whole question of eligibility and allocation of funds. We think that if you are talking about development financing programs, with EDA providing assistance in smaller areas, and rural areas, you have to take into consideration the funding that is going out through the Farmers Home program, which are in large part the very same kinds of projects and activities. We think it makes sense all around.

SEATTLE OPPORTUNITIES INDUSTRIALIZATION CENTER

Senator HOLLINGS. Senator Magnuson has a question regarding EDA's policy relating to the funding of skill centers and the Seattle Opportunities Industrialization Center. It will be included for response to the record.

[The question and answer follow:]

SEATTLE OPPORTUNITIES INDUSTRIALIZATION CENTER

Question. The committee understands that EDA has declined to fund the Seattle Opportunities Industrialization Center expansion project under the Special Projects program. This project was rated the number one economic development priority by the Central Puget Sound Economic Development District in fiscal year 1978 and fiscal year 1979. The project was rated the number one special project by the Western Regional EDA Office, and is also strongly supported by the City of Seattle. The priority rating was based upon the Overall Economic Development Plan's recognition of local economic conditions and needs, which result from a continuing assessment of development needs. Specifically, because of improving economic conditions, yet a persistently high unemployment rate among target populations, it is felt that a manpower development strategy is the most appropriate means of addressing the unique needs of the Seattle area.

EPA has apparently adopted a national policy relating to the funding of skill centers. The Committee is puzzled by the inconsistency in administrative policy which apparently ignores local priorities. What rationale is used to justify the conflict between EDA's rigid national policy toward skill centers and the need to be responsive to local priorities such as Seattle OIC, which may differ from community to community?

Answer. The Seattle Opportunities Industrialization Center (OIC) as reviewed, meets the Special Projects program criteria except that it was not a community based, non-profit and non-governmental economic development organization. Also there was no evidence of apparent long range and short-range plans for economic development for the area which it represents.

The Economic Development Administration (EDA) acknowledges that the project was rated number one by the Central Puget Sound Economic Development District and the EDA Western Regional Office and that it is strongly supported by the City of Seattle. The project certainly has merit and EDA feels that the founding, development and expansion at skill centers is a goal which EDA supports.

In maintaining that support and because of the interest of IOCs in the Special Projects program, together with the role of OIC in economic development, the following policy was adopted. Skill center projects will be considered for funding which are part of an area's multi-year strategy for economic development. This is to assure that the job training and placement effort carried out by a skill center are part of the mainstream of developmental activity in the area; to assure, in effect, that real employment opportunities are available to skill center graduates. EDA's second requirement for funding skill centers is that all such facilities must be located in rehabilitated structures. New construction will be permitted only if there are no appropriate structures available for rehabilitation or if the cost of rehabilitation is excessive compared to the cost of a new facility. This policy is to assure that skill center costs are kept as low as posssible while serving at the same time to recycle useful buildings. The policy is continually assessed and a new policy will be issued on August 1.

The Seattle OIC proposal consisted of physical facility construction and job training expansion and did not contain economic development factors of direct long term permanent jobs. EDA's efforts to address the needs of OIC with a flexible policy and remain consistent with the economic development goals of the agency produced a policy which deals with rehabilitation of existing deteriorated buildings which are consistent with an economic development investment strategy. The linkage between EDA, the private sector, and local priorities is established by the requirement that projects for which funding is considered must have local priority ranking through the OEDP process. However, the project must also be consistent with program policy and requirements.

NATIONAL DEMONSTRATION WATER PROJECT

Senator HOLLINGS. We already have in the record a letter from Senator Randolph in regard to the national demonstration water project, that received several endorsements.

[The letter referred to is included in the record on page 1203.]

Senator HOLLINGS. What is your general assessment of that program?

Mr. HALL. Senator, there is a project that we are currently funding at a million and a half dollar level. We think that until we get some experience from this demonstration effort, we would not be interested in going to the $6 million level. The $1.5 million I mentioned is EDA funds. There are some other funds from other Federal agencies—it is multifunded. The total funding going into that effort this year is $2.8 million.

Senator HOLLINGS. Do you think the funding should be consolidated?

Mr. HALL. Yes; I think it should have been. Again, Senator, I think that I am a little concerned we keep authorizing special little projects as part of the budget and authorization. We were able to come up with a million and a half dollars from our regular EDA funds. I think these kinds of demonstrations should come out of the regular budget and regular authorization, without earmarking and setting an amount.

[CLERK'S NOTE.—Subsequent to the hearing a memorandum was received from the Director, Office of Budget and Program Evaluation regarding this matter. By direction of the chairman, the memorandum has been printed in the record.]

[The memorandum follows:]

U.S. DEPARTMENT OF COMMERCE,
THE ASSISTANT SECRETARY FOR ADMINISTRATION,
Washington, D.C., June 18, 1979.

Memorandum for Warren Kane, Senate Appropriations Committee.
Subject: National Demonstration Water Project.

In response to your note of May 30, 1979, concerning the National Demonstration Water Project, EDA has provided us with the comments that follow:

The National Demonstration Water Project was originally conceived and funded as a demonstration effort. As such, the $2.8 million currently committed to this project should be used to demonstrate and assess the overall need, appropriateness and merit of the types of services being provided. This type of assessment has yet to be completed. In addition, the National Demonstration Water Project has been presented to EDA as a one-time effort, not as a continuing project. No information has yet been provided to EDA on the need for additional funding for this type of project. However, when the current demonstration project has been completed, the results could indicate the need for additional Federal funding. If this occurs, a request for additional funding for the National Demonstration Water Project would compete on the basis of merit with other EDA project applications. Therefore, we firmly believe that it would be inappropriate for the Congress to direct EDA to provide additional funding for this project prior to completion of the ongoing demonstration. If at the completion of the demonstration its results indicate the need for additional funding, EDA is prepared to contribute to that need without specific direction from the Congress.

We appreciate your efforts to provide full funding for this project in the EDA budget for 1980. Nevertheless, we believe that in the interests of fiscal restraint and efficient program management, it is more appropriate to allow this project to compete for EDA funding along with other project applications. I have no doubt that the merits of this project would likely result in an EDA decision to fund the project.

Please advise us if you have any additional questions concerning this project.

CLIFFORD J. PARKER,
Director, Office of Budget
and Program Evaluation.

1980 FUNDING OF TITLE IX

Senator HOLLINGS. Senator Metzenbaum has written the committee regarding his concern about the reduced program of the President's 1980 budget for title IX.

[The letter referred to is included in the record at page 1205.]

Senator HOLLINGS. Could you tell us about that reduction in title IX and something about the GAO report that says grant assistance was not provided for trade adjustment, nor was assistance directed specifically at community trading programs. That was the GAO's comment. I just wonder what your comments are.

Mr. HALL. I will ask my colleague, Mr. Williams, to speak to the GAO report and trade adjustment.

But in terms of the title IX, Senator, the administration's proposal for the National Public Works and Economic Development Act does away with the title IX program as such and folds the authorities and functions of what was title IX into the new title II of the National Public Works and Economic Development Act. The budget you will see coming up will not have a title IX as such.

As far as the trade adjustment grants, I will ask Mr. Williams to speak to that.

Mr. WILLIAMS. Mr. Chairman, the GAO investigators wanted us to specifically identify communities that had trade impact as opposed to others. We found over the years you can't separate them that easily, that communities experience impacts that are due to trade and others are due to just old companies that are inefficient or want to close down. What we have tried to do is to find out if a community has a problem, and if it has a problem, move in with title IX or other assistance to help them. In plain fact, all the communities mentioned in the GAO report were eligible under our regular program, and most of them have been offered and given aid under our regular program. We felt the report was somewhat unfair as to what we had done on behalf of trade impacted communities.

Senator HOLLINGS. I understand, Senator Weicker.

WHEELING-PITTSBURGH LOAN

Senator WEICKER. I have to get back to a favorite subject of mine. I am not so sure it is a favorite of the administration's. That is the Wheeling-Pittsburgh loan. I have before me a pretty thorough briefing put together by my staff. I just don't see, either by the guidelines or by commonsense, how this particular loan can be justified outside of the political area. Again, I suppose my questions break down as follows: in the sense of jobs saved, I just don't see that the money is going to accomplish that, except insofar as it creates the new jobs at the rail mill. I just don't see how you can apply the amount that is set aside for air pollution to saving jobs companywide.

Mr. HALL. Senator, we have talked about this. I differ with you on that and believe these funds are needed to meet the environmental standards; failing to meet the environmental standards would mean the facility has to shut down.

Senator WEICKER. I have no argument on it, but that is not where the funds are going. The bulk of the funds are going to the rail mill.

Mr. HALL. No, most of them are going to the environmental aspects.

Senator WEICKER. How much out of the $100 million?

Senator BUMPERS. What loan are you talking about?

Senator WEICKER. First of all, it is a proposed loan.

Mr. HALL. That is right.

Senator WEICKER. You have not made a final decision on a $100 million loan to Wheeling-Pittsburgh for two purposes: The construction of a new mill which would turn out steel rails, and for environmental purposes.

Senator BUMPERS. You mean to bring them into compliance with air quality standards?

Senator WEICKER. That is correct, $15 million. There are certain criteria relative to EDA loans which have to be met. I don't argue the air pollution aspects of it. What I am saying to you is that $85 million for the creation of a new rail mill does not meet the criteria that is set by law, neither, do I think, does it make much sense in a business way, considering the fiscal condition of Wheeling-Pittsburgh. I am now trying to elicit from the administrator his thoughts on this whole subject. So why don't you go ahead.

Mr. HALL. First, let me say just for the record that this is a pending proposal before the agency. We have not made a final determination in terms of the industry capacity, the 702 study. Second, we have not made a final determination on financial feasibility, reasonable assurance of payment. I should also note that in addition to the funds requested from EDA, there is also pending a $40 million loan from the Farmers Home business and industry loan program.

Senator WEICKER. Have they turned that down?

Mr. HALL. No. Basically, the two are contingent on our decision.

Senator BUMPERS. Where is this facility located?

Mr. HALL. There are several facilities in three States.

Senator WEICKER. The rail facility is at Monessen, is one facility in one place. I am not going to sit and argue the air pollution aspects. Let's just talk about the new rail mill.

Mr. HALL. We will use your ground rules. Before we go over it, I have to go on record saying that we see the pollution abatement equipment financing and the rail mill as being, in effect, integral projects in terms of financial feasibility and saving the firm. Of the EDA moneys, $36 million would go into pollution abatement; if you add the $40 million from Farmers Home, you are talking about $76 million in guaranteed loans; $63 million is what we would be putting in to do the rail mill. It is our programmatic judgment at this point, that the two problems are integral and you have to look at it as one set of activities that will provide for the continuance and saving of this firm and 15,000 or so jobs spread out in several locations over three States.

Senator BUMPERS. The Farmers Home Administration couldn't guarantee a loan in a community of more than 50,000 people, could it?

Mr. HALL. That is correct. I believe administratively they may even use a smaller size cutoff. Some of the facilities are in small communities.

Senator WEICKER. May I point out to my colleagues, this loan is neither typical nor routine. The administration has already announced it wanted no loans above $50 million. This is the sole exception.

BANK LINE OF CREDIT

The other day I read an interview with the president of Wheeling-Pittsburgh which gets to the business of what banks are willing to do and what we are asked to do.

The interview said:

> Also a factor in this reluctance to pay dividends is the recent "flood of inquiries by steel-oriented firms—in the United States and Europe—who have indicated interest in being purchased totally or in part by Wheeling-Pittsburgh." Carney said that "those we've studied so far haven't been attractive" enough for action by the board, but he added he wants to have the cash available should a promising candidate emerge.
>
> Carney acknowledged that a portion of the $77 million line of credit recently arranged with a seven-bank consortium "may be used" in the early 1980's for acquisition purposes, but he declined to detail the businesses most attractive to Wheeling-Pittsburgh management. As reported, the new credit-line agreement was arranged with Manufacturers Hanover of New York, Royal Bank of Toronto, Continental Illinois of Chicago and Pittsburgh National Bank.

If these fellows can go into the private market and get $77 million for potential acquisitions, why do they have to come to the taxpayers to get a $100 million loan for the modernization of the facilities and creation of new plants?

Mr. HALL. I am not sure they can get $77 million.

Senator WEICKER. This is the chief executive officer that said that.

Senator BUMPERS. Are they are going to take their bank line of credit and use it for acquisitions.

Senator WEICKER. What they are going to do is acquire steel rail mills, which by valuations of industry itself is a very risky proposition, when you have Colorado Fuel & Iron, Bethlehem Steel and United States Steel in it. The competition is going to be swift enough without a fourth competitor.

Senator BUMPERS. Are you saying they are not in the steel rail business?

Senator WEICKER. They are not in it at all. That is why I said at the outset of my comments both by criteria as set by law as to what money can be loaned for, and as a matter of business sense I am against this entire loan operation.

How do you explain, for example, the $77 million they are saying they will obtain on the private end? If banks are willing to loan for acquisition, why won't the banks give the money for the rail mill?

$50 MILLION LOAN LIMITATION

Mr. HALL. Let me comment on your comment about this being the sole exception in referring to the administration's policy of no more than a $50 million loan from any Federal source to any establishment. First this policy was promulgated after the special

steel program was put in place. Second, we have several other steel loans that are larger than $50 million. The steel program preceded this decision to limit the size of loans and guarantees and the policy was not made retroactive. For example, Wisconsin Steel has a proposal pending for $90 million.

Senator WEICKER. Then let's say it is the biggest and first that has come to the attention of this committee.

Mr. HALL. Jones & Laughlin has about a $100 million loan pending.

The second point in terms of that $77 million and my comment as to whether or not they can get it, the $77 million is primarily for working capital. That is contingent upon the loan coming forth from Farmers Home and EDA for the pollution abatement and rail mill. In other words, they won't get that $77 million unless these other loans go forward.

Senator WEICKER. We are backing up the banks again. Their quarterly report here says, "We obtained commitment for Federal loan guarantees of $140 million." Is that correct or not?

Mr. HALL. That is not correct.

Senator WEICKER. Then that is an incorrect statement by the company.

Mr. HALL. There was a letter of intent, but the letter of intent was predicated on findings of the terms of competition and reasonable assurance of repayment as well as other compliances with the act.

Senator WEICKER. I don't mean to take up the time of my colleagues. I think we are on shakey ground concerning both the company and the circumstances surrounding this particular request for a loan. I will submit the rest of my questions for the record. Although, I repeat what I said, I do believe you are stretching the law here in order to make them eligible for a loan. I think that is the kindest way to put it. Just as a matter of business, I think we are being used by Wheeling-Pittsburgh and its management, and I object to that.

And I might add, I reserve the right to manifest my objections on the floor of the U.S. Senate in every way I possibly can. I oppose the Lockheed loan and oppose Wheeling-Pittsburgh. It stinks.

Senator HOLLINGS. Mr. Secretary, with respect to the thrust and purpose of these steel loan guarantees, you say the employment and what else? What are we really doing here as a governmental policy in giving these loan guarantees?

Mr. HALL. As you may recall, Mr. Chairman, it was part and parcel of the Administration's review of the deteriorating situation of the steel industry, more than a year ago, in which a variety of public policies were set forth, one of which was the release of $100 million from the unobligated balances of the revolving fund.

Senator HOLLINGS. Putting in a trigger mechanism.

Mr. HALL. Yes, and other things.

I might note that, the imports of steel have been cut in half this April over last April. So it seems that the variety of decisions have had an effect.

Senator BUMPERS. Is that due to the triggering mechanism?

Mr. HALL. I think it is a combination of things. The imports are cut in half, but demand has risen. So it is demand and imports both.

Senator HOLLINGS. Let me say what I am trying to reconcile in my mind are the misgivings of Senator Weicker and your position that it is a good loan. It couldn't be as a good loan if that money could be used for acquisitions in perhaps 2 or 3 years. You want to succeed; that is why you are giving the loan.

Mr. HALL. No EDA funds would be available for acquisitions. The funds we are talking about would be for air pollution abatement and the rail mill.

Senator WEICKER. Hold it; what are the funds under the act supposed to be for? Modernization. Tell me how the building of a new railmill is modernization. I notice the facts on Colorado Fuel & Iron; it has spent $85 million to modernize its rail mill. This isn't a modernization of Wheeling-Pittsburgh. It is an entirely new facility, not modernization, which is what the act calls for.

Mr. HALL. We have definitions in our guidelines and the steel program guidelines and within this regulations the mill does fall under modernization.

Senator BUMPERS. Mr. Hall, I don't know much about this project, and I am not all that interested except insofar as the taxpayers' money is concerned. I don't know how you could call a new facility to take on a new line modernization. I can see how in the steel industry you could make a loan to somebody to update their technology and buy new equipment to become more efficient so they would be more competitive.

Senator HOLLINGS. They have to take care of these environmental concerns.

Senator WEICKER. I don't argue the environmental concerns.

Senator BUMPERS. But to build a new facility for a new line where competition is already existing, how can you under any conceivable semantics determine that to be modernization?

Let me say further, that is one of those things people get irritated about. We pass a bill saying modernization, and then the agencies interpret that in a way that goes way beyond what Congress intended, and we wind up getting the flack.

Mr. HALL. Sir, it is a closed facility that is being reopened. Part of the reopening of that facility includes the adding of this long-rail facility.

Senator BUMPERS. Are you reopening a facility or are you building one?

Mr. HALL. We are reopening one. In terms of the rail mill component of this, it is a facility that has been closed. It is being reopened and modernized as part of the bringing on line of this long rail capacity.

Senator HOLLINGS. And the reopened part, what did it formerly do?

Senator BUMPERS. Is Wheeling a subsidiary of anybody?

Senator WEICKER. No.

Mr. HALL. There are many things you can do with this program; the Korf loan represents another type of activity. In 1977, they had a loss of $23 million on $293 million of sales. Last year we provided a loan guarantee of $21 million; this was for working capital. They

had modernized the plant; they had approached the regional environmental requirements. They were really strapped for working capital. We provided funds for the working capital. They had $7 million in profit on sales of $351 million in 1978. In the first 3 months of this year, they have made $3 million in profit. This is a classic example of how the program can work. I would like to point out these are loan guarantees, not grants. We go in where these banks are heavily involved, so the financial judgments are not just an administrative judgment. An awful lot of people are putting in an awful lot of money.

Senator HOLLINGS. In his example he didn't mention the location but it was in Georgetown, S.C.

Senator BUMPERS. I knew it wasn't in Arkansas.

Senator HOLLINGS. I wasn't trying to keep it secret. I knew they were in trouble. That is why I joined the steel caucus. They had the trigger mechanism that went into effect.

TRIGGERING MECHANISM

Senator BUMPERS. What is the principle of the trigger mechanism on steel?

Senator HOLLINGS. When it is imported into the country less than what they estimate the cost of production, plus what the traders tack on a duty that would equalize that.

Senator BUMPERS. These things really get very tenuous. The situation Lowell is talking about, let's assume you loan money to Wheeling; they start making steel rails. He says there are three companies in this business already; you add this company. Let's assume one of the others, simply because there isn't enough business to go around, goes under. Then you have the same economic problem, and all you have done is shift it. It seems the competitive impact of what you are doing ought to be a very cogent criteria.

Mr. HALL. Correct, Senator. That is why we have the 702 study. This, in effect, is to make sure that the reasonable levels of demand are such that the expanded new facility does not unduly impair existing establishments in terms of production and profits.

Senator BUMPERS. Do you have some funds in EDA—for example, Mohawk Rubber Co. shut down a plant in Akron, and the union decided they wanted to take it over. Did they apply to EDA for those funds?

EMPLOYEE STOCK OWNERSHIP TRUSTS

Mr. HALL. Yes, we do fund and we have funded what we call ESOP's, employee stock ownership type trusts if the proposal is financially viable in terms of investment, working capital, equity, et cetera, and we are sure the management of these employee stock ownerships in terms of senior management capabilities, we do fund these. We have had four that have been highly successful. The first one was the South Bend Lathe Works.

Senator HOLLINGS. I have all kinds of confidence in you. I think you are one of the best administrators I have seen, and I have listened to a lot of people in this Government. What disturbs me, and I want to clear in my mind, make absolutely clear, but if Weicker Steel and Hollings Steel were to go down to the bank, and

we borrow money to build a rail facility to manufacture rails, and we pay the regular interest; then we find that Bumpers Steel comes to the EDA and gets a low rate based on a Government guarantee and comes into competition. Where is this private free enterprise system? I can understand the thing about saving jobs and the distress the steel industry has generally been put in. But Weicker and Hollings Steel have had to go to the bank and make large loans, and all of a sudden we get new competition that wasn't there, all under the guise of modernization, and they get a Government loan guarantee. How can I stay in business or justify this to my stockholders?

Mr. HALL. Senator, what we are trying to do—and again, no final decision has been made—is to make a judgment and assessment of what the demand for steel rail is going to be and what production will come from Bumpers' company, and the production coming from the Weicker and Hollings' companies and elsewhere. We are trying to take a look at the demand down the road in terms of the railroad industry in the United States and make some projections. If we find there is enough demand for steel rails, long rails particularly, this Government loan can be made and it won't jeopardize the operations and activities of the Weicker and Hollings' companies.

Senator WEICKER. Another thing that is interesting, there are some of us fighting like hell to preserve Amtrak out there. I wish it were true that Government policy was such that increased business for rails were forecast. We are getting a 43-percent cutback in Amtrak and Government commitment to rails. I don't see it there as far as a Government policy. I wish it were true.

As I said, my other questions I will submit for the record. I feel there has been difficulty on your part. It isn't an easy decision.

Mr. HALL. None of the steel ones are easy.

SHOE INDUSTRY

Senator BUMPERS. You said a while ago all shoe industry requirements have been met. Tell me about it.

Mr. WILLIAMS. Sir, we have made a grant to the University of Arkansas at Little Rock to run a trade adjustment assistance center for us. Their function is to help every trade adjustment impacted firm in a number of States in the Southwest, not only in Arkansas, to help them get certified if they have been hurt, or go through the procedure to get financial assistance from us. I have been in touch with them, and they tell me they have been in touch with these firms and have been working with them and are going to be doing a number of loans. I don't have a list of the firms with me, but I would be glad to furnish that for the record.

Senator BUMPERS. If you would do that, I would appreciate it very much.

[The information follows:]

Firms Receiving Trade Adjustment Technical Assistance
Through the Mid-America Trade Adjustment Assistance Center
University of Arkansas, IREC
(as of June 12, 1979)

A. Assistance with Certification Petitions

Firm	Location	Product
Annshire Garment	Pittsburg, KS	Women's Leather Coats
Royal Gorge Flower Farms	Canon City, CO	Cut Carnations
Snowbird, Inc.	Denver, CO	Down Outerwear
Stern-Slegman-Prins	Kansas City, MO	Women's Outerwear
Lee-Wald Company	No. Kansas City, MO	Men's & Boy's Suits
Davenshire, Inc.	Davenport, IA	Women's Wear
Acme Garment Co.	Wentzville, MO	Women's Wear
Waterloo Audio System	Waterloo, NE	Turntables
Lisa Warren, Inc.	Meridian, TX	Women's Wear
Bogart Enterprises	Ft. Worth, TX	Women's Wear
Faris Fashions	Hazen, AR	Women's Wear
Inland Shoe	Hazelwood, MO	Footwear
Bancroft Industries, Inc.	Cabot, AR	Wool Berets
Colorado Organic Chemicals	Commerce City, CO	Organic Phosphates
Screw & Rivet Mfg.	Little Rock, AR	Fasteners
Phelps Machinery Co.	Little Rock, AR	Pneumatic Conveyers

B. Initial Diagnostic Technical Assistance

Firm	Location	Product
Stern-Slegman-Prins	Kansas City, MO	Women's Outerwear
Danny Dare, Inc.*	Kansas City, MO	Children's Apparel
Action Wear, Inc.*	Denver, CO	Down Outerwear
Davenshire, Inc.	Davenport, IA	Women's Wear
Midwest Footwear Co.	Sullivan, MO	Footwear
Snowbird, Inc.	Denver, CO	Down Outerwear
CIBCO, International Corp.	Oklahoma City, OK	CB Antennas
Oldani Enterprises, Inc.	St. Louis, MO	Women's Wear

*Also receiving EDA Financial Assistance

C. Implementation Technical Assistance

Firm	Location	Product
Winburn Tile	Little Rock, AR	Ceramic Tile
Sentry Mfg.*	Chickasha, OK	Quartz Crystals
Danny Dare, Inc.	Kansas City, MO	Children's Wear

*Also receiving EDA Financial Assistance

Arkansas Footwear Firms Certified
for Trade Adjustment Assistance

Firm	Location	EDA Assistance Received
Rubber Corp. of Arkansas	De Queen	Technical & Financial
Arkansas Technical Industries	Batesville	None Requested
Osceola Shoe Co.	Osceola	Technical & Financial
Herbst Shoe Mfg.	Little Rock	Technical & Financial

Senator HOLLINGS. If there are no further questions, we want to thank you very much, Mr. Secretary.

FUNDS FOR U.S. TRAVEL SERVICE

The subcommittee received a letter from Senator Daniel Inouye regarding the funding of the U.S. Travel Service. The letter will be printed in the record.

[The letter follows:]

LETTER FROM SENATOR DANIEL K. INOUYE

May 14, 1979

Honorable Ernest F. Hollings
Chairman, Subcommittee on State,
Justice, Commerce, The Judiciary
Committee on Appropriations
United States Senate
Washington, D.C.

Dear Mr. Chairman:

As you know, the FY 1980 Commerce Department budget contains no funds for the United States Travel Service. Under the Administration's plan, the Travel Service's authorization would be permitted to lapse and the Service would go out of business at the end of fiscal 1979. The Administration instead has asked for $3 million to establish a tourism program in the Industry and Trade Administration (ITA). Under this plan, 50 people from the USTS would be transferred to ITA, but there is no provision for promotion efforts abroad.

As Chairman of the Commerce Subcommittee on Merchant Marine and Tourism, I have studied the Administration's proposal with great care and have concluded that it is unwise and should not be adopted. Accordingly, with Senator Cannon I introduced S. 233 which would authorize continued funding of the USTS for fiscal year 1980 at an $8 million level and require a 60% reduction in the agency's Washington staff. I am pleased to say that this bill has been adopted in the Senate and the identical House version has been reported out of the Interstate and Foreign Commerce Committee.

One of the bill's primary objectives is to keep the USTS's overseas offices in operation. There are good reasons for this. At the present time, USTS maintains offices in 6 major travel markets: Canada, Mexico, Japan, West Germany, France and the United Kingdom. In addition, it carries out marketing activities in 9 other countries. These 15 countries generated 91% of the visitors to the U.S. in 1977, some 16.9 million arrivals out of a total of 18.6 million. These arrivals also resulted in foreign exchange earnings of some $5.4 billion, approximately 85% of the total from tourism.

The Senate's decision to authorize continued funding for the USTS for an additional year, with primary emphasis on the Service's overseas operations, is based largely on the very favorable cost to benefit ratio which results

from the Service's overseas activities. As a result of a measurement system which has been in effect since 1973, the Service has been able to quantify the results of its efforts over the past four fiscal years with respect to three of its programs: tour development, incentive travel, and conventions. It has been determined that these programs, with budgets cumulating $53,959,000 resulted in some 1,950,000 visitors to this country and $938,000,000 in foreign exchange earnings, a cost-benefit ratio of one to 18.6. In other words, each dollar spent for the programs involved generated some $18.60 in foreign exchange earnings. Even if you assume that half the visitors might have come to this country anyway, you still get an extraordinarily good cost/benefit ratio of 1:10.

I have no objection to the Department's proposal to have the Industry and Trade Administration collect and analyze data on international tourism and provide policy recommendations, technical assistance, and coordination to governmental organizations involved in tourism. But these activities should supplement--not supplant--the basic activities of the U.S. Travel Service.

The $8 million authorization contained in S. 233 is only 60% of the amount appropriated for the USTS in fiscal year 1979 and is designed to keep in operation only the Service's most productive functions. As indicated, the return we can expect from this investment is great. I therefore hope you will be able to recommend a fiscal year 1980 appropriation at the full amount authorized by S. 233.

I would also ask that the subcommittee make it clear that the support staff limitation in the authorizing legislation is a ceiling, not a floor, and that the job can be done at a staffing level well below the one permitted. Suggested report language on the subject is enclosed for your consideration.

Your assistance will be deeply appreciated.

Aloha,

DANIEL K. INOUYE
United States Senator

Enclosure

PROPOSED LANGUAGE FOR APPROPRIATIONS COMMITTEE REPORTS

The $8 million appropriation coupled with at least a 60 percent reduction in Washington headquarters staff will enable the Secretary of Commerce to continue on a reduced scale the international marketing programs now being carried out by the USTS in its six designated primary markets (Canada, Mexico, United Kingdom, France, Germany and Japan) and in its nine designated special markets (Venezuela, Australia, Italy, The Netherlands, Switzerland, Sweden, Brazil, Spain and Belgium).

Senate Committee on Commerce, Science and Transportation Report 96-8 accompanying the authorizing legislation contains the testimony of an expert witness setting forth a detailed staffing recommendation. It describes the functions of 22 USTS personnel plus 3 Schedule "C" positions in the Washington headquarters to provide essential support for the international marketing programs. This number is within the support staff ceiling of 30 authorized.

However, a review of this statement reveals that it includes the allocation of resources and personnel to duties and functions such as policy formation and forward program planning which are not within the limited purpose of the authorizing legislation. These positions are to be eliminated.

Therefore, a maximum of ten percent of the appropriation is allocated to cover salaries and overhead for USTS's personnel in Washington headquarters necessary to support the FY 1980 field operations and to continue the multilingual receptionist program at U. S. ports of entry. The remaining $7,200,000 of the appropriated funds is allocated to the Regional Offices and to the International Congress office in Paris. This amount shall include State Department administrative services charges. ~~[Funds matching funds for projects which are determined by the Regional Offices to be essential to support and ensure the successful operation of specific international marketing programs in their local FY 1980 plans]~~

DEPARTMENT OF JUSTICE

Assistant Attorney General for Administration

STATEMENT OF KEVIN D. ROONEY, ASSISTANT ATTORNEY GENERAL FOR ADMINISTRATION

ACCOMPANIED BY:

BARBARA BABCOCK, ASSISTANT ATTORNEY GENERAL, CIVIL DIVISION

GILBERT M. LEIGH, DEPUTY DIRECTOR, PROGRAM REVIEW AND BUDGET STAFF

ROBERT A. KANE, ASSOCIATE COMMISSIONER FOR OPERATIONS SUPPORT, IMMIGRATION AND NATURALIZATION SERVICE

HUGH J. BRIEN, ASSISTANT COMMISSIONER, DETENTION AND DEPORTATION, IMMIGRATION AND NATURALIZATION SERVICE

MICHAEL D. MOSBACHER, PROGRAM ANALYST, IMMIGRATION AND NATURALIZATION SERVICE

STATEMENT OF MR. ROONEY

Senator Hollings. We will now hear from Mr. Rooney.

Mr. Rooney. Thank you, Mr. Chairman.

It is a pleasure to have this opportunity to appear before you in support of several supplemental appropriation requests for 1979 and amendments to the pending 1980 budget.

None of the supplementals or amendments that I will discuss will require any significant net increases in the total appropriations requested for the Department of Justice in either 1979 or 1980. The supplementals can be funded entirely through transfer, and the budget amendments that require increases are almost entirely offset by decrease amendments.

Supplemental requests for 1979 totaling $8,035,000 are required in 1979 to cover seven increases in four different appropriations. The budget authority to fund these increases can be derived by transfer from the appropriations "Salaries and expenses, Bureau of Prisons" and "Support of the U.S. Prisoners," where funds in excess of current needs have been identified.

GENERAL ADMINISTRATION

The supplemental request for the general administration appropriation totals 41 positions and $490,000. The bulk of this request—38 positions and $461,000—is to implement certain recommendations of the President's reorganization project on Federal legal representation. Within the month, we expect an Executive order to be issued requiring the Department to support and coordinate Federal legal representation efforts. The Attorney General is strongly committed to the concept behind the order, because it will help prevent the erosion of the Department's litigative authority and improve the quality and consistency of the Government's legal work.

Senator HOLLINGS. Is this the representation Senator Weicker has been concerned about?

Mr. ROONEY. No, sir.

Senator HOLLINGS. What kinds of representation efforts are these?

Mr. ROONEY. What we will be doing will be as a result of an Executive order, which will establish three functions within the Department. One, the creation of a Federal Legal Council which would study problems throughout the Federal law offices and recommend solutions. Right now the only coordinated effort, where there is a publication or manual and bulletin is within the Department of Justice. This way we will also include other agencies. We are only asking for six positions.

The other two aspects include a litigation notice system which will allow the Department to review all active civil cases and disburse information about them to all the agencies.

The smaller portion of this supplemental request, three positions and $29,000, is necessary if we are to comply with a recent amendment to the Small Business Act which requires the establishment of an Office of Small and Disadvantaged Business Utilization in every Federal agency. In the Department, this new Office of three people will be located within the Office of the Deputy Attorney General.

GENERAL LEGAL ACTIVITIES

The request for the general legal activities appropriation totals $974,000 and is in two parts. The first part consists of $500,000—which is what Senator Weicker has started to take an interest in—and is needed to initiate new contracts to pay private counsel for defending civil suits against former and present Federal employees accused of using improper investigative procedures. The second part is a request for $474,000 to fund Paul Curran's inquiry into the various loan transactions between the National Bank of Georgia and the Carter warehouse.

Senator HOLLINGS. Paul Curran is Special Counsel now?

Mr. ROONEY. That is right.

FEDERAL BUREAU OF INVESTIGATION

For the Federal Bureau of Investigation, there is a supplemental appropriation request of $2,636,000 for the foreign counterintelligence program. The details on this request are classified and a discussion must be reserved for a closed session.

IMMIGRATION AND NATURALIZATION SERVICE

The last and largest of our supplemental requests is for the Immigration and Naturalization Service. Within the $3,935,000 requested, $3,335,000 is for the renovation of the former Border Patrol Academy at Port Isabel, Tex., to make it into a viable service processing center. The renovation of this site involves upgrading existing structures to allow detention of undocumented aliens for limited periods pending completion of deportation proceedings. The renovation is in lieu of the construction of a new

facility at McAllen, Tex. By using the existing site at Port Isabel, we believe that we can provide a facility that will have a 20-year useful life and economically house 300 detainees under the Federal correctional standards that are now being developed.

The remaining $600,000 for the Immigration and Naturalization Service is directed at better implementation of existing law which requires the maintenance of records on the status of nonimmigrant aliens. The requested increase will be used to accelerate the key-punching of arrival and departure documents. Several months ago, when there were Iranian student demonstrations in Chicago, the Service was unable to produce records on the status of nonimmigrant aliens in the United States. The supplemental funds requested will help reduce the backlog in record maintenance and help the Service to perform its law enforcement duties.

JUSTIFICATIONS

Senator HOLLINGS. In as much as the House did not hear those items, I will make the justification material part of our record.

[The justifications follow:]

DEPARTMENT OF JUSTICE

GENERAL ADMINISTRATION

Salaries and Expenses

For an additional amount for "Salaries and expenses", $490,000, to be derived by transfer from "Support of United States prisoners."

General Administration

Salaries and Expenses

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	1979 Appropriation
Presently available	820	$29,441
Revised estimate	861	29,931
Proposed supplemental	41	490

Explanation of Request

Supplemental funding is requested for (1) resources to provide for the establishment of the Office of Small and Disadvantaged Business Utilization within the Office of the Deputy Attorney General, and (2) additional resources for the Office of the Associate Attorney General to be used for the implementation of the Federal Legal Council, the Litigation Notice System and legal personnel training, recommended by the President's Reorganization Project.

General Administration

Salaries and Expenses

Summary of Requirements
(Dollars in thousands)

Comparison by activities	1979 Presently Available		1979 Revised Estimates		1979 Proposed Supplemental	
	Perm. Pos.	Amount	Perm Pos.	Amount	Perm Pos.	Amount
1. Program direction and policy coordination	591	$20,782	632	$21,272	41	$490
2. U.S. Parole Commission	178	5,284	178	5,284	...	...
3. Administrative review and appeals	51	1,675	51	1,675	...	...
4. Federal justice research program	...	1,700	...	1,700	...	...
Total requirements	820	29,441	861	29,931	41	490

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: Program Direction and Policy Coordination	1979 Presently Available		1979 Revised Estimate		1979 Proposed Supplemental	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Office of the Deputy Attorney General	25	$1,256	3	($29)	28	$1,285

The requested funding is to provide within the Office of the Deputy Attorney General, for the establishment of the Office of Small and Disadvantaged Business Utilization required by PL 95-507, which amends the Small Business Act of 1958. The request will permit the Department to increase the availability of business development services; for FY 1979, for those small businesses owned by the disadvantaged which would be qualified to receive Justice contracts. This supplemental will provide for the required personnel, services and supplies necessary in FY 1979 to comply with the requirements of the Act. This will be accomplished by clarifying criteria for firms authorized to receive federal contracts under (sec. 8a) of the Act, which allows certain federal contracts to be set aside for small business owned or controlled by the disadvantaged. The implementation of this program will enhance opportunities for small businesses to obtain federal contracts and subcontracts.

	1979 Presently Available		1979 Revised Estimate		1979 Proposed Supplemental	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Office of the Associate Attorney General	15	$497	38	($461)	53	$958

The purpose of this requested additional funding is to implement three new activities recommended by the President's Reorganization Project on Federal Legal Representation. These will be mandated for Department of Justice implementation in FY 1979 by a Presidential Executive Order. Even though the Executive Order is in the "proposed" state at this time, the Department and the Office of Management and Budget fully expect it to be signed by the President by the end of June 1979. The Executive Order will require the implementation of these new activities during FY 1979; supplemental resources are requested for the last quarter of FY 1979 for: (1) staffing for the new Federal Legal Council; (2) the initiation of a government-wide Litigation Notice System and; (3) the provision of Legal Personnel Training to non-Justice personnel by virtue of the Department assuming the functions of the Office of Personnel Management's Legal Education Institute.

taffing for the Federal Legal Council

The Federal Legal Council will be charged with studying problems in the management and operation of Federal law offices and recommending solutions to those problems, including proposed legislative remedies. Items for study mentioned in the proposed Executive Order include legal offices' coordination, communication, staff management, information systems and training. The Council will also have certain operating programs according to the proposed Presidental Executive Order. These include the provision of a job clearinghouse for Federal attorney employment, a job rotation program for the interagency exchange of attorney personnel, the establishment of a program to encourage increased pro bono legal work on the part of Federal attorneys and providing for the publication of a Federal Lawyers' Manual and Bulletin modeled after those of the U.S. Attorneys. Funding for the production of the manual is placed in the Legal Personnel Training component of this request, although the contents of the manual will be developed in consultation with the the Council.

These extensive study, support and direct program provision duties will require a staff of six; salary and support funding for the last three months of FY 1979 will be $61,000.

Litigation Notice System

The Litigation Notice System must have the capability to review active civil cases to determine whether they should be included in this data system; to review the cases for relevant information regarding legal issues and statutes involved, parties involved, agency litigating, attorney handling, type of legal action and court due dates; and to review generally the facts to provide information such that the Department and other user Federal agencies can easily determine whether their programs or litigative activities are affected. If they are affected, additional information can be requested from the litigating agency for consideration by the interested agency.

The civil cases in litigation to which the Government is a party or has an interest comprises the number of cases which must be contained in the litigation notice system. The active civil cases (pending) in Federal court to which the Government was a party were, according to the Administrative Office for U.S. Courts, 34,288 in FY 1976, 40,210 in FY 1977, and 46,811 in FY 1978. Those civil cases in Federal court in which the Government had an interest exceed the number to which it was a party. In addition to cases in the Court of Claims and Tax Court, these cases include civil rights cases to which the Department filed amicus briefs, anti-trust and related proceedings conducted by other agencies such as the Federal Trade Commission in which the Department files briefs, and land and natural resources cases against Indians in which the Department may participate due to the Government's unique relationship to the Indians. It is likely that the increase of civil litigation to which the Government is a party and the addition of those cases in which the Government has an interest will total at least 50,000 cases in FY 1979.

esources required to establish a core staff for t tigation Notice System in FY 1979 are compute maximize the use of paralegal personnel yet ensure that adequate attorney personnel are available to interpret the case information. A more accurate estimate of the number of cases to be reviewed will hinge on the case types defined by the Attorney General for inclusion in the system. The average amount of time to review each case will relate to the items of information which must be garnered from the case file. For those items cited above, comparative estimates of review time have been made by considering the Department's review of Hobbs Act cases and the review of certain civil cases for possible delegation to the Labor Department, and the supervision of civil cases litigated by U.S. Attorneys. For trial court cases the average review time is estimated at one-half hour per case for 85 percent of the cases, one day for 10 percent of the cases, and 10 days for 5 percent of the cases. For appellate cases 70 percent can probably be reviewed in one-half hour, 15 percent in one day, 10 percent in four days, and 5 percent in ten days. Assuming that at the very least 6500 trial court cases and 1800 appellate court cases will fall within the Attorney Generals guidelines and imposing the restriction that these initial reviews must be performed within one day maximum for trial court cases and within four days maximum for appellate cases, 8 attorney positions would be required. By using paralegals, the staffing request becomes 6 attorneys, 4 paralegals, 3 docket clerks, and 5 clerical staff. The FY 1979 cost for these personnel for three months plus necessary support and space costs is $110,000.

Legal Personnel Training

The proposed Executive Order requires the Justice Department to assume the functions of the Office of Personnel Management's Legal Education Institute. This provision is founded not only upon the President's decision to have legal personnel trained by the Department but also to have course offerings expanded. The Presidential Decision Memorandum indicated that the budget of the Department would have to be increased to properly fund the new functions; it suggested that there may be offsetting reductions to the budgets of those agencies which now reimburse the Institute. The President concurred when he selected this option.

The Institute is presently operated with funds paid by other agencies as reimbursement for training courses attended by their legal personnel. Such an arrangement is not sufficiently secure to properly plan and operate course offerings because training funds are spread through several agencies' budgets. These funds are subject to unforeseen exigencies which may cause their deletion due to fiscal constraints or their reallocation to unexpected program items. To rectify these short-comings and to meet the needs created by the proposed Executive Order, additional resources are being requested.

Consultation with Federal agencies' legal offices and the Legal Education Institute by members of the PRP study team resulted in a resource estimate which appeared in the President's Decision Memorandum. This staffing plan has been evaluated anew and cost computations updated to agree with existing salaries and benefits. FY 1980 will be utilized to expand the course offerings, establish a training center, provide limited field training sessions, acquire needed office and training equipment (non-recurring expenses), and, as an equally important adjunct to the training program, edit and publish a Government Lawyers' Manual and bulletin similar to those of the U.S. Attorneys. A staff of 14 and $290,000 for the last quarter of FY 1979 will be required.

GENERAL ADMINISTRATION

Salaries and Expenses

Financial Analysis
(Dollars in thousands)

Item	1979 Proposed Supplemental Pos.	1979 Proposed Supplemental Amount	Office of the Deputy Attorney General Pos.	Office of the Deputy Attorney General Amount	Office of the Associate Attorney General Pos.	Office of the Associate Attorney General Amount
Grades						
GS-15	5	$191	1	$38	4	$153
GS-14	5	162			5	162
GS-13	6	164	1	27	5	137
GS-12	3	69			3	69
GS-11	3	58			3	58
GS-9	3	47			3	47
GS-7	8	104	1	13	7	91
GS-5	2	22			2	22
GS-4	3	28			3	28
GS-3	3	25			3	25
Total workyears and personnel compensation	41	870	3	78	38	792
Lapse	-30.5	-653	-2.0	-59	-28.5	-594
Total workyears and personnel compensation	10.5	217	1.0	19	9.5	198
Personnel benefits		22		2		20
Travel and transportation of persons		17		3		14
Standard level user charges		88		2		86
Communications, utilities and other rent		15		1		14
Printing and reproduction		29		...		29
Other services		47		...		47
Supplies and materials		14		2		12
Equipment		41		...		41
Total workyears and obligations, 1979	10.5	490	1.0	29	9.5	461

Supplemental requested, existing legislation
DEPARTMENT OF JUSTICE
SALARIES AND EXPENSES, GENERAL ADMINISTRATION

Program and Financing (in thousands of dollars)

Identification code 15-0129-1-1-751	19 79	19 79	19 79
Program by activities:	Presently Available	Revised Estimate	Proposed Supplemental
Direct program:			
1. Program direction and policy coordination	20,782	21,272	490
2. U.S. Parole Commission	5,284	5,284	-
3. Administrative review and appeals	1,675	1,675	-
4. Federal justice research program	2,069	2,069	-
Total, direct program	29,810	30,300	490
Reimbursable program	1,502	1,502	-
10.00 Total program costs, funded-obligations 1/	31,312	31,802	490
Financing			
11.00 Offsetting collections from: Federal funds	-1,502	-1,502	...
21.40 Unobligated balance available, start of year	-369	-369	...
Budget authority	29,441	29,931	490
Budget authority:			
40.00 Appropriation	28,474	28,964	490
44.10 Supplemental for wage-board pay raises	18	18	...
44.20 Supplemental for civilian pay raises	949	949	...
Relation of obligations to outlays:			
71.00 Obligations incurred, net	29,810	30,300	490
72.40 Obligated balance, start of year	3,911	3,911	...
74.40 Obligated balance, end of year	-4,825	-4,845	-20
90.00 Outlays, excluding pay raise supplementals	27,978	28,448	470
91.10 Outlays from wage-board pay raise supplemental	17	17	...
91.20 Outlays from civilian pay raise supplemental	901	901	...

1/ Includes capital investment for 1979, $438,000.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-0129-1-1-751	1979	1979	1979
	Presently Available	Revised Estimate	Proposed Supplemental
Personnel compensation:			
11.1 Permanent positions	18,316	18,533	217
11.3 Positions other than permanent	453	453	...
11.5 Other personnel compensation	157	157	...
Total personnel compensation	18,926	19,143	217
Personnel benefits:			
12.1 Civilian	1,818	1,840	22
21.0 Travel and transportation of persons	838	855	17
22.0 Transportation of things	86	86	...
23.1 Standard level user charges	2,183	2,271	88
23.2 Communications, utilities and other rent	1,151	1,166	15
24.0 Printing and reproduction	471	500	29
25.0 Other services	3,418	3,465	47
26.0 Supplies and materials	241	255	14
31.0 Equipment	678	719	41
Total direct obligations	29,810	30,300	490
Total reimbursable obligations	1,502	1,502	...
99.0 Total obligations	31,312	31,802	490

Personnel Summary (in thousands of dollars)

Identification code 15-0129-1-1-751	1979	1979	1979
	Presently Available	Revised Estimate	Proposed Supplemental
Direct:			
Total number of permanent position.	820	861	41
Full time equivalent of other positions	34	34	...
Total compensable workyears	813	824	11
Average GS grade	10.27	10.25	9.90
Average GS salary	$23,647	$23,651	$21,220
Average salary of ungraded positions	$14,728	$14,728	...
Reimbursable:			
Total number of permanent positions	41	41	...
Full-time equivalent of other positions	0	0	...
Total compensable workyears	41	41	...
Average GS grade	10.80	10.80	...
Average GS salary	$23,494	$23,494	...

DETAIL OF PERMANENT POSITIONS

	1979 Presently Available	1979 Revised Estimate	1979 Proposed Supplemental
Executive level I	1	1	...
Executive level II	1	1	...
Executive level III	1	1	...
Executive level IV	2	2	...
Executive level V	1	1	...
Subtotal	6	6	...
GS-18	14	14	...
GS-17	10	10	...
GS-16	11	11	...
GS-15	72	77	5
GS-14	124	129	5
GS-13	82	88	6
GS-12	75	79	3
GS-11	62	65	3
GS-10	10	10	...
GS-9	49	51	3
GS-8	25	25	...
GS-7	96	104	8
GS-6	100	100	...
GS-5	57	59	2
GS-4	37	40	3
GS-3	3	6	3
Subtotal	827	868	41
SR-18	1	1	...
Ungraded positions	27	27	...
Total permanent positions	861	902	41
Unfilled positions, Sept. 30	-28	-28	...
Total permanent employment, end of year	833	874	41

DEPARTMENT OF JUSTICE

Legal Activities

SALARIES AND EXPENSES, GENERAL LEGAL ACTIVITIES

For an additional amount for "Salaries and expenses, general legal activities", $974,000, to be derived by transfer from "Support of United States prisoners".

Legal Activities

Salaries and Expenses, General Legal Activities

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	1979 Appropriation
Presently available	2,727	$91,007
Revised estimate	2,727	91,981
Proposed supplemental	...	974

Explanation of Request

Supplemental funding is requested to provide support for the recently established Office of the Special Counsel and for provision of private legal counsel. The Office of the Special Counsel was established in March 1979 to conduct the remainder of the inquiry into the various loan transactions between the National Bank of Georgia and the Carter warehouse. The request for private counsel funding will provide private legal counsel to former and present Federal officials in certain civil suits beiing handled by the Civil Division.

Legal Activities

Salaries and Expenses, General Legal Activities

Summary of Requirements
(Dollars in thousands)

Comparison by activities	1979 Presently Available Perm. Pos.	1979 Presently Available Amount	1979 Revised Estimates Perm. Pos.	1979 Revised Estimates Amount	1979 Proposed Supplemental Perm. Pos.	1979 Proposed Supplemental Amount
1. Conduct of Supreme Court proceedings and review of appellate matters.....	47	$2,454	47	$2,454	...	...
2. General tax matters.....	574	18,025	574	18,025	...	...
3. Criminal matters.....	752	24,571	752	25,045	...	$474
4. Claims, customs, and general civil tax matters.....	631	21,525	631	22,025	...	500
5. Land, natural resources, and Indian matters.....	263	9,583	263	9,583	...	...
6. Legal opinions.....	42	1,563	42	1,563	...	...
7. Civil rights matters.....	418	13,286	418	13,286	...	...
Total requirements.....	2,727	91,007	2,727	91,981	...	974

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: Criminal matters	1979 Presently Available		1979 Revised Estimate		1979 Proposed Supplemental	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Office of Special Counsel	...	...	...	$474	...	$474

On March 23, 1979, the Attorney General by order number 825-79 created a new organization within the Department called the Office of the Special Counsel and on the same day appointed Paul J. Curran as Special Counsel. The Special Counsel shall have the Attorney General's authority for investigating and prosecuting any offense against the United States arising from financial transactions between the Carter Warehouse and the National Bank of Georgia or any other financial institutions, from related financial or business transactions or from the use of loan proceeds. The Special Counsel shall have full authority to initiate appropriate civil actions concerning these transactions. Although the time required for the completion of the investigation is unknown, it is estimated that it will take less than a year. This request is for the period through September 30, 1979.

As of April 16, 1979, the Office of the Special Counsel had a staff of four attorneys, four account/investigators, two paralegals, three secretaries and an administrative officer.

Activity: Claims, customs, and general civil matters	1979 Presently Available		1979 Revised Estimate		1979 Proposed Supplemental	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Payment of fees to private counsel.....	631	$21,525	631	$22,025	...	$500

The purpose of this request is to provide for the payment of fees to private counsel for representation of former and present employees who are sued civilly for money damages in suits involving activities undertaken in the scope of Federal employment.

The currently enacted budget for this activity does not include funds for the costs of private counsel. At the present time fees are being paid to private attorneys retained in FY 1979 from funds which have been reprogrammed for this purpose.1/ It is estimated that costs of private counsel who were retained under FY 1978 contracts will approximate $565,000 before the contracts are terminated. Based on this experience, the projected cost for the current year contracts is $500,000.

Under present law there exists no realistic alternative way to defend former or present employees in civil actions which allege conduct by Federal employees. Where a conflict of interest is involved, the Department of Justice cannot provide direct representation of officials. Thus, the only alternative is for the individually sued defendants to personally assume the burden of financing their defense in litigation. The adverse impact of such a policy on employee morale makes this alternative inadvisable. It is to be noted that proposed Amendments to the Federal Tort Claims Act now pending before Congress would virtually eliminate the need for the retention of private counsel in cases of this sort.

1/ In March 1979 Congress approved the Civil Division's request to reprogram $50,000 from which private counsel retained in FY 1979 would be paid pending enactment of the amendments to the Federal Torts Claims Act or, in the alternative, approval of a request for supplemental funding.

Legal Activities

Salaries and expenses, General Legal Activities

Financial Analysis
(Dollars in thousands)

Item	1979 Proposed Supplemental		Criminal matters		Claims, customs and general civil matters	
	Pos.	Amount	Pos.	Amount	Pos.	Amount
Total positions and annual rates....	...	...	...	...	...	...
Lapse.....	+7.0	+240	+7.0	+$240	...	...
Total workyears and personnel compensation.....	7.0	240	7.0	240	...	...
Personnel benefits.....		22		22		...
Travel.....		100		100		...
Transportation.....		5		5		...
Standard level user charges.....		22		22		...
Communications, utilities, and other rent.....		20		20		...
Printing.....		8		8		...
Other services.....		546		46		500
Supplies.....		6		6		...
Equipment.....		5		5		...
Total workyears and obligations, 1979.....	7.0	974	7.0	474	...	500

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Supplemental requested, existing legislation

DEPARTMENT OF JUSTICE
SALARIES AND EXPENSES, GENERAL LEGAL ACTIVITIES

Program and financing (in thousands of dollars)

Identification code 15-0128-1-1-752	1979 Presently Available	1979 Revised Estimate	1979 Proposed Supplemental
Program by activities:			
Direct program:			
1. Conduct of Supreme Court proceedings and review of appellate matters	2,454	2,454	...
2. General tax matters	18,025	18,025	...
3. Criminal matters	24,571	25,045	474
4. Claims, customs, and general civil matters	21,525	22,025	500
5. Land, natural resources, and Indian matters	9,583	9,583	...
6. Legal opinions	1,563	1,563	...
7. Civil rights matters	13,286	13,286	...
Total, direct program	91,007	91,981	974
Reimbursable program	265	265	...
10.00 Total program costs, funded-obligations 1/	91,272	92,246	974
Financing:			
11.00 Offsetting collections from: Federal funds	-265	-265	...
Budget authority	91,007	91,981	974
Budget authority:			
40.00 Appropriation	90,550	91,524	974
44.20 Supplemental for civilian pay raises	457	457	...
Relation of obligations to outlays:			
71.00 Obligations incurred, net	91,007	91,981	974
72.40 Obligated balance, start of year	8,918	8,918	...
74.40 Obligated balance, end of year	-11,525	-12,012	-487
90.00 Outlays, excluding pay raise supplementals	87,956	88,443	487
91.20 Outlays from civilian pay raise supplemental	444	444	...

1/ Includes capital investment for 1979 $932 thousand.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-0128-1-1-752		1979 Presently Available	1979 Revised Estimate	1979 Proposed Supplemental
	Personnel compensation:			
11.1	Permanent positions	60,640	60,880	240
11.3	Positions other than permanent	1,101	1,101	...
11.5	Other personnel compensation	350	350	...
11.8	Special personal services payments	1,036	1,036	...
	Total personnel compensation	63,127	63,367	240
	Personnel benefits:			
12.1	Civilian	5,417	5,439	22
13.0	Benefits for former personnel	10	10	...
21.0	Travel and transportation of persons	4,783	4,883	100
22.0	Transportation of things	147	152	5
23.1	Standard Level User Charges	5,119	5,141	22
23.2	Communications, utilities and other rent	3,719	3,739	20
24.0	Printing and reproduction	1,839	1,847	8
25.0	Other services	4,922	5,468	546
26.0	Supplies and materials	755	761	6
31.0	Equipment	1,149	1,154	5
32.0	Lands and structures			
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities			
43.0	Interest and dividends			
91.0	Unvouchered	20	20	...
	Total direct obligations	91,007	91,981	974
	Total reimbursable obligations	265	265	...
99.0	Total obligations	91,272	92,246	974

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Salaries and Expenses

For an additional amount for "Salaries and expenses," $2,636,000. To be derived by transfer from "Salaries and expenses, Bureau of Prisons."

Federal Bureau of Investigation
Salaries and Expenses

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	1979 Appropriation
Presently Available	19,876	$581,847
Revised Estimate	19,876	584,483
Proposed Supplemental	...	2,636

Explanation of Request

The supplemental appropriation, in the amount of $2,636,000, for the Federal Bureau of Investigation is for the procurement of an airborne surveillance system to provide capabilities not presently available to the FBI.

Federal Bureau of Investigation
Salaries and Expenses

Summary of Requirements
(Dollars in thousands)

Comparison by Activities:	1979 Presently Available Perm. Pos.	1979 Presently Available Amt.	1979 Revised Estimated Perm. Pos.	1979 Revised Estimated Amt.	1979 Proposed Supplemental Perm. Pos.	1979 Proposed Supplemental Amt.
1. Criminal, security and other investigations	11,238	$361,155	11,238	$363,791	...	$2,636
2. Coordination of investigations	439	12,848	439	12,848	...	...
3. Investigative support	2,302	86,616	2,302	86,616	...	...
4. State and local assistance	4,547	85,767	4,547	85,767	...	...
5. Program direction	1,350	35,461	1,350	35,461	...	...
Total requirements	19,876	581,847	19,876	584,483	...	2,636

Justification of Requirements
(Dollars in thousands)

	1979 Presently Available	1979 Revised Estimate	1979 Proposed Supplemental
Activity: Criminal, security and other investigations	$361,155	$363,791	$2,636
Item: Airborne surveillance system	...	$2,636	$2,636

The purpose of this request is to provide for the procurement of a surveillance system to provide capabilities not presently available to the FBI. Detailed justification is contained in Appendix A which is SECRET.

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $3,935,000, to be derived by transfer from "Salaries and expenses, Bureau of Prisons".

Immigration and Naturalization Service

Salaries and Expenses

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	1979 Appropriation Anticipated
Presently anticipated.....	10,997	$305,550
Revised estimate.....	10,997	309,485
Proposed supplemental.....	...	3,935

Explanation of Request

A transfer of funds from the Bureau of Prisons is requested to (1) finance the first of two stages in the renovation of the Port Isabel, Texas Service Processing Center, (2) bring the Nonimmigrant Document Control (NIDC) up-to-date through microfilming of sixteen million arrival documents, (3) provide for the keying of all arrival and departure documents that will have been received through the end of Fiscal Year 1979, (4) upgrade the word processing systems currently being utilized for the Master Index Remote Access Capability (MIRAC) in six district offices to also accommodate automated foreign student control systems, fee receipts and other "model office" innovations, (5) upgrade five word processing units currently utilized for FMIS to provide the capability to handle correspondence and Congressional mail, and (6) provide word processing equipment for five additional district offices for automation of local student control, fee receipts, and other "model office" innovations.

Immigration and Naturalization Service
Salaries and Expenses

Summary of Requirements
(Dollars in thousands)

Comparison by Activities	1979 Presently Anticipated		1979 Revised Estimates		1979 Proposed Supplemental	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
1. Border Enforcement.....	4,697	$119,951	4,697	$119,951	...	...
2. Interior Enforcement.....	1,178	34,020	1,178	34,020	...	...
3. Detention and Deportation.....	1,095	37,920	1,095	37,920	...	...
4. Intelligence.....	42	1,076	42	1,076	...	...
5. Service to Public.....	1,939	47,524	1,939	47,524	...	...
6. Support Operations.....	1,213	33,176	1,213	37,111	...	$3,935
7. Program Direction.....	833	31,883	833	31,883	...	...
Total Requirements.....	10,997	305,550	10,997	309,485	...	3,935

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: Support Operations	1979 Presently Anticipated		1979 Revised Estimate		1979 Proposed Supplemental	
	Pos.	BA	Pos.	BA	Pos.	BA
Item: Renovation of the Port Isabel SPC, Updating of Non-Immigrant Document Control System and Upgrading of Word Processing Equipment	1,213	$33,176	1,213	$37,111	...	$3,935

This request outlines a need for $3,935,000. The requested funds for these items are specified as follows:

Item	Amount
Renovation of the Port Isabel Service Processing Center.....	$3,335,000
Updating of Nonimmigrant Document Control System and Upgrading of Word Processing Equipment.....	600,000
Total request	3,935,000

The Port Isabel SPC handles a large number of undocumented aliens who are apprehended by the Border Patrol and Investigations in the lower Rio Grande Valley and as far away as San Antonio, Dallas, Corpus Christi, and Houston, Texas; New Orleans and Lake Charles, Louisiana, Oklahoma, Tennessee, Arkansas and Northern Florida. The present Service Processing Center at Port Isabel was located at the site in 1961, when the former U.S. Navy surplus World War II training camp was acquired by I&NS to house the functions of the Border Patrol Academy. The structures that were utilized to form the nucleus of the detention facility were the original World War II buildings and were designed for a twenty year life. The harsh environmental conditions of the vicinity such as soil erosion, constant exposure to salt air, and a generally severe climate have exacerbated the problem. Only minimal maintenance and repair efforts have been expended over the years by I&NS.

The primary systems which affect the continued operations of the SPC (water purification plant, sanitary treatment plant and air conditioning systems) are in marginal condition and made up of obsolete components. They require complete replacement. The sewage treatment plant is currently leaking raw sewage into the ground. I&NS has been notified by the Texas Department of Public Health that it will have to meet the effluent standards for drinking water under the "Safe Drinking Water Act," Public Law 93-523, effective July 1977. The conditions at the facility do not meet these standards at the present time. If replacement of primary systems is not undertaken soon, I&NS may be forced to close the facility entirely due to the unhealthy conditions.

If the facility were forced to curtail operations, all enforcement activity in Texas, Louisiana, Oklahoma, Arkansas, Tennessee, and Northern Florida would be severely affected. The increasing emphasis on alien smuggling activity has increased the number of other than Mexicans that are apprehended in all areas. Other than Mexicans require longer periods of detention than do Mexicans, because of the nature and complexity of that type of deportation proceeding. The closing of the Port Isabel SPC would therefore drastically lessen I&NS' detention capability at a time when the need for that capability is rapidly increasing. If the facility were closed, virtually all of the other than Mexican apprehensions and Mexican nationals being held pursuant to deportation hearings would have to be released on their recognizance. They could not be transported to the El Paso SPC since that facility is presently operating at full capacity.

The closing of the Port Isabel SPC would also impact adversely on the U.S. Marshal's Service whom I&NS presently accommodates by providing detention space for alien material witnesses being detained pursuant to orders of the court. The Port Isabel SPC operates under a dual function which provides detention space for aliens being held pursuant to deportation hearings, and also as a Service staging area, where Mexican undocumented aliens from the lower Rio Grande Valley, east Texas, Louisiana, Oklahoma, Arkansas, Tennessee, and northern Florida are transferred and from there are processed for expeditious removal to Mexico under safeguards.

In order to develop the most feasible plan a number of alternative sites were identified and inspected. The most feasible alternative site was selected and the option between relocating the facility--or remaining at the present site was considered. It was decided that remaining at Port Isabel and renovating it was the most feasible option. The costs necessary to maintain Port Isabel until a new facility was completed, which of necessity would include repair and replacement of essential systems, coupled with the costs of the new facility, were considered prohibitive.

In order to develop a plan for renovation of the Port Isabel SPC it was necessary at the outset to decide whether to renovate the existing Service Processing Center, or develop an operational concept that would incorporate the buildings formerly used by the Border Patrol Academy, which is adjacent to the present SPC. After thorough review of the existing facilities and an evaluation of their condition, it was decided to develop an operational concept that would include the academy

buildings. The operational requirements were then identified, a floor plan proposed, cost estimates drawn-up and a schedule for implementation completed. If funds are secured, GSA will take charge of the project in consultation with I&NS.

I&NS has presented three alternative renovation plans to convert the former Border Patrol Academy site at Port Isabel into a viable Southern Texas SPC. Each of the three options would provide space for approximately 300 detainees, including the required processing, administrative and recreational facilities. The FY 1979-FY 1981 funding requirements for the renovation only is $2,413,000, $2,310,000 and $2,943,000 for each option, respectively. Upgrading of utilities and site preparation represents a fixed cost of $2,766,000 which would be required regardless of the option selected. Option 1 ($2,413,000 was selected as the most cost effective means of providing a viable SPC with a 20-year life.

The renovation of Port Isabel SPC will take place in stages in order to keep the facility in operation during the renovation period. The funds in this package enable the completion of the first stage of the project. This first stage involves repair or replacement of all base utilities, (i.e., power, water and sewage systems), upgrading roads and streets, conversion of existing buildings to a Processing/Administration facility and a dormitory, and all other related site work. I&NS will be responsible for part of the design and GSA will handle the construction contract.

At this level, the replacement of all primary systems and the renovation of two buildings will be accomplished. Funds for its completion ($1,388,000) are requested in I&NS' FY 1981 Spring Planning Submission to the Department of Justice. Stage II includes the renovation of the mess hall, two other dormitories and the post maintenance building, and will complete the proposed renovation of the entire facility. I&NS will absorb the design costs associated with Stage II of the project ($157,000) in FY 1980.

As stated, funding of this project is immediately necessary because of the continual deterioration of the present facility. I&NS has been notified by the Texas Department of Public Health that it will have to meet the effluent standards for drinking water under the "Safe Drinking Water Act" Public Law 93-523. This emergency situation requires unforeseen outlays for the preservation of the usefulness of government property.

Cost estimates for Stage I and Stage II breakdown as follows:

Stage I (FY 1979)

Utilities and Site	Amount	Renovation	Amount
Electricity	$206,000	Site	$230,000
Fire Protection and Smoke Alarm	112,000	Administration/ Processing Bldg.	410,000
Water System	983,000	Dormitory (B-4)	229,000
Sewer System	659,000	Total	869,000
Air Conditioning and Heat	146,000		
Roads	45,000		
Site	224,000		
	2,375,000		
Contractor Overhead and Profit	181,000		
Design	210,000		
	2,766,000*		
I&NS Absorption (FY 1979)	-300,000		
Total	2,466,000		

* Based on GSA estimate--December 13, 1978.

Total requirements FY 1979 = $3,335,000
(Port Isabel Renovation)

FY 1980

	Amount
Design (for Stage II)	$157,000
I&NS absorption	-157,000
Total	-0-

Total requirements = -0-

Stage II (FY 1981)

Renovation	Amount
Mess hall (B-3)	$123,000
Dormitory (B-32)	432,000
Dormitory (B-34)	432,000
Post Maint. (B-36)	107,000
	1,094,000
Contractor Overhead and Profit	294,000
Total	1,388,000

Total requirements FY 1981 = $1,388,000

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Source of Funding for Port Isabel Renovation

Source	FY 1979	FY 1980	FY 1981
Supplemental	$3,335,000	...	...
Absorption	300,000	$157,000	...
FY 1981 Estimates	...	...	$1,388,000
Total	3,635,000	157,000	1,388,000
Obligations			
Site/Base Utilities	2,767,000	...	...
Site Relocation/Renovation	868,000	157,000	1,388,000
	3,635,000	157,000	1,388,000

The Immigration and Naturalization Service is required by law (Sec. 290, I&N Act of 1952, as amended) to maintain a central index which contains relevant identifying and status information concerning all aliens admitted to the United States. A portion of the compliance with this law in terms of nonimmigrant control is achieved through the Non-Immigrant Document Control System (NIDC). The primary objective of the NIDC is to provide a means of controlling non-immigrant data on those aliens entering the United States on a temporary basis for school, business, pleasure, etc., during the period after their arrival and up to their departure from the country. The purpose of this request is to provide $100,000 for the microfilming of 16 million arrival documents. It will also provide $500,000 for the keying of all arrival and departure documents that will have been received through the end of FY 1979.

At present, there is a backlog of 2,985,200 arrival and departure documents from FY 1978 to be keyed. The total projected arrival documents received for FY 1979 is 10,071,600. The total projected departure documents received for FY 1979 is 9,064,400. After totalling FY 1979 arrival and departure documents and the FY 1978 backlog (compensating for a work-in-process adjustment of 2,428,800 documents), the total number of documents available for keying throughout the end of FY 1979 is 19,692,400. At a $.0455 per unit keying cost, $896,000 is required. Because $396,000 has been made available for keying from currently appropriated I&NS' funds, $500,000 in additional funds are required for keying.

As a fully implemented system, the NIDC provides the Service with a more efficient means of maintaining and controlling non-immigrant data. The benefits derived are facilitated control and access to historical documentation and speedy access to specific data necessary to enforce the immigration laws. If the system is not maintained on a current basis, the validity and usefulness of the information in the data base is limited.

There is also a need for the upgrading of word processing systems. An amount of $54,600 would enable the upgrading of equipment currently being installed in six district offices for the Master Index Remote Access Capability (MIRAC) to also accommodate automated local student control systems, fee receipts and other "model office" innovations. An amount of $32,900 would enable the upgrading of five word processing units, which are currently utilized for FMIS, to facilitate correspondence, Congressional mail and other word processing functions. An amount of $52,500 would enable the acquiring of word processing equipment for five additional district offices to handle local student control, fee receipts and other "model office" innovations. The total need is shown as follows:

Item	Amount
NIDC	$600,000
Upgrade word processing:	
MIRAC terminals	54,600
FMIS terminals	32,900
Word processing equipment ..... (for five additional locations)	52,500
TOTAL	740,000
I&NS Absorption	-140,000
Total Request	$600,000

Of the total need I&NS will absorb $140,000. Thus, a total of $600,000 is requested for these items.

Supplemental requested, existing legislation

DEPARTMENT OF JUSTICE
IMMIGRATION AND NATURALIZATION SERVICE
SALARIES AND EXPENSES

Program and financing (in thousands of dollars)

Identification code 15-1217-1-1-751	1979	1979	1979
	Presently Available	Revised Estimate	Proposed Supplemental
Program by activities:			
Direct program:			
Operating costs:			
1. Border Enforcement	121,429	121,429	...
2. Interior Enforcement	34,415	34,415	...
3. Detention and Deportation	38,415	38,415	...
4. Intelligence	1,118	1,118	...
5. Service to Public	47,783	47,783	...
6. Support Operations	29,583	30,183	600
7. Program Direction	31,900	31,900	...
Total operating costs	304,643	305,243	600
Unfunded adjustments to total operating costs. Depreciation included above	-4,993	-4,993	...
Total operating costs, funded	299,650	300,250	600
Capital investment, funded:			
1. Border Enforcement	852	852	...
2. Interior Enforcement	82	82	...
3. Detention and Deportation	98	98	...
4. Intelligence	6	6	...
5. Service to Public	134	134	...
6. Support Operations	5,149	8,484	3,335
7. Program Direction	90	90	...
Total capital investment	6,411	9,746	3,335
Total, direct program	306,061	309,996	3,935

Program and financing (in thousands of dollars)

Identification code 15-1217-1-1-751	1979 Presently Available	1979 Revised Estimate	1979 Proposed Supplemental
Reimbursable program	8,737	8,737	...
Total program costs, funded	314,798	318,733	3,935
Change in selected resources (undelivered orders)	...	...	...
10.00 Total obligations	314,798	318,733	3,935
Financing:			
Offsetting collections from:			
11.00 Federal funds	-1,296	-1,296	...
14.00 Non-Federal sources	-7,721	-7,721	...
21.40 Unobligated balance available, start of year	-231	-231	...
24.40 Unobligated balance available, end of year	...	...	...
Budget authority	305,550	309,485	3,935
40.00 Budget Authority (Appropriation)	299,550	303,485	3,935
44.20 Supplemental for civilian pay raises	6,000	6,000	...
Relation of obligations to outlays:			
71.00 Obligation incurred, net	305,781	309,716	3,935
72.40 Obligated balance, start of year	39,549	39,549	...
74.40 Obligated balance, end of year	-43,831	-46,503	-2,672
90.00 Outlays, excluding pay raise supplemental	295,845	297,108	1,263
91.20 Outlays from civilian pay raise supplemental	5,654	5,654	...

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-1217-1-1-751		1979 Presently Available	1979 Revised Estimate	1979 Proposed Supplemental
	Personnel compensation:			
11.1	Permanent positions	169,454	169,454	...
11.3	Positions other than permanent	4,760	4,760	...
11.5	Other personnel compensation	29,429	29,429	...
11.8	Special personal services payments	178	178	...
	Total personnel compensation	203,821	203,821	...
	Personnel benefits:			
12.1	Civilian	24,993	24,993	...
13.0	Benefits for former personnel			
21.0	Travel and transportation of persons	14,367	14,367	...
22.0	Transportation of things	1,565	1,565	...
23.1	Standard Level User Charges	13,777	13,777	...
23.2	Other rent, communications, and utilities	9,111	9,111	...
24.0	Printing and reproduction	2,310	2,310	...
25.0	Other services	22,239	22,839	600
26.0	Supplies and materials	7,362	7,362	...
31.0	Equipment	2,360	2,360	...
32.0	Lands and structures	4,046	7,381	3,335
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities	41	41	...
43.0	Interest and dividends			
44.0	Refunds	19	19	...
91.0	Unvouchered	50	50	...
	Total direct obligations	306,061	309,996	3,935
	Total reimbursable obligations	8,737	8,737	...
99.0	Total obligations	314,798	318,733	3,935

Personnel Summary

Identification code 15-1217-1-1-751	1979	1979	1979
	Presently Anticipated	Revised Estimate	Proposed Supplemental
Direct:			
Total number of permanent positions	10,997	10,997	...
Full-time equivalent of other positions	445	445	...
Average paid employment	9,730	9,730	...
Average GS-grade	8.1	8.1	...
Average GS-salary	$16,510	$16,510	...
Average salary of ungraded positions	$15,203	$15,203	...
Reimbursable:			
Full-time equivalent of other positions	-0-	-0-	...
Average paid employment	-0-	-0-	...

FISCAL YEAR 1980 AMENDMENTS

Mr. ROONEY. Moving on to the 1980 amendments, no significant new budget authority is requested for the Department in its 1980 budget amendments because, like the increases proposed for the supplemental appropriation requests, they will be largely offset by reductions in the requirements of the Bureau of Prisons and "Support of U.S. Prisoners" appropriations. There are eight increases totaling $11,381,000, including net substantive increases of $10,266,000, and several transfers of organizational and appropriation responsibilities that do not constitute real changes in the program purpose.

The amendment for the general administration appropriation total 48 positions and $2,251,000. This includes full-year costs for two new programs proposed as supplementals in 1979 which were mentioned earlier, the President's reorganization project on Federal legal representation and the continuation of the Office of Small and Disadvantaged Business Utilization. In addition, the amendment includes seven positions and $292,000 for an Office of Intelligence and Policy Review. This Office will allow the Department to improve its coordination of intelligence policy and bring together functions that have been dispersed among several offices.

OFFICE OF SPECIAL COUNSEL

The general legal activities amendment consists of four parts, netting to increases totaling 76 positions and $3,435,000. One project carried forward from 1979, but for only the first 6 months of 1980, is the Office of Special Counsel. The request for $474,000 should permit the Special Counsel to complete his investigations and bring to trial whatever cases develop. These are based on Mr. Curran's estimate.

NAZI WAR CRIMINAL INVESTIGATION

The second component of the request is for 50 positions and $2,052,000 to provide the Criminal Division with resources to pursue its recently established responsibility of locating, denaturalizing, and deporting alleged Nazi war criminals. This request responds to the provisions of the pending 1980 authorization bill and makes the necessary financial adjustment to move the responsibility from the Immigration and Naturalization Service to the Criminal Division.

ENERGY LITIGATION

The third component of the amendment would provide the Civil Division with an additional 29 positions and $1,024,000 to handle litigation arising from the enforcement and defense of the Department of Energy regulatory program. These regulatory programs are, in part, designed to prevent oil companies from reaping undeserved or excessive profits.

Finally, an offsetting decrease of three positions and $115,000 is included because of a decision to transfer certain intelligence functions of the Office of Legal Counsel to the Office of Intelligence Policy and Review under the General Administration appropriation.

WITNESS SECURITY

An increase of 27 positions and $941,000 is requested as an amendment for the U.S. attorneys and marshals appropriation. This request will permit the Marshals Service to maintain the witness security program at the level provided in 1979. Although the 1980 budget request proposed a decrease of this magnitude, the Department now believes that the number of new witnesses entering the program cannot be reduced without endangering the effectiveness of such program priorities as organized crime and narcotics trafficking.

AUTOMATION OF INS OFFICES

The Immigration and Naturalization Service amendment will provide a net increase of $3,639,000 and a loss of 17 positions. A reduction of 17 positions and $1 million reflects the Attorney General's March 28, 1979, decision to transfer responsibility for litigating cases relating to alleged Nazi war criminals to the Criminal Division. The amendment also includes a request for an additional $4,639,000. This increase includes $1,500,000 to providing continu-

ing support to the nonimmigrant document control system, which I mentioned earlier, and $3,139,000 for the Service to automate 23 district offices through the implementation of an integrated case control system. Essentially, the automation effort is an extension of an experiment in the Houston district office which demonstrated that modern data processing techniques reduce backlogs and lead to effective and efficient office operations.

This concludes my statement, Mr. Chairman. I will be pleased to answer any questions you may have. I also have with me Barbara Babcock, Assistant Attorney General of the Civil Division.

Senator HOLLINGS. Thank you. We will insert the justifications for the amendments at this point.

[The justifications follow:]

DEPARTMENT OF JUSTICE

General Administration

Salaries and Expenses

Budget Appendix Page		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
615	Salaries and Expenses.....	$25,917,000	$2,251,000	$28,168,000

For expenses necessary for the administration of the Department of Justice [$25,917,000] $28,168,000, of which $2,000,000 is for the Federal justice research program to remain available until expended.

General Administration

Salaries and Expenses

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	Appropriation
Request pending.....	641	$25,917
Proposed amendment.....	48	2,251
Revised request.....	689	28,168

Explanation of Request

This amendment provides for (1) the establishment of the Office of Intelligence Policy and Review to consolidate the activities of intelligence policy matters; (2) the establishment of an Office of Small and Disadvantaged Business Utilization within the Office of the Deputy Attorney General to implement the provisions of Public Law 95-507; and (3) the implementation of the Federal Legal Council, the Litigation Notice System and legal personnel training, recommended by the President's Reorganization Project. This request will provide the resources necessary to fully meet the requirements of these programs in FY 1980.

General Administration

Salaries and Expenses

Summary of Requirements
(Dollars in thousands)

Comparison by Activities	1980 Request Pending Perm. Pos.	1980 Request Pending Amount	1980 Proposed Amendment Perm. Pos.	1980 Proposed Amendment Amount	1980 Revised Request Perm. Pos.	1980 Revised Request Amount
1. Program direction and policy coordination....	590	$22,194	48	$2,251	638	$24,445
2. Administrative review and appeals.....	51	1,723	...	...	51	1,723
3. Federal justice research program.....	...	2,000	...	...	...	2,000
Total requirements..	641	25,917	48	2,251	689	28,168

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: Program Direction and Policy Coordination	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Office of Intelligence Policy and Review.....	...	...	7	$292	7	$292

This requested funding will provide for the implementation of an Attorney General management improvement initiative in the area of intelligence policy matters. The initiative involves the establishment of an Office of Intelligence Policy and Review headed by a Counsel, with policy and operational functions. The new office represents a consolidation of functions heretofore dispersed among several offices in recognition of the need for a coordinated approach to intelligence policy and operational matters through consolidation. Experience base generated by day-to-day operational responsibilities of the Department's Investigation Review Unit can be channeled more effectively into the policy making functions of the new office. These policy functions include (1) advising the Attorney General, organizational units of the Department and executive agencies on questions relating to the development interpretation and application of statutes, regulations and procedures relating to United States intelligence activities; (2) serving as the Department of Justice representative to the National Foreign Intelligence Board; (3) advising and assisting the Attorney General in connection with his responsibilities under Executive Order 12036; and (4) coordinating the development and implementation of departmental policy on intelligence and national security matters.

	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Office of the Deputy Attorney General.....	284	$1,712	3	$116	287	$1,828

This requested funding will provide for the implementation of recent revisions in the Small Business Act of 1958. These revisions will increase the availability of business development services for those small businesses owned by the disadvantaged which may receive Department contracts. This will be accomplished by clarifying criteria for firms authorized to receive federal contracts under (sec. 8a) of the Act, which allows certain federal contracts to be set aside for small business owned or controlled by the disadvantaged. The implementation of this program will enhance opportunities for small businesses to obtain federal contracts and subcontracts.

	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Office of the Associate Attorney General.....	19	$667	38	$1,843	57	$2,510

The purpose of this requested additional funding is to implement three new activities recommended by the President's Reorganization Project on Federal Legal Representation. These will be mandated for Department of Justice implementation in FY 1979 by a Presidential Executive Order. Even though the Executive Order is in the "proposed" state at this time, the Department and the Office of Management and Budget fully expect it to be signed by the President by the end of June 1979. Additional resources are requested for FY 1980 for: (1) staffing for the new Federal Legal Council; (2) the initiation of a government-wide Litigation Notice System, and; (3) the provision of legal personnel training to non-Justice personnel by virtue of the Department assuming the functions of the Office of Personnel Management's Legal Education Institute.

Staffing for the Federal Legal Council

The Federal Legal Council will be charged with studying problems in the management and operation of Federal law offices and recommending solutions to those problems, including proposed legislative remedies. Items for study mentioned in the proposed Executive Order include legal offices' coordination, communication, staff management, information systems and training. The Council will also have certain operating programs according to the proposed Presidental Executive Order. These include the provision of a job clearinghouse for Federal attorney employment, a job rotation program for the interagency exchange of attorney personnel, and the establishment of a program to encourage increased pro bono legal work on the part of Federal attorneys.
These extensive study, support and direct program provision duties will require a staff of six, and salary and support funding for FY 1980 will be $245,000.

Litigation Notice System

The Litigation Notice System must have the capability to review active civil cases to determine whether they should be included in this data system; to review the cases for relevant information regarding legal issues and statutes involved, parties involved, agency litigating, attorney handling, type of legal action and court due dates; and to review generally the facts to provide such information that the Department and other user Federal agencies can easily determine whether their programs or litigation activities are affected. If they are affected, additional information can be requested from the litigating agency for consideration by the interested agency. The civil cases in litigation to which the government is a party or has an interest comprises the number of cases which must be contained in the litigation notice system. The active civil cases (pending) in Federal court to which the government was a party were, according to the Administrative Office for U.S. Courts, 34,288 in FY 1976, 40,210 in FY 1977, and 46,811 in FY 1978. Those civil cases in Federal court in which the government had an interest exceed the number to which it was a party. In addition to cases in the Court of Claims and Tax Court, these cases include civil rights

cases to which the Department filed amicus briefs, anti-trust and related proceedings conducted by other agencies such as the Federal Trade Commission in which the Department files briefs, and land and natural resources cases against Indians in which the Department may participate due to the government's unique relationship to the Indians.

Resources required to establish a core staff for the Litigation Notice System in FY 1980 are computed to maximize the use of paralegal personnel yet ensure that adequate attorney personnel are available to interpret the case information. A more accurate estimate of the number of cases to be reviewed will hinge on the case types defined by the Attorney General for inclusion in the system. The average amount of time to review each case will relate to the items of information which must be garnered from the case file. For those items cited above, comparative estimates of review time have been made by considering the Department's review of Hobbs Act cases and the review of certain civil cases for possible delegation to the Labor Department, and the supervision of civil cases litigated by U.S. Attorneys. For trial court cases the average review time is estimated at one-half hour per case for 85% of the cases, one day for 10% of the cases, and 10 days for 5% of the cases. For appellate cases 70% can probably be reviewed in one-half hour, 15% in one day, 10% in four days, and 5% in ten days. Assuming that at the very least 6,500 trial court cases and 1,800 appellate court cases will fall within the Attorney General's guidelines and imposing the restriction that these initial reviews must be performed within one day maximum for trial court cases and within four days maximum for appellate cases, eight attorney positions would be required. By using paralegals, the staffing request becomes six attorneys, four paralegals, three docket clerks, and five clerical staff. The FY 1980 cost for these personnel plus necessary support and space costs is $436,000.

Legal Personnel Training

The proposed Executive Order requires the Justice Department to assume the functions of the Office of Personnel Management's Legal Education Institute. This provision is founded not only upon the President's decision to have legal personnel trained by the Department but also to have course offerings expanded. The Presidential Decision Memorandum indicated that the budget of the Department would have to be increased to properly fund the new functions; it suggested that there may be offsetting reduction to the budgets of those agencies which now reimburse the Institute. The President concurred when he selected this option. The Institute is presently operated with funds paid by other agencies as reimbursement for training courses attended by their legal personnel. Such an arrangement is not sufficiently secure to properly plan and operate course offerings because training funds are spread through several agencies' budgets. They are subject to unforseen exigencies which may cause their deletion due to fiscal constraints or their re-allocation to unexpected program items. To rectify these short-comings and to meet the needs created by the proposed Executive Order, additional resources are being requested.

Consultation with Federal agencies' legal offices and the Legal Education Institute by members of the President's Reorganization Plan study team resulted in a resource estimate which appeared in the President's Decision Memorandum. This staffing plan has been evaluated anew and cost computations updated to agree with existing salaries and benefits. Resources are requested to expand the course offerings, establish a training center, provide limited field training sessions, acquire needed office and training equipment (non-recurring expenses), and, as an equally important adjunct to the training program, edit and publish, in consultation with the Federal Legal Council, a Government Lawyers' Manual and bulletin similar to those of the U.S. Attorneys. A staff of 14 and $1,162,000 for FY 1980 will be required.

GENERAL ...NISTRATION

Salaries and Expenses

Financial Analysis
(Dollars in thousands)

Item	1980 Proposed Amendment		Office of Intelligence Review and Policy		Office of the Deputy Attorney General		Office of the Associate Attorney General	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
GS-17	1	$48	1	$48	...	...	...	...
GS-16	1	45	1	45	...	...	...	...
GS-15	7	279	2	88	1	$38	4	$153
GS-14	5	162	...	...	...	...	5	162
GS-13	7	191	1	27	1	27	5	137
GS-12	4	92	1	23	...	...	3	69
GS-11	3	58	...	...	...	...	3	58
GS-9	4	64	1	17	...	...	3	47
GS-7	8	104	...	...	1	13	7	91
GS-5	2	22	...	...	...	...	2	22
GS-4	3	28	...	...	...	...	3	28
GS-3	3	25	...	...	...	...	3	25
Total permanent positions	48	1,118	7	248	3	78	38	792
Lapse	-1.0	-21	-1.0	-21	...	...	...	...
Total workyears and personnel compensation	47.0	1,097	6.0	227	3.0	78	38.0	792
Personnel benefits		105		22		7		76
Travel and transportation		73		6		12		55
Standard level user charges		363		15		6		342
Communications, utilities and other rent		63		6		3		54
Printing and reproduction		123		4		2		117
Other services		191		3		2		186
Supplies and materials		54		3		2		49
Equipment		182		6		4		172
Total workyears and obligations, 1980	47.0	2,251	6.0	292	3.0	116	38.0	1,843

DEPARTMENT OF JUSTICE
SALARIES AND EXPENSES, GENERAL ADMINISTRATION

Program and Financing (in thousands of dollars)

Identification code 15-0129-0-1-751	1980 Request pending	1980 Proposed amendment	1980 Revised request
Program by activities:			
Direct program:			
1. Program direction and policy coordination	22,194	2,251	24,445
2. Administrative review and appeals	1,723	...	1,723
3. Federal justice research program	2,000	...	2,000
Total, direct program	25,917	2,251	28,168
Reimbursable program	1,589	...	1,589
10.00 Total program costs, funded obligations 1/	27,506	2,251	29,757
Financing:			
11.00 Offsetting collections from: Federal funds	-1,589	...	-1,589
40.00 Budget authority(appropriation)	25,917	2,251	28,168
Relations of obligations to outlays:			
71.00 Obligation incurred, net	25,917	2,251	28,168
72.40 Obligated balance, start of year	4,825	...	4,825
74.40 Obligated balance, end of year	-5,545	-91	-5,636
90.00 Outlays, excluding pay raise supplemental	25,148	2,160	27,308
91.10 Outlays from wage-board pay raise supplemental	1	...	1
91.20 Outlays from civilian pay raise supplemental	48	...	48

1/ includes capital investment for 1980, $480 thousand.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-0129-0-1-751	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Personnel compensation:			
11.1 Permanent positions	14,982	1,097	16,079
11.3 Positions other than permanent	364	...	364
11.5 Other personnel compensation	151	...	151
11.8 [illegible]			
Total personnel compensation	15,497	1,097	16,594
Personnel benefits:			
12.1 Civilian	1,531	105	1,636
13.0 [illegible]			
21.0 Travel and transportation of persons	513	73	586
22.0 Transportation of things	57	...	57
23.1 Standard Level User Charges	2,130	363	2,493
23.2 Communications, utilities and other rent	1,222	63	1,285
24.0 Printing and reproduction	431	123	554
25.0 Other services	3,624	191	3,815
26.0 Supplies and materials	179	54	233
31.0 Equipment	733	182	915
32.0 [illegible]			
33.0 [illegible]			
41.0 [illegible]			
42.0 [illegible]			
43.0 [illegible]			
44.0 [illegible]			
Total direct obligations	25,917	2,251	28,168
Total reimbursable obligations	1,589	...	1,589
99.0 Total obligations	27,506	2,251	29,757

Personnel Summary (in thousands of dollars)

Identification code 15-0129-0-1-751	19 80	19 80	19 80
Direct:	Request Pending	Proposed Amendment	Revised Request
Total number of permanent positions	641	48	689
Full-time equivalent of other positions	29	...	29
Total compensable workyears	646	47	693
Average GS grade	10.53	10.43	10.53
Average GS salary	$24,133	$23,292	$24,035
Average salary of ungraded positions	$14,728	...	$14,728
Reimbursable:			
Total number of permanent positions	41	...	41
Full-time equivalent of other positions	0	...	0
Total compensable workyears	41	...	41
Average GS grade	10.80	...	10.80
Average GS salary	$23,728	...	$23,728

DETAIL OF PERMANENT POSITIONS

	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Executive level I	1	...	1
Executive level II	1	...	1
Executive level III	1	...	1
Executive level IV	2	...	2
Executive level V	1	...	1
Subtotal	6	...	6
GS-18	5	...	5
GS-17	10	1	11
GS-16	12	1	13
GS-15	69	7	76
GS-14	85	5	90
GS-13	79	7	86
GS-12	58	4	64
GS-11	56	3	57
GS-10	9	...	9
GS-9	29	4	33
GS-8	24	...	24
GS-7	83	8	91
GS-6	72	...	72
GS-5	35	2	37
GS-4	19	3	22
GS-3	3	3	6
Subtotal	648	48	696
SR-18	1	...	1
Ungraded positions	27	...	27
Total permanent positions	682	48	730
Unfilled positions, Sept. 30	-15	-	-15
Total permanent employment, end of year	667	48	715

DEPARTMENT OF JUSTICE

Legal Activities

Salaries and Expenses, General Legal Activities

Budget Appendix Page		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
618	Salaries and expenses, general legal activities.....	$98,119,000	$3,435,000	$101,554,000

Legal Activities

Salaries and expenses, General Legal Activities

Appropriation Summary Statement
(Dollars in thousands)

	Permanent Positions	Appropriation
Request pending.....	2,718	$98,119
Proposed amendment.....	76	3,435
Revised request.....	2,794	101,554

Explanation of Request

This amendment will provide the resources necessary to provide for (1) The Office of Special Counsel created to investigate various loan transactions of the Carter Warehouse, (2) The Office of Special Investigation created to litigate pending Nazi war criminal cases, and (3) an increase in the number of civil cases arising from enforcement and defense of Department of Energy regulatory programs.

Legal Activities

Salaries and Expenses, General Legal Activities

Summary of Requirements
(Dollars in thousands)

Comparison by Activities	1980 Request Pending Perm. Pos.	1980 Request Pending Amount	1980 Proposed Amendment Perm. Pos.	1980 Proposed Amendment Amount	1980 Revised Request Perm. Pos.	1980 Revised Request Amount
1. Conduct of Supreme Court proceedings and review of appellate matters.....	47	$2,543	...	...	47	$2,543
2. General tax matters.....	574	19,581	...	...	574	19,581
3. Criminal matters.....	745	25,871	50	$2,526	795	28,397
4. Claims, customs, and general civil matters.....	631	23,207	29	1,024	660	24,231
5. Land, natural resources, and Indian matters.....	263	11,254	...	...	263	11,254
6. Legal opinions.....	40	1,587	-3	-115	37	1,472
7. Civil rights matters.....	418	14,076	...	...	418	14,076
Total requirements.....	2,718	98,119	76	3,435	2,794	101,554

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: Criminal matters	1980 Request Pending Perm. Pos.	Amount	1980 Proposed Amendment Perm. Pos.	Amount	1980 Revised Request Perm. Pos.	Amount
Item: Office of Special Counsel	...	...	...	$474	...	$474

On March 23, 1979, the Attorney General by Order No. 825-79 created a new organization within the Department called the Office of the Special Counsel and on the same day appointed Mr. Paul J. Curran as Special Counsel. The Special Counsel shall have the Attorney General's authority for investigating and prosecuting any offense against the United States arising from financial transactions between the Carter Warehouse and the National Bank of Georgia or any other financial institutions, from related financial or business transactions or from the use of loan proceeds. The Special Counsel shall have full authority to initiate appropriate civil actions concerning these transactions. Although the time required for the completion of the investigation is unknown, it is estimated that it will take less than a year. This request is for the second six month period, October 1, 1979 through March 31, 1980, a continuation of the funding requested in a FY 1979 supplemental.

	1980 Request Pending Perm. Pos.	Amount	1980 Proposed Amendment Perm. Pos.	Amount	1980 Revised Request Perm. Pos.	Amount
Item: Office of Special Investigations	...	...	50	$2,052	50	$2,052

The Special Litigation Unit of the General Counsel's office, Immigration and Naturalization Service was created by the Commissioner, with the approval of the Associate Attorney General, in August 1977. The Unit's purpose is to centralize and coordinate

the efforts to denaturalize and deport alleged Nazi war criminals, the responsibility previously being diffused among various INS operating units and the U.S. Attorney's office. The original staff was five attorneys, three secretaries and one investigator with the positions and funds provided by reprogramming within INS. In October 1978 the Congress passed the Department of Justice authorization bill P.L. 95-624. This bill earmarked $2,052,000 from the INS FY 1979 budget for activities of the Unit. The Department of Justice appropriations bill made no mention of such earmarked funds. The Attorney General transferred the Unit to the Criminal Division effective May 7, 1979. It has been determined that the function would continue as a separate organization in the Division and has been retitled the Office of Special Investigations.

On March 14, 1979, the Associate Attorney General approved a staff level for the Unit for FY 1979 of 37 positions, 33 full-time and four part-time. The authorized staff would consist of eight attorneys, nine investigators, seven paralegals, seven historians (four part-time) and six secretaries. In addition for FY 1980 the Associate Attorney General approved staffing for the Unit at 50 full-time permanent positions, four temporary positions, 46 workyears and funding of $2,052,000. The full-time permanent staffing would consist of 14 attorneys, nine investigators, seven historians, ten paralegals, and ten secretaries.

Funding the program for the balance of FY 1979 will be through a reimbursable agreement between the Criminal Division and INS. For FY 1980, the Criminal Division is requesting a transfer from INS of 17 full-time permanent and four part-time positions and $1,000,000. In addition, the Criminal Division is requesting 33 full-time permanent positions and $1,052,000. The request for new resources, both positions and funds, is essential as neither the Criminal Division nor INS has the resources to provide the necessary support. It should be noted that when INS was required by the FY 1979 authorization bill to earmark $2,052,000 for this unit, it was necessary to reprogram from operating areas such as intelligence, adjudications operations, naturalization operations, status verification, records, etc., areas which were already seriously understaffed and unable to provide the desired service to their clients.

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Activity: Claims, customs, and general civil matters	1980 Request Pending Perm. Pos.	Amount	1980 Proposed Amendment Perm. Pos.	Amount	1980 Revised Request Perm. Pos.	Amount
Item: Support of Department of Energy regulatory programs...	631	$23,207	29	$ 1,024	660	$24,231

The requested funding will provide the necessary staffing for the Federal Programs Branch to handle litigation arising from enforcement and defense of Department of Energy regulatory programs.

The litigation seeks to (1) prevent oil companies from reaping undeserved or excessive profits as a result of past and any future shortages of petroleum or petroleum products, (2) recover the amounts of price overcharges for the benefit of those consumers who were or will be victims of oil company overcharges on crude oil, petroleum products and other related products, and (3) ensure fair and equitable allocation of oil and products produced therefrom in the event of possible shortages of such products resulting from curtailed production by many petroleum exporting countries.

At the present time, the Civil Division participates in over 250 cases arising under the Emergency Petroleum Allocation Act of 1973, which constitutes the bulk of the energy litigation handled by the Division. In over 75 of these cases, the Civil Division has primary responsibility. The Division acts as co-counsel in over 40 cases and supervises the litigative efforts of the Department of Energy in over 135 other EPAA cases.

Even without taking into account an anticipated increase in the rate at which suits are commenced, based upon current filing rates (2 per week), the Division can expect to have a pending caseload of 350 by the end of FY 1980. This represents an increase of approximately 40% over the current energy caseload.

There exists no realistic alternative way to handle energy litigation involving vital regulatory programs of the Department of Energy and affecting the present and future economic stability of the United States. Neither of the two possible alternatives -- the handling of these cases by individual United States Attorneys' Offices or by attor-

neys from the Department of Energy -- would as adequately serve the substantial governmental and public interests involved. Because of the complexity of the Department of Energy regulatory programs involved, the size and the complexity of the operations of the vast majority of the oil companies, and the significant amounts of money inevitably at stake for the oil companies in even the smallest of the energy cases, litigation to enforce or defend the regulatory programs of the Department of Energy is among the most difficult, complex, and resource-intensive litigation in which the government becomes involved. Most, if not all, of this litigation is simply beyond the resource capacity of all but the largest of the United States Attorneys' Offices. Moreover, because the situs of much of the energy litigation -- particularly the defensive litigation -- is frequently difficult to predict, adequate preparation for the staffing of these cases by the United States Attorneys' Offices would require a commitment of substantial resources to the numerous offices where such litigation potentially might arise. This would involve an inefficient utilization of scarce resources in any district where the litigation fell short of our expectations. Because of these factors and the necessity for attorneys involved in energy litigation to develop some expertise in the substantive regulatory area, the only viable way for the Department of Justice to represent the government's interests is through development of a corps of attorneys experienced both in litigation generally and energy litigation specifically, located in Washington, and available to handle such litigation wherever it may arise.

Similarly, the handling of all of this litigation by Department of Energy attorneys would effect no budgetary saving, because the cases would have to be staffed at at least the same levels. But more importantly, the handling of such cases by Department of Energy attorneys would not permit the Attorney General to discharge his statutory responsibility to supervise the conduct of this important litigation, much of which is affirmative litigation brought in the name of the United States and which involves issues of concern to the government as a whole, including agencies other than Department of Energy. Absent a substantial resource commitment of Department of Justice attorneys who would for the most part be simply duplicating the efforts of the Department of Energy attorneys primarily responsible for the litigation, there would simply be no mechanism to insure that positions asserted and strategies pursued in this highly visible litigation (which inevitably involves issues such as the proper application of the Administrative Procedure Act or governmental privileges in discovery) do not adversely impact on broader governmental interests not within the jurisdiction of Department of Energy.

Activity: Legal opinions	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Transfer of intelligence function.....	3	$115	-3	-$115	...	...

This transfer and accompanying amendment in the appropriation "General Administration, Salaries and expenses" permits the Department to consolidate its intelligence oversight activities in a new Office of Intelligence Policy and Review. The new office will allow better coordinated and more uniform policies in the intelligence area.

Legal Activities

Salaries and Expenses, General Legal Activities

Financial Analysis
(Dollars in thousands)

Item	1980 Proposed Amendment		Criminal matters		Claims, customs and general civil matters		Legal Opinions	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
GS-15	2	$75	2	$87	2	$76	-2	-$88
GS-14	7	257	7	257	...	...	...	...
GS-13	29	844	13	405	16	439	...	...
GS-12	5	131	5	131	...	...	...	...
GS-11	5	109	5	109	...	...	...	...
GS-9	4	72	4	72	...	...	...	...
GS-8	1	16	1	16	...	...	...	...
GS-7	8	112	7	103	2	26	-1	-17
GS-6	12	146	3	40	9	106	...	...
GS-5	2	24	2	24	...	...	...	...
GS-4	1	11	1	11	...	...	...	...
Total positions and annual rate	76	1,797	50	1,255	29	647	-3	-105
Lapse	+7.0	+240	+7.0	+240	...	...	...	...
Positions other than permanent	4.0	100	4.0	100	...	...	...	...
Total workyears and personnel compensation	87.0	2,137	61.0	1,595	29.0	647	-3.0	-105
Personnel benefits		201		151		60		-10

Financial Analysis (continued)
(Dollars in thousands)

Item	1980 Proposed Amendment		Criminal matters		Claims, customs and general civil matters		Legal Opinions	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Travel		$345		$275		$70		...
Transportation		25		25		...		...
Standard level user charges		169		122		47		...
Communications utilities, and other rent		130		70		60		...
Printing		73		28		45		...
Other services		186		146		40		...
Supplies		41		31		10		...
Equipment		128		83		45		...
Total workyears, and obligations, 1980	87.0	3,435	61.0	2,526	29.0	1,024	-3.0	-115

DEPARTMENT OF JUSTICE
SALARIES AND EXPENSES, GENERAL LEGAL ACTIVITIES

Program and Financing (in thousands of dollars)

Identification code 15-0128-0-1-752	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Program by activities:			
Direct program:			
1. Conduct of Supreme Court proceedings and review of appellate matters	2,543	...	2,543
2. General tax matters	19,581	...	19,581
3. Criminal matters	25,871	2,526	28,397
4. Claims, customs, and general civil matters	23,207	1,024	24,231
5. Land, natural resources and Indian matters	11,254	...	11,254
6. Legal opinions	1,587	-115	1,472
7. Civil rights matters	14,076	...	14,076
Total direct program	98,119	3,435	101,554
Reimbursable program	281	...	281
10.00 Total program costs, funded-obligations 1/	98,400	3,435	101,835
Financing:			
11.00 Offsetting collections from: Federal funds	-281	...	-281
40.00 Budget authority (appropriation)	98,119	3,435	101,554
Relation of obligations to outlays:			
71.00 Obligations incurred, net	98,119	3,435	101,554
72.40 Obligated balance, start of year	11,525	...	11,525
74.40 Obligated balance, end of year	-13,949	-206	-14,155
90.00 Outlays, excluding pay raise suppemental	95,682	3,229	98,911
91.20 Outlays from civilian pay raise supplemental	13	...	13

1/ Includes capitol investment for 1980, $1,163 thousand.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-0128-0-1-752		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
	Personnel compensation:			
11.1	Permanent positions	64,660	2,037	66,697
11.3	Positions other than permanent	1,129	100	1,229
11.5	Other personnel compensation	399	...	399
11.8	Special personal services payments	1,036	...	1,036
	Total personnel compensation	67,224	2,137	69,361
	Personnel benefits:			
12.1	Civilian	5,798	201	5,999
13.0	Benefits for former personnel	10	...	10
21.0	Travel and transportation of persons	4,997	345	5,342
22.0	Transportation of things	149	25	174
23.1	Standard Level User Charges	5,698	169	5,867
23.2	Communications, utilities and other rent	4,170	130	4,300
24.0	Printing and reproduction	1,928	73	2,001
25.0	Other services	6,042	186	6,228
26.0	Supplies and materials	771	41	812
31.0	Equipment	1,312	128	1,440
32.0	Lands and structures			
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities			
43.0	Interest and dividends			
90.0	Unvouchered	20	...	20
	Total direct obligations	98,119	3,435	101,554
	Total reimbursable obligations	281	...	281
99.0	Total obligations	98,400	3,435	101,835

Personnel Summary

Identification code 15-0128-0-1-752	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Direct:			
Total number of permanent positions	2,718	76	2,794
Full-time equivalent of other positions	104	4	108
Total compensable workyears	2,737	87	2,824
Average GS grade	10.14	10.61	10.20
Average GS salary	$24,459	$23,645	$24,429
Reimbursable:			
Total number of permanent positions	8	...	8
Full-time equivalent of other positions	1	...	1
Total compensable workyears	8	...	8
Average GS grade	9.63	...	9.63
Average GS salary	$20,875	...	$20,875

DETAIL OF PERMANENT POSITIONS

	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Executive level III	1	...	1
Executive level IV	6	...	6
Subtotal	7	...	7
GS-17	23	...	23
GS-16	59	...	59
GS-15	301	2	303
GS-14	331	7	338
GS-13	384	29	413
GS-12	258	5	263
GS-11	177	5	182
GS-10	9	...	9
GS-9	68	4	72
GS-8	87	1	88
GS-7	305	8	313
GS-6	279	12	291
GS-5	227	2	229
GS-4	114	1	115
GS-3	65	...	65
GS-3	25	...	25
Subtotal	2,719	76	2,795
Total permanent positions	2,726	76	2,802
Unfilled positions, Sept. 30	-73	...	-73
Total permanent employment end of year	2,653	76	2,729

DEPARTMENT OF JUSTICE

Legal Activities

Salaries and Expenses, United States Attorneys and Marshals

Budget Appendix Page		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
620	Salaries and expenses, U.S. Attorneys and Marshals....	$234,632,000	$941,000	$235,573,000

Legal Activities

Salaries and Expenses, U.S. Attorneys and Marshals

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	1980 Appropriation
Request pending.....	6,859	$234,632
Proposed amendment.....	27	941
Revised request.....	6,886	235,573

Explanation of Request

This amendment provides for the maintenance of the Witness Security Program of the Marshals Service at the FY 1979 current level. This program will provide program participants with physical protection, relocation, documentation and administrative services.

Legal Activities

Salaries and Expenses, United States Attorneys and Marshals

Summary of Requirements
(Dollars in thousands)

Comparison by activities	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
1. U.S. Attorneys.....	4,394	$151,579	...	...	4,394	$151,579
2. Bankruptcy matters.....	90	3,347	...	...	90	3,347
3. U.S. Marshals.....	2,375	79,706	27	$941	2,402	80,647
Total requirements.....	6,859	234,632	27	941	6,886	235,573

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: U.S. Marshals	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Witness Security	151	$5,441	27	$941	178	$6,382

The requested funding will restore the number of protective field positions to the FY 1979 level. The Witness Security Program of the U.S. Marshals Service provides vital assistance in the successful prosecution of organized crime figures by administering protective and maintenance services for witnesses and potential witnesses and their dependents whose lives are in jeopardy as a result of their testimony on behalf of the Government. The degree of threat is determined by the executive agency prosecuting the case. As U.S. Attorneys are using more witnesses who have been threatened to prosecute criminal cases, the Marshals Service must accept the witnesses into the Witness Security Program. The Service has no control over the number of witnesses entering the Program. U.S. Attorneys and Strike Force Attorneys are unanimous in their agreement that this Program is the most effective weapon in their arsenal to be used against organized crime. By ensuring the safety of witnesses, the Department of Justice has made substantial progress in its efforts against organized crime. As the Administration places more emphasis on the prosecution of white collar crime, a greater number of protected witnesses will be from the ranks of those involved in such criminal activities. Handling this type of witness is often very involved and requires a great sophistication in the security arrangements for such witnesses. Security activities in the handling of these witnesses substantially increase the workload of the Witness Security Program. This additional funding will allow the number of program entrants to receive physical protection, relocation assistance, documentation services following a name change, and appropriate administrative services.

Salaries and Expenses, U.S. Attorneys and Marshals

Financial Analysis
(Dollars in thousands)

Item	1980 Proposed Amendment Pos.	1980 Proposed Amendment Amount	Witness Security Pos.	Witness Security Amount
Grades				
GS-09	27	$430	27	$430
Total positions and annual rates	27	430	27	430
Lapse	-2.0	-32	-2.0	-32
Other than full-time positions	...	27	...	27
Other personnel compensation	...	173	...	173
Special services payments		5	...	5
Total workyears and personnel compensation	25.0	603	25.0	603
Personnel benefits	...	82	...	82
Travel and transportation of persons	...	122	...	122
Transportation of things	...	4	...	4
Standard Level User Charges	...	73	...	73
Communications, utilities, and other rent	...	39	...	39
Printing and reproduction	...	2	...	2
Other services	...	11	...	11
Supplies and materials	...	5	...	5
Equipment	...	...	...	...
Total workyears and obligations, 1980	25.0	941	25.0	941

DEPARTMENT OF JUSTICE
LEGAL ACTIVITIES
SALARIES AND EXPENSES, UNITED STATES ATTORNEYS AND MARSHALS

Program and financing (in thousands of dollars)

Identification code 15-0322-0-1-752	1980 Request pending	1980 Proposed amendment	1980 Revised request
Program by activities:			
Direct program:			
1. U.S. Attorneys	151,579	...	151,579
2. Bankruptcy matters	3,347	...	3,347
3. U.S. Marshals	79,706	941	80,647
Total direct program	234,632	941	235,573
Reimbursable program	365	...	365
10.00 Total program costs, funded-obligations	234,997	941	235,938
Financing:			
Offsetting collections from:			
11.00 Federal funds	-325	...	-325
14.00 Non-Federal sources	-40	...	-40
Budget authority	234,632	941	235,573
Budget authority:			
40.00 Appropriation	234,632	941	235,573
Relation of obligations to outlays:			
70.00 Obligations incurred, net	234,632	941	235,573
72.40 Obligated balance, start of year	20,753	...	20,753
74.40 Obligated balance, end of year	-28,099	...	-28,099
90.00 Outlays, excluding pay raise supplemental	226,821	941	227,762
92.20 Outlays from civilian pay raise supplemental	465	...	465

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-0322-0-1-752		1980 Request pending	1980 Proposed amendment	1980 Revised request
	Personnel compensation:			
11.1	Permanent positions	137,321	398	137,719
11.3	Positions other than permanent	3,730	27	3,757
11.5	Other personnel compensation	8,682	173	8,855
11.8	Special personal services payments	101	5	106
	Total personnel compensation	149,834	603	150,437
	Personnel benefits:			
12.1	Civilian	15,642	82	15,724
13.0	Benefits for former personnel			
21.0	Travel and transportation of persons	11,949	122	12,071
22.0	Transportation of things	769	4	773
23.1	Standard level user charges	19,082	73	19,155
23.2	Comm., utilities & other rent	10,475	39	10,514
24.0	Printing and reproduction	2,609	2	2,611
25.0	Other services	17,483	11	17,494
26.0	Supplies and materials	1,637	5	1,642
31.0	Equipment	5,135	...	5,135
32.0	Lands and structures			
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities	17	...	17
43.0	Interest and dividends			
44.0	Refunds			
	Total direct obligations	234,632	941	235,573
	Total reimbursable obligations	365	...	365
99.0	Total obligations	234,997	941	235,938

PERSONNEL SUMMARY

Identification code 15-0322-0-1-752	1980 Request pending	1980 Proposed amendment	1980 Revised request
Direct:			
Total number of permanent positions	6,859	27	6,886
Full-time equivalent of other positions	262	...	262
Average paid employment	6,718	25	6,743
Average GS grade	7.43	9.0	7.44
Average GS salary	$15,916	$15,920	$15,916
Average salary of ungraded positions	$33,529	...	$33,529
Reimbursable:			
Total number of permanent positions	20	...	20
Average paid employment	11	...	11
Average GS grade	8.0	...	8.0
Average GS salary	$14,939	...	$14,939

DETAIL OF PERMANENT POSITIONS

	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Executive Level IV	5	...	5
Subtotal	5	...	5
GS-18	1	...	1
GS-17	1	...	1
GS-16	3	...	3
GS-15	16	...	16
GS-14	58	...	58
GS-13	93	...	93
GS-12	187	...	187
GS-11	240	...	240
GS-10	26	...	26
GS- 9	1,291	27	1,318
GS- 8	149	...	149
GS- 7	614	...	614
GS- 6	877	...	877
GS- 5	875	...	875
GS- 4	297	...	297
GS- 3	62	...	62
GS- 2	5	...	5
Subtotal	4,795	27	4,822
Ungraded positions	2,079	...	2,079
Total permanent positions	6,879	27	6,906
Unfilled positions, Sept. 30	-466	...	-466
Total permanent employment, end of year	6,413	27	6,440

DEPARTMENT OF JUSTICE

Legal Activities

Support of United States Prisoners

Budget Appendix Page		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
622	Support of U. S. Prisoners.....	$25,000,000	-$3,300,000	$21,800,000

Support of United States Prisoners

Appropriation Summary Statement
(in thousands of dollars)

	Appropriation
Request pending.....	$25,100,000
Proposed amendment.....	-3,300,000
Revised request.....	21,800,000

Explanation of Request

The requested amendment will delete funds that are not required to conduct the authorized activities of this appropriation. Current experience indicates that the number of Federal prisoner days in non-Federal institutions will be approximately 20-25 percent less than was projected when the budget estimates were approved. This is consistent with the implementation of a policy to let States prosecute offenders where concurrent jurisdiction exists, an improved prisoner transportation system that is reducing the number of jail days, the impact of the Speedy Trial Act, and an overall decrease in the number of unsentenced Federal prisoners. This decrease will be partially offset by an increase in the number of hospital days for prisoners and stationary guards.

Because of a recent legal opinion from the Department's Office of Legal Counsel restricting how the funds in this appropriation can be spent, none of the amounts available can be used to contract with State and local jails for structural improvements or the purchase of fixed equipment.

Legal Activities

Support of United States Prisoners

Summary of Requirements
(In thousands of dollars)

Comparison by Activity	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Care of U. S. prisoners in non-federal institutions.....	$25,100,000	-$3,300,000	$21,800,000

Note: The proposed amendment amount reduces Object Class 2500 - Other Services.

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

SALARIES AND EXPENSES

For an additional amount for "Salaries and expenses", $3,639,000.

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	1980 Appropriation Anticipated
Presently anticipated.....	10,465	$300,715,000
Proposed amendment.....	-17	3,639,000
Revised estimate.....	10,448	304,354,000

Explanation of Request

A budget amendment is requested to enable the automation of twenty-three district offices, through the implementation of an Integrated Case Control System to update the Non-Immigrant Document Control System, and to reflect a transfer of function to the Criminal Division within the Department of Justice.

Immigration and Naturalization Service

Salaries and Expenses

Summary of Requirements
(Dollars in thousands)

Comparison by Activities	1980 Presently Anticipated		1980 Proposed Amendment		1980 Revised Estimates	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
1. Border Enforcement.....	4,273	$116,466	-11	...	4,262	$116,466
2. Interior Enforcement.....	997	30,326	-1	...	996	30,326
3. Detention and Deportation.....	1,078	37,848	...	-$637	1,078	37,211
4. Intelligence.....	47	1,381	...	...	47	1,381
5. Service to Public.....	2,046	50,875	-3	...	2,046	50,875
6. Support Operations.....	1,223	32,797	-2	4,519	1,221	37,316
7. Program Direction.....	801	31,022	...	-243	801	30,779
Total Requirements.....	10,465	300,715	-17	3,639	10,448	304,354

JUSTIFICATION OF REQUIREMENTS
(Dollars in thousands)

Activity: Border Enforcement	1980 Presently Anticipated Pos.	1980 Presently Anticipated BA	1980 Proposed Amendment Pos.	1980 Proposed Amendment BA	1980 Revised Estimate Pos.	1980 Revised Estimate BA
Item: Transfer of Function (Special Litigation Unit) to the Criminal Division	4,273	$116,466	-11	...	4,262	$116,466

Of the total of seventeen positions and $1,000,000 that is to be transferred to the Criminal Division within the Department of Justice, eleven will be transferred from Border Enforcement. Eight of the eleven will be from the Inspections Program, and three will be transferred from the Border Patrol Program. Funds for these positions are accounted for in the transfer from Detention and Deportation and Program Direction. The transfer of these positions therefore has the effect of reducing the lapse rate in these programs.

Activity: Interior Enforcement	1980 Presently Anticipated Pos.	1980 Presently Anticipated BA	1980 Proposed Amendment Pos.	1980 Proposed Amendment BA	1980 Revised Estimate Pos.	1980 Revised Estimate BA
Item: Transfer of Function (Special Litigation Unit) to the Criminal Division	997	$30,326	-1	...	996	$30,326

Of the total of seventeen positions and $1,000,000 that is to be transferred to the Criminal Division within the Department of Justice, one position will be transferred from Interior Enforcement. This position is from the Investigations Program. Funds for this position are accounted for in the transfer from Detention and Deportation and Program Direction. The transfer of this position therefore has the effect of reducing the lapse rate in this program.

Activity: Detention and Deportation	1980 Presently Anticipated		1980 Proposed Amendment		1980 Revised Estimate	
	Pos.	BA	Pos.	BA	Pos.	BA
Item: Transfer of Function (Special Litigation Unit) to the Criminal Division	1,079	$37,848	...	-$637	1,078	$37,211

Of the total of seventeen positions and $1,000,000 that is to be transferred to the Criminal Division within the Department of Justice, $637,000 will be transferred from Detention and Deportation.

Activity: Service to Public	1980 Presently Anticipated		1980 Proposed Amendment		1980 Revised Estimate	
	Pos.	BA	Pos.	BA	Pos.	BA
Item: Transfer of Function (Special Litigation Unit) to the Criminal Division	2,046	$50,875	-3	...	2,043	$50,875

Of the total of seventeen positions and $1,000,000 that is to be transferred to the Criminal Division within the Department of Justice, three positions will be transferred from Service to the Public. These three positions are from the Adjudications Program. Funds for these positions are accounted for in the transfer from Detention and Deportation and Program Direction. The transfer of these positions therefore has the effect of reducing the lapse rate of this program.

Activity: Support Operations	1980 Presently Anticipated		1980 Proposed Amendment		1980 Revised Estimate	
	Pos.	BA	Pos.	BA	Pos.	BA
Item: Transfer of Function (Special Litigation Unit) to the Criminal Division, Automation of 23 District Offices, and Updating of the Non-Immigrant Document Control System...	1,223	$32,797	-2	$4,519	1,221	$37,316

Of the total of seventeen positions and $1,000,000 that is to be transferred to the Criminal Division within the Department of Justice, two positions and $63,000 will be transferred from Support Operations. These two positions will be transferred from the Records Program, the $63,000 will be transferred from the Communications Systems

Program. A total of $4,582,000 is requested as the operational requirements for the automation of 23 District Offices and the updating of the Non-Immigrant Document Control System.

In the past several years increasing caseloads, changing socio-economic conditions, and legislative changes have impacted seriously on I&NS' ability to function effectively within its current non-automated mode of operation. Citizens and aliens seeking benefits under the immigration and naturalization laws presently experience lengthy delays in some areas. In response to increasing caseloads and growing backlogs, I&NS undertook a Model Office project, which would serve as a test bed for the creation of a modern office environment to streamline district office operations. The Model Office took advantage of the rapidly evolving technologies associated with word processing, telecommunications and minicomputers.

The prototype which was implemented in the Houston District Office has yielded information and brought results in the areas of telephone communication, facility design, position management, word processing and most importantly local automated data processing through minicomputers. The Houston experience has proven that automation in a district office can be an instrument for effective and efficient office operation. Processing time for applications and petitions is reduced, thus saving manhours, reducing backlogs, and speeding up service to the public. In addition, since reporting and analysis tools on the office operations have become far more reliable, better management control has become possible. The management information obtained, which was not previously available, yields data on possible employee reallocation, job redesign, and the minimizing of bottlenecks in the overall flow of workload. The combination of better management information and enhanced ability to deal with the entire volume of incoming workload has improved employee morale and overall productivity.

Both the Congress and the Executive Branch have directed the Immigration and Naturalization Service to meet its obligation to the public by eliminating backlogs and providing reliable information and records systems to support service and enforcement. I&NS wishes to accomplish this task in the most cost-effective way, and as expeditiously as possible. In a comparative cost analysis I&NS has addressed two alternative solutions to the problem of escalating workloads and excessive backlogs facing the Los Angeles District Office (L.A.D.O.).

Alternative 1 involves extending the current manual system to the point where all workload received can be completed in a timely fashion. The cost of Alternative 1 is defined as the personnel cost of completing activities in four areas (front-end processing, operating units, support of operating units and management). Alternative 2 involves implementation of automated data processing and revision of existing procedure. Changes in procedure are to be coordinated with the rapidly-evolving technologies associated with word processing, telecommunications and minicomputers. Personnel cost and the cost of automated data processing are the two cost components of Alternative 2. It was the goal of this analysis to compare the two alternatives in terms of quality of service rendered and cost-effectiveness for

the Los Angeles District Office. For management, this analysis sought to determine whether the additional resources needed to eliminate backlogs and improve service and enforcement should be sought in the form of more people or in in the form of automated data processing systems.

In order to calculate the relative costs of the two proposals, we examined four key areas of I&NS operations; front-end processing, operating units, operating units support and management.

The results of the analysis are summarized in the following table. Column 1 lists the four cost areas mentioned above. Columns 2 and 3 are the costs of completing the workload under Alternative 1, the extended manual system, and Alternative 2, the automated system, respectively. Column 4 lists the difference between cost under Alternative 1 and cost under Alternative 2 for each activity considered. A positive number indicates savings provided by Alternative 2, a negative number indicates the economy induced from adopting Alternative 1.

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The cost of completing the Los Angeles workload under Alternative 1 was found to be approximately $1,003,500 per annum. Capital costs are essentially zero under Alternative 1. The total annual cost of Alternative 2 for the same workload--the cost of automated data processing ($137,800) plus personnel cost ($410,800)--was found to be $548,600.

On balance, there exists overwhelming evidence for implementing Alternative 2, the automated system. In addition to significant non-quantifiable benefits, Alternative 2 costs $454,900 less per year than Alternative 1.

COST COMPARISON (annual estimates in dollars)

Cost Areas	Alternative 1	Alternative 2	Difference
MODULE 1 (Procedural)			
4.2.A. Adjudications	$215,200	$95,600	$119,600
MODULE 2 (Technological)			
4.1 Front End			
A. Information	382,600	166,700	215,900
B. Fee Receipts	7,000	2,300	4,700
4.2 Operating Units			
B. G-601	4,200	0	4,200
C. Dep. Docket	10,600	0	10,600
4.3 Operating Units Support			
A. Word Processing	*	*	*
B. Filing and Indexing	382,100	145,700	236,400
4.4 Management			
A. Interview Scheduling	*	*	*
B. Statistics	1,800	500	1,300
5.2. A.D.P.	0	137,800	-137,800
SUBTOTAL (MODULE 2)	788,300	453,000	335,300
TOTALS	1,003,500	548,600	454,900

It should be emphasized that these cost figures are based on estimates of the resources necessary to complete all the incoming workload of the L.A. District Office for one-year. They do not reflect the actual operating costs of the present operation. Nevertheless, the analysis clearly indicates a potential for substantial cost savings in the future as I&NS responds to its mandated mission.

Analysis of the successes and shortcomings of the Houston District Office automation has led to the formulation of the Integrated Case Control System (ICCS). ICCS is to be implemented through a standard family of hardware which will be procured based upon the requirements of a distributed system delivering a specified range of services at the local level. Based upon current workload statistics involving service benefits, the implementation of 23 such systems within FY 1980 would convert 91 percent of requests for benefits to automated processing.

An additional $1,250,000 is required to maintain the Non-Immigrant Document Control (NIDC) System on a current basis in FY 1980. These funds are for the keying of approximately 20 million arrival and departure documents. The automated portion of the NIDC is essentially an index subsystem to reference and match arrival and departure I-94 documents. Since 1972 over 30 million index records have been captured: 13 million active index records are stored on-line in a computer; the remainder are on computer-generated microfiche. The actual I-94 arrival and departure documents, with complete data, are on microfilm.

The following outlines problems with the NIDC:

- Because of the significant backlogs in the automated subsystem, timely data cannot be provided.
- Most of the data on the I-94 is not in the automated record and therefore cannot be computer processed or easily retrieved.
- There are no effective controls, especially along the Canadian and Mexican borders, to ensure all I-94 departure documents are collected.
- Data is only available through the Central Office Records Search Unit.
- There is difficulty in matching departures with arrivals.

Some short-term measures are being taken to make the present system more efficient and eliminate backlogs. The long-term objective, however, is to develop an effective non-immigrant control and reporting system.

The planned first step toward this objective is a System Requirements and Feasibility Study of Alternative Control Systems for $250,000. The purpose of this study is to determine system requirements and evaluate alternatives in light of current policy, legislation, agency participation in the operation and maintenance of the system. When this study is completed, we will then proceed with the development of the new system, hopefully in FY 1981.

The funds necessary to automate 23 District Offices and update the NIDC System in FY 1980 are outlined as follows:

Automation of 23 District Offices

Item	Amount
Personnel	$458,000
Travel (Implementation)	114,000
Transfer	182,000
Equipment Rental	788,000
Architectural and Engineering Support	150,000
Site Alteration and Construction (Pre Installation)	278,000
ADP Training	200,000
System Research Development and Maintenance	300,000
Data Conversion	600,000
Management Assistance	350,000
Supplies (Start-up)	163,000
Supplies (Recurring)	24,000
Miscellaneous (Shipping and Installation)	100,000
Total Requirements	3,707,000
Funds Available	-625,000
Total Requirements	3,082,000

Updating of NIDC

Item	Amount
Maintain existing NIDC	$1,250,000
Study of NIDC and alternative systems for enforcement and control of non-immigrants	250,000
Total Requirements	1,500,000

A detailed explanation of the cost estimates for the automation of 23 District Offices in FY 1980 follows:

Personnel

In order to automate 23 district offices in FY 1980 and 26 district offices in FY 1981, the Service intends to convert 52 Records Clerk positions to 40 Systems Analyst positions and 12 technical support positions in FY 1980. Thirteen Records Clerk positions (GS-4) will be converted to thirteen Systems Analyst positions in FY 1981. Each of the forty-nine district offices, which are to be automated over a two-year period, is to have a Systems Manager (GS-9-13). Twelve additional technical support personnel will be assigned to support systems managers in the large district offices. A Systems Analyst (GS-13) will be assigned to each of the regional offices to coordinate the automation activity in that region.

Full year funding is required for 27 Systems Analyst positions in FY 1980 to ensure the implementation of automated systems in 23 district offices. The technical support positions are lapsed at 25 percent to accommodate the office implementation schedule. The remaining 13 Systems Analyst positions requested for FY 1980 are lapsed at 50 percent. These positions are for Systems Managers in 13 of the district offices scheduled to begin operation in FY 1981. They will be hired in FY 1980 to enable training, on-site familiarization, and to facilitate implementation. The additional funds requested for personal services and benefits reflect the additional amounts necessary due to the conversion of 52 Records Clerk positions (GS-4) to 40 Systems Analyst positions (GS-9-13) and 12 technical support positions (GS-9).

To operate an automated system of this nature efficiently at least one hour each day of system use for testing and development of efficiency is required. To maximize service to the public this requirements should be met outside of normal office hours. Funds for one hour of overtime per day per man are therefore included in these cost estimates.

Equipment Rental

The cost of equipment rental varies depending on the size of the office served. The costs are estimated at $9,000 per month for a large office; $7,000 per month for a medium office; and $5,000 per month for a small office. By applying the implementation schedule of office automation to these rates a need for $788,000 is estimated for equipment rental.

Architectural and Engineering Support

It will be necessary to prepare detailed site preparation plans, coordinate site surveys, prepare engineering drawings and work orders, and assist in the management of site preparation for 36 sites in FY 1980. This is the 23 locations that will be installed in FY 1980 and the first 13 to be done in FY 1981. Contractual support for this activity is estimated to cost $150,000.

Site Alteration and Construction

Once site modification plans have been prepared, alterations in each of the 23 offices will take place. It is estimated that $278,000 will be required. This is to cover the cost of electrical service, signal cable installation, air conditioning, flooring, and any other site modifications which must be made by GSA or their contractors.

Training

In order to achieve an adequate level of competency for the implementation of this project nationwide over the next two years, it will be necessary to design a training program which will be implemented in an area previously confined to a very small group of individuals. The development of training plans, content and structure of training courses, and evaluation instruments are estimated to cost approximately $50,000. The objectives of the training will include building skill in agency operation and organization; Integrated Case Control System (ICCS) software, hardware, operation, and philosophy; ICCS implementation plans and requirements; vendor software; team building; and work redesign. Training design specifications must meet ICCS schedule and budget.

Personnel to receive training will include systems managers, district office implementation teams, regional and central office managers, district office users, and project managers. Systems managers will be trained in groups according to the phased recruiting plan. District office implementation teams, and regional and central office managers will be given orientation tours of previously automated offices as well as formal classroom training. Users will be trained on-site at the time their systems are being installed. The cost of training implementation, travel for training purposes, and training materials is estimated at approximately $150,000.

System Research Development and Maintenance

Contractual support will be needed for programming of the basic ICCS consisting of Application and Petition Tracking System, A-File Tracking and Deportation Docket Control. It is estimated that this will cost approximately $200,000. Maintenance and enhancement of this software is estimated to cost $50,000. Development of the electronic A-File system is expected to be initiated in FY 1980. This will start with a Feasibility Study and Conceptual Design at an estimated cost of $50,000.

Data Conversion

There are approximately 226,000 applications pending in Adjudications, 104,000 pending in Citizenship and Naturalization, and 245,000 Deportation Docket Control records Servicewide. At a cost of $.50 each, due to the diversity of forms, scattered locations and legibility problems, the total cost of contract conversion of 90% of these records in FY 1980

is estimated at $258,750. Also, there are approximately 7.2 million closed file docket cards in existence. At a cost of $.05 each, due to small record size, homogeneous format, etc., the total cost of converting these records is estimated at $324,000. The 9.5 million active files will be handled in different ways. The newly opened, transferred in and those being charged off the shelf will be converted as they become active. At some point in time, those remaining on the shelf without labels will be converted.

Management Assistance

In conjunction with the training program, an additional need exists to provide expert consultant assistance to assure that maximum utility is derived from the newly installed systems. Consultants will be made available on-site to assist the I&NS Systems Managers during the start-up phase by solving specific implementation problems and improving the district office capability to provide effective information services and support to all functional programs through work design and redesign. Estimated cost for this activity is $200,000. Consultation will also be required to assist district management in developing approaches to management planning, budgeting, problem solving, and organization for innovation in a modern information processing environment; guidance in management approaches to effective integration and use of information systems within a local operating environment; and to determine future needs for office automation. Cost for this assistance at the district level is estimated at $100,000. Another phase of management assistance will be required at the regional and central office levels to assist in project management, formation of user groups, planning and budgeting. Estimated cost for regional and central office assistance is $25,000. Implementation assistance at the user level, essentially training in use of terminals, will be provided mainly by clerical personnel who have already been trained in the use of terminals and the APTS System. Estimated cost is $25,000.

Activity: Program Direction	1980 Presently Anticipated		1980 Proposed Amendment		1980 Revised Estimate	
	Pos.	BA	Pos.	BA	Pos.	BA
Item: Transfer of Function (Special Litigation Unit) to the Criminal Division and Administrative Support for the Automation of 23 District Offices	801	$31,022	...	-$243	801	$30,779

Of the total of seventeen positions and $1,000,000 that is to be transferred to the Criminal Division within the Department of Justice, $300,000 will be transferred from Program Direction. These funds are from the Legal Council Operation within Executive Direction.

A total of $57,000 is requested to provide administrative support for the automation of 23 District Offices. These funds are for payroll services and security investigations for fifty-two new employees.

Program and financing (in thousands of dollars)

Identification code 15-1217-0-1-751	19 actual	19 estimate Presently Anticipated	19 estimate Proposed Amendment	19 estimate Revised Estimate
Program by activities:				
Direct program:				
Operating costs:				
1. Border Enforcement		118,618	...	118,618
2. Interior Enforcement		30,803	...	30,803
3. Detention and Deportation		38,367	-637	37,730
4. Intelligence		1,367	...	1,367
5. Service to Public		51,152	...	51,152
6. Support Operations		33,446	4,519	37,965
7. Program Direction		31,047	-243	30,804
Total operating costs		304,800	3,639	308,439
Unfunded adjustments to total operating costs. Depreciation included above		-5,414	...	-5,414
Total operating costs, funded		299,386	3,639	303,025
Capital investment, funded:				
1. Border Enforcement		316	...	316
2. Interior Enforcement		...	...	...
3. Detention and Deportation		83	...	83
4. Intelligence		64	...	64
5. Service to Public		123	...	123
6. Support Operations		939	...	939
7. Program Direction		84	...	84
Total capital investment		1,609	...	1,609
Total, direct program		300,995	3,639	304,634

Program and financing (in thousands of dollars)

Identification code 15-1217-0-1-751	1980 Presently Anticipated	1980 Proposed Amendment	1980 Revised Estimate
Reimbursable program	8,737	...	8,737
Total program costs, funded	309,732	3,639	313,371
10.00 Total obligations	309,732	3,639	313,371
Financing:			
Offsetting collections from:			
11.00 Federal funds	-1,296	...	-1,296
14.00 Non-Federal sources	-7,721	...	-7,721
Budget authority	300,715	3,639	304,354
40.00 Budget Authority (Appropriation)	300,715	3,639	304,354
Relation of obligations to outlays:			
71.00 Obligation incurred, net	300,715	3,639	304,354
72.40 Obligated balance, start of year	46,503	...	46,503
74.40 Obligated balance, end of year	-45,824	-29	-45,853
90.00 Outlays, excluding pay raise supplemental	301,048	3,610	304,658
91.20 Outlays from civilian pay raise supplemental	346	...	346

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-1217-0-1-751		1980 Presently Anticipated	1980 Proposed Amendment	1980 Revised Estimate
	Personnel compensation:			
11.1	Permanent positions	170,915	-220	170,695
11.3	Positions other than permanent	4,708	-37	4,671
11.5	Other personnel compensation	28,225	148	28,373
11.8	Special personal services payments	175	...	175
	Total personnel compensation	204,023	-109	203,914
	Personnel benefits:			
12.1	Civilian	25,889	-20	25,869
13.0	Benefits for former personnel			
21.0	Travel and transportation of persons	13,981	-186	13,795
22.0	Transportation of things	1,770	232	2,002
23.1	Standard Level User Charges	14,777	-32	14,745
23.2	Other rent, communications, and utilities	9,721	765	10,486
24.0	Printing and reproduction	2,323	...	2,323
25.0	Other services	20,873	2,551	23,424
26.0	Supplies and materials	5,844	119	5,963
31.0	Equipment	1,522	41	1,563
32.0	Lands and structures	146	278	424
33.0	Investments and loans			
41.0	Grants, subsidies, and contributions			
42.0	Insurance claims and indemnities	27	...	27
43.0	Interest and dividends			
44.0	Refunds	19	...	19
91.0	Unvouchered	80	...	80
	Total direct obligations	300,995	3,639	304,634
	Total reimbursable obligations	8,737	...	8,737
99.0	Total obligations	309,732	3,639	313,371

Personnel Summary

Identification code 15-1217-0-1-751	1980 Presently Anticipated	1980 Proposed Amendment	1980 Revised Estimate
Direct:			
Total number of permanent positions	10,465	-17	10,448
Full-time equivalent of other positions	440	...	440
Average paid employment	9,804	-26	9,778
Average GS-grade	8.05	...	8.05
Average GS-salary	$16,491	...	$16,491
Average salary of ungraded positions	$15,594	...	$15,494
Reimbursable:			
Full-time equivalent of other positions	-0-	...	-0-
Average paid employment	-0-	...	-0-

FY 1980 IMPLEMENTATION SCHEDULE

December	January	February	March	April	May	June	July	August	September
Los Angeles	New York	Chicago	D.C.	Hartford	San Antonio	Boston	Phila.	Seattle	El Paso
			Atlanta	San Diego	Miami	Dallas	N. Orleans	Buffalo	Baltimore
				S. Francisco	Newark	Phoenix	Denver	Detroit	Houston

I&NS AUTOMATION - FY 1981 AND FY 1982

Item	*FY 1981	**FY 1982
Personnel	$896,300	$944,000
Travel	89,600	
Transfer	45,500	
Equipment (Rental)	2,818,000	3,528,000
Site Alteration and Construction (Pre-installation)	130,000	
ADP Training	150,000	
System Research, Development and Maintenance	500,000	500,000
Data Conversion	300,000	
Miscellaneous (Shipping and installation, etc.)	100,000	
Management Assistance	350,000	
Supplies:		
Start-up	91,000	
Recurring	69,200	94,800
TOTAL	5,539,600	5,066,800

* Includes recurring costs of 23 district offices installed in FY 1980 and additional costs associated with implementation of 26 additional district offices.

** Includes recurring costs of 49 district offices.

DEPARTMENT OF JUSTICE

Bureau of Prisons

Salaries and Expenses

Budget Appendix Page		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
630	Salaries and expenses.....	$328,167,000	-$6,667,000	$321,500,000

Appropriation Summary Sheet
(Dollars in thousands)

	Permanent Positions	Appropriation
Request pending.....	9,313	$328,167,000
Proposed amendment.....	...	-6,667,000
Revised request.....	9,313	321,500,000

Explanation of Request

This amendment provides reductions to the original request by the Bureau of Prisons in five areas: inmate postage; contract confinement in state and local facilities; institution population levels; annualization costs of positions and programs at the Otisville, New York, Federal Correctional Institution; and travel costs.

The reduction to the inmate postage program results from a major change in Bureau of Prison's policy. Currently, unlimited free postage is available to inmates. After June 1, 1979, the Bureau of Prisons will provide the equivalent of five first class stamps per month to each inmate. Additional postage may be purchased through the institution commissary. For the inmate who is indigent, or who is being transferred and has no access to his friends, the institution will provide free postage.

In the programs, contract confinement in state and local facilities, the proposed reduction results from the decreased population in contract facilities and escalation of contract costs at lower rates than projected.

In addition, the amendment reflects re-estimates of Bureau institution inmate population. The current level of 26,000 is considerably below the level of 29,500 provided for in the FY 1980 budget. The revised 1980 request is based on an average daily population of 27,500.
Poor weather conditions and labor shortages contributed to the delay in completion of the Otisville, New York, Federal Correctional Institution. The original budget request provided for a full year operation. Because of this construction slippage, the Otisville, FCI will be in operation for only six months during FY 1980.

Finally, the amendment reflects a reduction to Bureau of Prison's travel costs.

Summary of Requirements
(Dollars in thousands)

Comparison by Activities	1980 Request Pending Perm. Pos.	1980 Request Pending Amount	1980 Proposed Amendment Perm. Pos.	1980 Proposed Amendment Amount	1980 Revised Request Perm. Pos.	1980 Revised Request Amount
1. Inmate care and custody services....	6,229	$174,968	...	-$5,537	6,229	$169,431
2. Inmate programs.....	655	21,017	...	-184	655	20,833
3. Institution administration and maintenance.....	1,903	83,901	...	-941	1,903	82,960
4. Community corrections.....	139	29,824	...	-2	139	29,822
5. Program direction.....	387	18,457	...	-3	387	18,454
Total requirements.....	9,313	328,167	...	-6,667	9,313	321,500

Financial Analysis
(Dollars in thousands)

Item	1980 Proposed Amendment		Inmate Care & Custody Services		Inmate Programs		Institution Administration & Maintenance		Community Corrections		Program Direction	
	WY	Amount	WY	Amount	WY	Amount	WY	Amount	WY	Amount	WY	Amount
Permanent workyears and personnel compensation	-114.0	-$1,768	-83.0	-$1,236	-9.0	-$150	-22.0	-$382	...	...	...	...
Personnel benefits.....		-209		-132		-15		-62		...		...
Travel.....		-180		-17		...		-158		-2		-3
Communications, utilities, and other rent.....		-1,082		-800		...		-282		...		...
Other services.....		-2,000		-2,000		...		...		...		...
Supplies and materials....		-1,428		-1,352		-19		-57		...		...
Total obligations, 1980.		-6,667		-5,537		-184		-941		-2		-3

INCREASE IN AUTHORIZATION REQUIRED FOR FBI

Senator HOLLINGS. The $2,636,000 for foreign counterintelligence, does that take care of what I had in mind in my amendment?

Mr. KANE. No sir, your amendment is on the 1980 authorization. This is not authorized. This exceeds the authorization for 1979 established by both the Judiciary and Intelligence Committees.

Senator HOLLINGS. Does this exceed the authorization?

Mr. ROONEY. That is correct, Mr. Chairman. We are discussing with both Intelligence Committees to increase that authorization, and it is my understanding that Senator Kennedy will introduce a bill for the Judiciary Committee authorization.

Senator HOLLINGS. Do you hope then to continue it over in 1980?

Mr. ROONEY. It is a one-time expenditure, if I am not mistaken.

Senator HOLLINGS. How will you spend $2,636,000 in the next 4 months?

Mr. ROONEY. It will only be a one-time appropriation and it will be expended this fiscal year.

Senator HOLLINGS. That is just for the purchases, not personnel.

Mr. ROONEY. That is correct.

Senator HOLLINGS. Senator Weicker.

PRIVATE COUNSEL TO REPRESENT GOVERNMENT EMPLOYEES

Senator WEICKER. How much of the $500,000 being requested will pay the attorneys' fees of Government employees who have been charged with surreptitious entry, mail openings and breakins?

Ms. BABCOCK. We can't tell what the cases will be. We have only received two cases so far in 1979, and neither one of those dealt with surreptitious entry, no law enforcement activities at all.

Senator WEICKER. This, in other words, is a speculative amount you are asking for as to what you might have?

Ms. BABCOCK. Yes. Of course, if we don't need it, we don't spend it. We have only had two cases so far in 1979. We see some cases down the road.

Senator WEICKER. The cases that you have already had dealt with what?

Ms. BABCOCK. One of them dealt with an allegation of prosecutorial misconduct, and the other one is one GSA employee suing another for harassment.

Senator WEICKER. I have no further questions.

SUBMITTED QUESTIONS

Senator HOLLINGS. We will put the rest of our questions in the record. Thank you very much.

[The questions and answers follow:]

EMPLOYMENT CEILINGS

Question. The Amendments for 1980 provide for an additional 134 positions. In our earlier hearings, the department indicated that the Leach Amendment, establishing a statutory ceiling on employment, required the elimination in 1980 of 1,525 positions funded in 1979. Where does the department now get the leeway to put an additional 134 positions?

Answer. We will get some of the end-of-year employment ceiling by transfer from other accounts within the Department, but the Office of Management and Budget has tentatively agreed to increase the full-time permanent ceiling for fiscal year 1980 by 1978.

AUTHORIZATION LEVELS REQUIRED WITH AMENDENTS

Question. Are there any further amendments pending at OMB. How does the amended budget for the Lands Division compare with the level authorized for that Division in 1980?

Answer. Yes. There is a pending amendment for the Land and Natural Resources Division. The Senate authorization level of $16,439,000 is adequate to cover the amendment of 30 positions and $1,235,000 that relates to toxic substances and environmental waste, as well as the House increase over the request of 25 positions and $700,000 that will be applied mainly to land acquisition matters. For the House, the situation is different because the authorization bill reported by the Judiciary Committee is at the level of the budget request, $11,254,000.

Question. Is there room in the 1979 Authorization Act for all the supplemental appropriations now proposed? Have you asked the Judiciary Committee for an increased authorization? Since this is for foreign counterintelligence, isn't there also a problem with the intelligence authorization for 1979?

Answer. There is an authorization problem that we are now trying to resolve with the Judiciary Committees of the House and Senate.

RESOURCES AVAILABLE TO FUND SUPPLEMENTALS AND AMENDMENTS

Question. Has not the House Appropriations Committee already applied the budget reductions you cite to the supplementals and original 1980 Budget estimates?

Answer. Yes, the House has applied all the money that the Administration is proposing for transfer to the financing of the fiscal year 1979 pay increase. The Office of Management and Budget is aware of this, but since no Committee report had been issued when the matter was decided, OMB proposed that the new supplementals be funded through transfer. We have no objection to what either OMB or the House did, but we recognize that the same money should not be transferred twice. If the Senate agrees with the House action on pay supplementals, then the supplementals now being considered will require additional budget authority.

LAPSE ON NEW POSITIONS PROPOSED IN SUPPLEMENTAL REQUEST

Question. Does not the supplemental provide for all 41 positions for General Administration to be on board for the last quarter? Is that reasonable since the supplemental won't be available before July 1st.

Answer. Yes, the supplemental provides that the new positions will be on board for the last three months of fiscal year 1979. We believe the request is reasonable, but concede that there might be some slippage in implementing the program.

EFFECT OF EXECUTIVE ORDER ON FEDERAL ATTORNEYS

Question. Is the practical effect of the Executive Order on Federal legal representation that the Attorney General will appoint and promote all Federal attorneys?

Answer. No. According to the latest version of the draft Executive Order, the Attorney General will designate the membership of the Federal Legal Council in consultation with the Director of the Office of Management and Budget. The Executive Order does not specifically address the appointment of Federal attorneys, other than the establishment of a central clearinghouse for job openings and the creation of an interagency job rotation program to enhance attorney mobility within the Federal sector and to improve the development of Government lawyers by extending job assignment opportunities.

SPECIAL COUNSEL FOR CARTER WAREHOUSE INVESTIGATION

Question. What is the current number of employees in the Special Counsel's Office? Is it really expected that cases will be brought to trial and completed by next April?

Answer. There are currently 14 employees in the Special Counsel's Office, the same number as requested in the supplemental and amendments. Mr. Curran has stated that he would complete his investigation in less than a year. It is not expected that cases will be brought to trial and completed by next April.

DETROIT METROPOLITAN CORRECTIONAL CENTER

Senator HOLLINGS. The subcommittee has received a letter from Senator Riegle regarding the recent decision not to construct the Detroit Metropolitan Correctional Center. Senator Riegle asks that we not do as the House committee proposes and reallocate the funds

previously provided for this project until the Michigan delegation has had an opportunity to review this matter with Norman Carlson, the director of the Bureau of Prisons.

We will make Senator Riegle's letter a part of the record and also other correspondence received from Judge Cornelia G. Kennedy and from Mr. Carlson.

[The letters follow:]

LETTER FROM SENATOR DONALD W. RIEGLE, JR.

June 1, 1979

Senator Ernest F. Hollings
Chairman
State, Justice, Commerce Subcommittee
Senate Appropriations Committee
Washington, D.C.

Dear Fritz:

I ask that funds appropriated in fiscal years 1977 and 1978 for a Federal dentention center in downtown Detroit not be reallocated to other activities until Congress reviews the recent U.S. Bureau of Prisons decision not to build that facility.

The House Appropriations Committee has voted to reduce the Administration's fiscal year 1980 request for the Bureau of Prisons by the $15.86 million that is still available for the Detroit facility. The House Committee took this action in the belief that the Bureau of Prisons decision was non-controversial.

The need for a downtown detention facility was established in 1976, and the plan gained support from all of the relevant local interests during the early part of 1977. The environmental impact study and the architectural design have been completed. The Bureau of Prisons has purchased 40% of the required land and has options to purchase another three parcels. The remaining parcel is owned by the City of Detroit. Land assembly is virtually complete.

I and other concerned members of the Michigan delegation will soon meet to discuss this matter directly with the Bureau of Prisons Director, Norman Carlson. We have yet to

-- review the data on which the Bureau of Prisons rests its opinion that the Detroit detention center is no longer needed,

-- analyze the feasibility of providing a smaller facility than the 380 bed center most recently considered by the Bureau of Prisons, and

-- assess the impact of project termination on the operation of the Federal Court in Detroit and on local development.

So that this matter can be given the full review it deserves, I request that the State, Justice, Commerce Subcommittee not reallocate funds from the Detroit project to other activities.

Sincerely,

Don Riegle

Donald W. Riegle, Jr.

LETTER FROM JUDGE CORNELIA G. KENNEDY

May 22, 1979

Hon. Donald W. Riegle, Jr.
United States Senator
1850 McNamara Building
477 Michigan Avenue
Detroit, Michigan 48226

RE: Proposed Federal Detention Center in Detroit

Dear Senator Riegle:

The recent action by the Detroit City Council opposing the building of a federal "maximum security jail" goes on to recognize "the actual need of a federal detention center" and "urges the President and Congress * * * to reappropriate funds on a level reflecting the actual needs of a detention center * * * ".

Attached is a revised presentation supporting a federal detention center in Detroit. We look forward to discussing this urgent matter with you at your early convenience.

Please do not hesitate to call on me if I can be of further assistance to you in reviving the funding for this much needed project.

Sincerely yours,

Cornelia G. Kennedy
Chief Judge

Attachment

May 22, 1979

Hon. Carl Levin
United States Senator
1860 McNamara Building
477 Michigan Avenue
Detroit, Michigan 48226

RE: Proposed Federal Detention Center in Detroit

Dear Senator Levin:

The recent action by the Detroit City Council opposing the building of a federal "maximum security jail" goes on to recognize "the actual need of a federal detention center" and "urges the President and Congress * * * to reappropriate funds on a level reflecting the actual needs of a detention center * * * ".

Attached is a revised presentation supporting a federal detention center in Detroit. We look forward to discussing this urgent matter with you at your early convenience.

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Sincerely yours,

Cornelia G. Kennedy
Chief Judge

Attachment

THE NEED FOR A FEDERAL DETENTION CENTER

NEAR THE U. S. COURTHOUSE IN DETROIT

It appears that proposed funds for a Federal Detention Center in Detroit have been eliminated from the Bureau of Prisons' budget. This is an over-reaction to certain features of the modified existing proposal (principally the 380-bed size) which have been found objectionable by some groups and individuals. It is not an all-or-nothing situation.

There is continuing need for a detention center, not a maximum security prison, near the U. S. Courthouse in Detroit. Up to 150 persons who are presumed to be innocent are regularly being detained at the Milan Federal Correctional Institution, and in the Macomb, Genesee, Oakland, Saginaw and Bay County Jails. One hundred fifty more persons are regularly serving sentences of a few months in local jails or in facilities outside Michigan.

A minimum need, therefore, exists for a 280-bed detention center with adequate medical, educational and recreational facilities. Even though a need may not presently exist for a 380-bed facility, there is a strong need for at least a 280-bed facility. No argument can be made that there is no need for a Federal Detention Center in Detroit.

Pre-Trial Detainees

Currently, an average of 95 persons are detained in the Federal Correctional Institution at Milan, 47 miles from Detroit, and in the Macomb, Oakland, Genesee, Saginaw and Bay County Jails. It is still occasionally necessary for the Marshal or federal agents to use a Detroit Police Department precinct lockup for overnight detention of an arrested person prior to arraignment.

Placing pre-trial detainees in these facilities is unsatisfactory for several reasons:

1. For example, at Milan detainees must rise at 5:30 a.m. to be transported by Marshal's van to Detroit in time for 8:30 a.m. opening of court.

2. Detainees do not return to Milan or other remote contract facilities until 6:00 or 7:00 p.m., having had only a sandwich to eat all day.

3. Detainees are not able to spend time with their attorneys outside the courtroom because of the need to return the detainees to the detention facilities.

4. Prior to trial, attorneys must travel to Milan or other contract facilities to consult with their clients. As a consequence, the quality of representation of detainees is lowered in many cases.

5. Detainees are separated by a considerable distance from family and friends who might visit them, and there is no public transportation to Milan.

6. Work-release programs before trial are not possible if a detainee is at Milan or other remote contract facilities.

7. Police lockups used for overnight detention do not provide beds or any kind of care which may be needed.

Since January 1, 1979, the U. S. Marshal's Office has transported 477 persons from Milan to the U. S. District Court in Detroit and has returned 568 persons to Milan. The Marshal's total annual overtime cost for transportation to and from Milan is $33,062.40. An average of 22 gallons of gasoline is consumed each day for the Marshal's vans. The trips to and from Milan are made over heavily-traveled routes, often during rush hour, and the safety factor cannot be ignored. It is a tribute to the skill and care of the Marshal's staff that no accidents involving injury have occurred during the trips.

Using the County Jails named above for federal detainees presents comparable problems.

State correctional facilities are not an acceptable alternative. Overcrowding of state correctional facilities has a direct effect on the amount of space available for detainees and prisoners. County jails which have contracts with the Marshal's Office may be notified at any time that the State Prison for Southern Michigan at Jackson has priority and that federal detainees will no longer be accepted. Governor Milliken has asked the Michigan Legislature for $400 million for new prison construction, saying that the state system is already 2,000 persons over capacity. Because of chronic overcrowding problems, the Wayne County Jail cannot accommodate federal detainees.

Immigration and Naturalization Service

During the two most recent fiscal years, Immigration and Naturalization Service had 949 and 1,044 in-custody detainees who had to be accommodated at either Milan or one of the contract jails.

Other Federal Agencies

The Drug Enforcement Agency and the Postal Service each are responsible for a varying number of arrests per year. Accommodating these detainees in one of the contract jails or a police lockup often causes delays in arraignments and other proceedings.

Community-Based Detention and Treatment

An average of more than 100 sentenced defendants are in halfway houses in Detroit (Heartline, Christian Guidance Center and Federal Community Treatment Center), Flint, Pontiac, Saginaw and Genesee County.

Counseling, medical treatment and therapy which are not presently available at Milan or the contract jails would be available in the detention center. Professional staff of the Pre-Trial Services Agency and the Probation Office will have access to the detainees as well as convicted defendants awaiting sentence without making time-consuming trips to Milan or contract jails.

The detention center will provide the option of work-release weekend confinement in appropriate cases where it is recognized that loss of jobs would be counterproductive in prisoner treatment.

For prisoners who have served a part of a more lengthy sentence in another federal correctional institution who are paroled to halfway-house status prior to release, the Federal Detention Center would provide programs including counseling, medical and other treatment on a much more comprehensive basis than the halfway houses which currently provide these services.

United States Attorney

United States Attorney James K. Robinson fully supports this proposal as modified. A letter from his office is attached which predicts that the 1977 high of cases and defendants will probably be reached again in 1980.

After consultation with the United States Attorney's Office, U. S. Marshal, FBI, Immigration and Naturalization Service and the Drug Enforcement Agency, it appears that the trends discussed in this memorandum are cyclical. It is true that the number of federal crimes and the number of federal criminal defendants has

dropped significantly during the last several years, but they are increasing now and are expected to continue to increase at a moderate rate.

Bureau of Prisons and General Services Administration

The amount spent to date on this project, including acquisition of part of the land, architect's designs and other administrative costs is $730,500. If the Detention Center is not built, there would be a loss of land usage to the City and the other fees and costs would be a complete loss. It is expected that an additional $451,000 will be required to complete the land acquisition.

Conclusion

A Federal Detention Center of about 280 beds is presently needed in Detroit near the U. S. Courthouse, and the need will probably increase in the future.

Honorable Cornelia G. Kennedy
Chief United States District Judge

Not available
Honorable James P. Churchill
United States District Judge

Honorable John Feikens
United States District Judge

Honorable Ralph B. Guy, Jr.
United States District Judge

Honorable Philip Pratt
United States District Judge

Honorable Julian Abele Cook, Jr.
United States District Judge

Honorable Robert E. DeMascio
United States District Judge

Honorable Patricia J. Boyle
United States District Judge

Honorable Charles W. Joiner
United States District Judge

Honorable Thomas P. Thornton
Senior District Judge

Honorable James Harvey
United States District Judge

Not available
Honorable Ralph M. Freeman
Senior District Judge

Letter From Richard A. Rossman

May 22, 1979

Honorable John Feikens
United States District Judge
853 Federal Building
Detroit, Michigan 48226

Dear Judge Feikens:

Pursuant to your request for a projection of criminal convictions anticipated in the Eastern District of Michigan for the next five years, I have reviewed the United States Attorneys' Offices Statistical Reports for fiscal years 1977 and 1978, published by the United States Department of Justice.

The Statistical Report for fiscal year 1977 indicates that 1,576 total criminal cases were terminated during the fiscal year ending September 30, 1977. Of this total, 967 were "guilty" dispositions, representing the number of convictions in this district. The number of convicted defendants in the 1977 fiscal year was 1,172.

During fiscal year 1978, 669 criminal cases ended in conviction or 882 defendants. The decrease of 298 cases and 290 defendants was the result of a number of factors, including:

1) When Mr. Robinson became the United States Attorney in August, 1977, there were only 24 Assistant United States Attorneys on duty. It took substantial time to fill vacancies and hire the increase in authorized strength allocated to this district. By the end of fiscal year 1978, 37 AUSAs were on duty. Fiscal year 1978 should, in part, be considered a transition year and the total number of convictions should represent a bottoming out of the decreasing trend.

2) The Department of Justice and this office have substantially changed prosecutive priorities. The current priority areas are: white collar crime, public corruption, large scale narcotics trafficking and organized crime. Many areas which have led to high volume in the past, such as forgery, bank robbery, etc., are increasingly being deferred to the state and local prosecuting officials to make way for the priority matters. In the past five year period, the total number of criminal case filings in the federal courts nationally has decreased by 21 percent. The number of white collar crime cases, on the other hand, filed nationally by the Department of Justice has increased by 13 percent.

3) The actual number of certain criminal offenses such as bank robberies and forgeries has decreased in the Detroit Metropolitan area in recent years. In 1974, for instance, there were 237 bank robberies in the Tri-county area. In 1978 there were only 47. Although the decrease is mainly in the area of those matters being de-emphasized by the Department, the decrease has had a significant effect on the number of case filings in this district.

We assume that the trend of criminal case filings and convictions in this district will now begin to increase. The projected number of convictions for the next five fiscal years is as follows:

	CASES	DEFENDANTS
1979	825	1,000
1980	975	1,200
1981	1025	1,275
1982	1085	1,365
1983	1130	1,430

By 1980 we should be back to 1977 levels and it is anticipated that modest increases can be expected thereafter.

Despite the changing priorities of the federal prosecutive effort, there are several reasons why such an increase should be anticipated, including:

1) Our staff is now reasonably fully trained and is beginning to move many long range investigations into the indictment stage.

2) We are expecting an increase in authorized assistants to accompany the three new judges established by the omnibus judgeship legislation.

3) It cannot be assumed that the number of crimes committed such as bank robberies will continue to be so low as the national trend is dramatically the opposite.

4) We have a continuing concern that certain crimes will "fall through the cracks" - i.e., be neglected by federal and local officials. This concern leads to a constant monitoring process. An example is the area of Dyer Act violations, wherein we are currently re-evaluating our prosecutive policies.

5) Certain areas of exclusive federal jurisdiction, such as immigration, counterfeiting, will continue to cause pressures on our caseload.

I hope you find these projections helpful. If you have any questions, please do not hesitate to call.

Very truly yours,

JAMES K. ROBINSON
United States Attorney

RICHARD A. ROSSMAN
Chief Assistant United States Attorney

LETTER FROM NORMAN A. CARLSON

May 1, 1979

Mr. Warren Kane
Senate Subcommittee on
State, Justice, Commerce,
and the Judiciary
Room S-146A
Capitol Building
Washington, D.C.

Dear Warren:

Enclosed is a fact sheet on the Detroit MCC. I've also enclosed a copy of my letter to Judge Kennedy informing him of our action.

Formal deferral documentation will be prepared within the next couple of weeks.

Please call me if you have any questions.

Sincerely,

NORMAN A. CARLSON
Director

DETROIT, MICHIGAN METROPOLITAN CORRECTIONAL CENTER

Since the Detroit Metropolitan Correctional Center (MCC) project was initially developed during 1976, a number of significant changes have occurred. The detention caseload in the Eastern Michigan District has declined substantially. The current budget is inadequate for the capacity desired by the U.S. District Court Judges, and a new Wayne County Jail is now under construction. The Bureau is optimistic that we will be able to use that facility to house at least some of the federal prisoners who are now located at the Federal Correctional Institution, Milan, Michigan. For these reasons, we have initiated action to cancel the project.

BACKGROUND

During the early 1970's, the prison caseload for the Eastern District of Michigan increased dramatically. From 1970 through 1975 the number of offenders sentenced to imprisonment by the Eastern District grew from 262 to 666, a 156 percent increase. The number of Federal detainees confined in local jails reached 200. At the same time, state and local courts were experiencing an increase in the total offender population causing severe overcrowding in area jails. By 1974, extreme overcrowding in the Wayne County Jail (Detroit) resulted in the Sheriff's refusal to accept Federal prisoners, further exacerbating the problem. Moreover, Federal prisoners previously had been removed from the only nearby jail in Oakland County.

In February 1976, the Bureau of Prisons found it necessary to convert a building at the Federal Correctional Institution, Milan, Michigan to a detention facility. Milan is located 60 miles from the U.S. District Courthouse in Detroit.

This combination of circumstances led to efforts by the Federal Judges for the Eastern District of Michigan to seek a Metropolitan Correctional Center similar to the ones in New York City, Chicago, and San Diego. At the time, the caseload and future population projections fully justified such a facility. The Bureau of Prisons requested and received appropriations of $16.6 million to build the Metropolitan Correctional Center with strong support from the Federal Judges.

The original plans called for a 300 bed facility. The Federal Judiciary urged that the number of beds be increased because existing conditions were so unacceptable, crowded and far removed from the courts, that many individuals were being released who should have been incarcerated. Consequently, the scope of the project was modified to accommodate an increase of 80 beds.

CURRENT SITUATION

The number of offenders being held in custody awaiting trial in the Eastern District of Michigan has declined steadily during the past two years. On March 1, 1979, the detention population was 150 as compared with over 230 in 1977. In addition to the decline in population, the General Services Administration has informed us that the construction costs for the proposed Metropolitan Correctional Center will exceed available funds by a substantial amount. The original architectural design was estimated to cost $5 million more than funds appropriated for the project. While the deficit can probably be reduced to some extent, the project would require at least an additional $1.5 to $2.5 million to complete.

Moreover, our studies indicate that the annual cost to operate the Metropolitan Correctional Center would be $3.3 million as compared with $2.2 million the Federal Government would otherwise spend to house a

similar number of offenders in alternative facilities. If the detention population remains at or below the present level, the cost differential would be even greater.

In view of the facts, and in consideration of the possible future use of the new Wayne County Jail, the Bureau believes it is in the best interests of the Government to cancel the Detroit MCC project. We are advising the General Services Administration this week to halt activity on the project so that there is no further expenditure of funds.

STATUS OF PROJECT

An Environmental Impact Statement was issued and cleared. One of five parcels of land has been purchased on a site directly across the street from the U.S. District Courthouse. The General Services Administration, as our agent, has hired an architect and a construction manager, and the concept design has been completed.

Approximately $730,475 of the total $16.6 million appropriated has been expended thus far. Of this amount, $347,000 was for the purchase of one of the five parcels of land that make up the total site. The value of this land represents an asset to the Federal Government, leaving a balance of $383,475 in sunk cost.

Listed below is a recap of these expenses:

Site Acquisition	Estimated Obligation
GSA Administrative Cost	$ 30,000
Purchase of Parcel #5	347,000
Other Expenses	
Architectural Design	75,000
Construction Manager (Design Phase)	93,475
Environmental Impact Statement	50,000
GSA Design Phase	50,000
General Administration & Travel Expense	85,000
Total Estimated Obligations	$730,475

Formal deferral action will be initiated within the next couple of weeks. Total costs, after settlement, are not expected to exceed the $730,475 listed above.

LETTER FROM NORMAN A. CARLSON

April 25, 1979

Honorable Cornelia G. Kennedy
Chief Judge
United States District Court
Detroit, Michigan 48202

Dear Judge Kennedy:

The number of offenders being held in custody awaiting trial in the Eastern District of Michigan has declined steadily during the past two years. On March 1, 1979, the detention population was 150 as compared with over 230

in 1977. As a result of the decline in population as well as major budgetary problems, we have reassessed plans for the Metropolitan Correctional Center in Detroit. The facts resulting from that reassessment indicate the annual cost to operate the Metropolitan Correctional Center would be $3.3 million as compared with $2.2 million the Federal Government would otherwise spend to house a similar number of offenders in alternative facilities. If the detention population remains at or below the present level, the cost differential would be even greater.

In addition to the decline in population, the General Services Administration has informed us that the construction costs for the proposed Metropolitan Correctional Center will exceed available funds by a substantial amount. The original architectural design was estimated to cost $5 million more than funds appropriated for the project. While the deficit can probably be reduced to some extent, the project would require at least an additional $1.5 to $2.5 million to complete.

In view of these facts, we have reluctantly reached the conclusion that the Metropolitan Correctional Center project should be cancelled. We will be advising the General Services Administration of our decision early next week in order that no further funds be expended on the project.

I want to assure you and members of your Court that this was a difficult decision to make and was reached only after considerable review and discussion. While I know you will be disappointed with the decision, I hope you can understand our reasoning.

One hopeful aspect of the detention problem is our understanding that the new Wayne County Jail will be completed within the next two years. While Sheriff Lucas is unable to make any long term commitments, he has informed me that prospects of placing at least some Federal offenders in the new jail is much more encouraging than it was two years ago.

If you or members of the Court would like to discuss this matter with me personally, please let me know.

Warm personal regards,

Sincerely,

NORMAN A. CARLSON
Director

Senator HOLLINGS. Mr. Rooney, has the Department sent up anything officially on this yet.

Mr. ROONEY. No, sir, but we should have something momentarily.

Senator HOLLINGS. I will ask the clerk to see to it that when it is received it is made a part of our record.

[The letter follows:]

Letter From Kevin D. Rooney

JUN 22 1979

Honorable Ernest F. Hollings
Chairman, Subcommittee on the Departments
of State, Justice and Commerce, the
Judiciary, and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter is to advise you of the Department's recent decision to cancel the Detroit Metropolitan Correctional Center (MCC) project. Pursuant to the Budget Impoundment and Control Act of 1974 (P.L. 93-344), the letter also advises you of a forthcoming deferral for the project in the amount of $6,169,525 within the "Buildings and Facilities" appropriation. This is in addition to the $9,700,000, which the Bureau of Prisons (BoP) deferred for the project in the first quarter of FY 1979.

The number of prisoners being held in custody awaiting trial in the Eastern District of Michigan has declined steadily during the past two years. On March 1, 1979, the detention population in the Eastern District was 150, compared with over 230 in 1977. In addition to the decline in population, our studies indicate that the annual cost to operate the Detroit MCC would be $3.3 million, as compared with $2.2 million the Federal Government would otherwise spend to house a similar number of prisoners in alternative facilities. Moreover, the General Services Administration has informed us that the construction costs for the proposed MCC will exceed available funds by $5 million. In view of these facts and in consideration of the possible future use of the new Wayne County Jail to house at least some federal prisoners, we believe cancellation of the project is an appropriate course of action; the deferred funds could possibly be used to support other programs in the future. We are advising the General Services Administration to halt activity on the Detroit project, so that there are no further expenditures of funds. Total costs after settlement are not expected to exceed $730,475. Of this amount, $347,000 has been spent for the purchase of one of the five parcels of land that make up the total site.

I believe that the above will satisfy the congressional reporting requirements and will serve to keep you informed of plans affecting the Federal Prison System. Formal deferral documentation will be transmitted to you in the near future.

Sincerely,

/s/ Kevin D. Rooney

Kevin D. Rooney
Assistant Attorney General
for Administration

LETTER FROM JOHN P. WHITE

[CLERK'S NOTE: Subsequent to the hearing the subcommittee received the following letter from John P. White of the Office of Management and Budget regarding the Detroit Metropolitan Correctional Center. By direction of the chairman the letter has been printed in the record.]

[The letter follows:]

JULY 12, 1979.

Hon. ERNEST F. HOLLINGS,
Chairman, Subcommittee on the Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: As you know, questions have been raised about the Justice Department's decision not to proceed with construction of the Detroit Metropolitan Correctional Center project. We are in the process of reviewing that decision. Pending completion of that review, we request that the Appropriations Committee take no action that would transfer the project's funds to other activities.

In the interim, because the Justice Department has stopped work on the project, we are submitting a deferral report which you should receive in a few days.

Thank you for your consideration.

Sincerely,

JOHN P. WHITE,
Deputy Director.

BUDGET AMENDMENT FOR LAND AND NATURAL RESOURCES DIVISION

[CLERK'S NOTE.—Subsequent to the hearing there was transmitted another budget amendment for the Department of Justice with respect to the Land and Natural Resources Division. By direction of the chairman the justification material has been printed in the record.]

[The justification follows:]

DEPARTMENT OF JUSTICE

Legal Activities

Salaries and Expenses, General Legal Activities

Budget Appendix Page		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
618	Salaries and expenses, general legal activities.....	$101,554,000	$1,235,000	$102,789,000

Appropriation Summary Statement
(Dollars in thousands)

	Permanent Positions	Appropriation
Request pending.....	2,794	$101,554
Proposed amendment.....	30	1,235
Revised request.....	2,824	102,789

Explanation of Request

This amendment will provide the resources necessary to provide for an increase in the workload caused by hazardous and toxic waste disposal cases referred to the Land and Natural Resources Division by the Environmental Protection Agency.

Legal Activities

Salaries and Expenses, General Legal Activities

Summary of Requirements
(Dollars in thousands)

Comparison by Activities	1980 Request Pending Perm. Pos.	1980 Request Pending Amount	1980 Proposed Amendment Perm. Pos.	1980 Proposed Amendment Amount	1980 Revised Request Perm. Pos.	1980 Revised Request Amount
1. Conduct of Supreme Court proceedings and review of appellate matters.....	47	$2,543	...	...	47	$2,543
2. General tax matters.....	574	19,581	...	...	574	19,581
3. Criminal matters.....	795	28,397	...	...	795	28,397
4. Claims, customs, and general civil matters.....	660	24,231	...	...	660	24,231
5. Land, natural resources, and Indian matters.....	263	11,254	30	$1,235	293	12,489
6. Legal opinions.....	37	1,472	...	...	37	1,472
7. Civil rights matters.....	418	14,076	...	...	418	14,076
Total requirements.....	2,794	101,554	30	1,235	2,824	102,789

JUSTIFICATION OF REQUIREMENTS
(Dollars in Thousands)

Activity: Land, natural resources and Indian matters	1980 Request Pending		1980 Proposed Amendment		1980 Revised Request	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Item: Hazardous Waste activities.....	...	...	30	$1,235	30	$1,235

The Congress has enacted a number of laws for the control of toxic and hazardous wastes. Foremost among these are the Resource Conservation and Recovery Act (RCRA) and the Toxic Substances Control Act (TOSCA). Until recently, however, there has been virtually no litigation under these and similar statutes. Over the past year, the Nation's conscience has been awakened by almost weekly revelations of serious health threats from past indiscriminate disposal of highly toxic hazardous wastes. Love Canal in Niagara, New York, is the most well known of these incidents, but several dozen other cases have received public attention. As a result, there is an increasing demand on the government to take decisive action to control the existing problem and stop its spread. The dangers to human health posed by the improper disposal of toxic wastes include abnormally high rates of birth defects, miscarriages, environmental cancers, and other disorders.

The extent of the problem is enormous. The Administrator of EPA has stated that there may be as many as 32,000 landfills containing hazardous materials, and of those more than 1,200 to 2,000 may be imminently hazardous to the public and the environment. Accordingly, EPA has launched a massive program designed to ensure both the safe management and disposal of current and future toxic wastes, and the necessary clean-up of abandoned chemical dumps that constitute a health hazard. To accomplish this program, EPA is seeking supplemental budget approval for a program of 117 full-time positions and $108.8 million. Approximately half of these positions will be devoted to enforcement personnel and their principal function will be the development of cases for referral to the Division. Moreover, because of the imminent health hazard posed by the improper disposal of toxic and hazardous wastes, EPA has already launched its program by reprogramming existing resources. Thus, the first few enforcement actions have already been referred to the Division, and it is EPA's intention to refer many more of these cases in the near future.

In addition to enforcement actions against the waste disposers responsible for inactive or abandoned dumps, EPA is also implementing a comprehensive regulatory program, under RCRA, for the present and future safe management of

toxics, acids, caustics, explosives and other dangerous wastes. The incentives for violations of these regulations will be great, since compliance with the regulations will be costly and inconvenient for the waste disposers Thus, this program will also generate significant numbers of new enforcement actions. In addition, the program will produce a number of suits by industry challenging the regulations.

The Division does not presently have the litigating resources necessary to handle these new programs. An immediate infusion of new resources is critical. The number of positions proposed for the new section, 30, is the minimum number deemed necessary to handle the EPA referrals in a credible manner. In addition to the sheer numbers of referrals, it is expected that this type of litigation will require more attorneys per case than routine pollution enforcement cases. A number of factors contribute to this assessment. First, in order to be effective, the section will have to seek records on disposal from many large corporations with both the resources and the motivation to resist disclosure. On the other hand, if the Division is successful, it will be flooded with "evidence." The Division thus anticipates a number of cases on the scale of medium-sized antitrust cases. Second, in order to be credible, the section will also have to take on that element of the toxic waste disposal industry that may be controlled by organized crime. Even such ordinarily simple tasks as locating defendants will assume much greater complexity and will accordingly require additional resources.

It is proposed to form a new section with the requested resources, rather than to add them to the Pollution Control Section, for two reasons. First, the cases to be handled by the Hazardous Waste Section will be significantly different in kind from those now handled by the Pollution Control Section. Second, because the mission of the Hazardous Waste Section is so important to the public health and welfare the section will be required not only to use existing legal authorities to control hazardous waste problems but also to design with EPA additional legislation and regulations to supplement existing authorities; this function would be best served by a separate organizational status.

This request provides for 15 attorneys, 6 paralegals, 8 secretaries and 1 docket clerk. These positions will form a new section within the Division, to be called the Hazardous Waste Section. This section will conduct litigation for the control of what is developing into the most serious environmental problem of modern society. Without these additional resources, the Division simply cannot handle the toxic referrals already starting to come from EPA. Given the unacceptable health hazards posed by toxic waste disposal, there is no feasible alternative to providing the additional resources.

Salaries and Expenses, General Legal Activities

Financial Analysis
(Dollars in thousands)

Item	Land, natural resources and Indian matters Pos.	Amount
Grades		
GS-15	5	$213
GS-14	4	142
GS-13	4	122
GS-12	2	52
GS-11	3	58
GS-9	3	48
GS-8	1	15
GS-7	2	28
GS-6	3	38
GS-5	2	23
GS-4	1	9
Total positions and annual rate	30	748
Lapse	...	...
Total workyears and personnel compensation	30.0	748
Personnel benefits		66
Travel		150
Standard level user charges		60
Communications, utilities, and other rent		83
Printing		30
Other services		60
Supplies		15
Equipment		23
Total workyears, and obligations, 1980	30.0	1,235

50-498 O - 79 - 21

Program and Financing (in thousands of dollars)

Identification code 15-0128-0-1-752	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Program by activities:			
Direct program:			
1. Conduct of Supreme Court proceedings and review of appellate matters	2,543	...	2,543
2. General tax matters	19,581	...	19,581
3. Criminal matters	28,397	...	28,397
4. Claims, customs, and general civil matters	24,231	...	24,231
5. Land, natural resources and Indian matters	11,254	1,235	12,489
6. Legal opinions	1,472	...	1,472
7. Civil rights matters	14,076	...	14,076
Total direct program	101,554	1,235	102,789
Reimbursable program	281	...	281
10.00 Total program costs, funded-obligations 1/	101,835	1,235	103,070
Financing:			
11.00 Offsetting collections from: Federal funds	-281	...	-281
40.00 Budget authority (appropriation)	101,554	1,235	102,789
Relation of obligations to outlays:			
71.00 Obligations incurred, net	101,554	1,235	102,789
72.40 Obligated balance, start of year	11,525	...	11,525
74.40 Obligated balance, end of year	-14,155	-38	-14,193
90.00 Outlays, excluding pay raise suppemental	98,911	1,197	100,108
91.20 Outlays from civilian pay raise supplemental	13	...	13

1/ Includes capitol investment for 1980, $1,182 thousand.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 15-0128-0-1-752		1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
	Personnel compensation:			
11.1	Permanent positions	66,697	748	67,445
11.3	Positions other than permanent	1,229	...	1,229
11.5	Other personnel compensation	399	...	399
11.8	Special personal services payments	1,036	...	1,036
	Total personnel compensation	69,361	748	70,109
	Personnel benefits:			
12.1	Civilian	5,999	66	6,065
13.0	Benefits for former personnel	10	...	10
21.0	Travel and transportation of persons	5,342	150	5,492
22.0	Transportation of things	174	...	174
23.1	Standard Level User Charges	5,867	60	5,927
23.2	Communications, utilities and other rent	4,300	83	4,383
24.0	Printing and reproduction	2,001	30	2,031
25.0	Other services	6,228	60	6,288
26.0	Supplies and materials	812	15	827
31.0	Equipment	1,440	23	1,463
90.0	Unvouchered	20	...	20
	Total direct obligations	101,554	1,235	102,789
	Total reimbursable obligations	281	...	281
99.0	Total obligations	101,835	1,235	103,070

Personnel Summary

Identification code 15-0128-0-1-752	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Direct:			
Total number of permanent positions	2,794	30	2,824
Full-time equivalent of other positions	108	...	108
Total compensable workyears	2,824	30	2,854
Average GS grade	10.20	10.70	10.20
Average GS salary	$24,429	$24,933	$24,433
Reimbursable:			
Total number of permanent positions	8	...	8
Full-time equivalent of other positions	1	...	1
Total compensable workyears	8	...	8
Average GS grade	9.63	...	9.63
Average GS salary	$20,875	...	$20,875

DETAIL OF PERMANENT POSITIONS

	1980 Request Pending	1980 Proposed Amendment	1980 Revised Request
Executive level III	1	...	1
Executive level IV	6	...	6
Subtotal	7	...	7
GS-18	7	...	7
GS-17	23	...	23
GS-16	59	...	59
GS-15	303	5	308
GS-14	338	4	342
GS-13	413	4	417
GS-12	263	2	265
GS-11	182	3	185
GS-10	9	...	9
GS-9	72	3	75
GS-8	88	1	89
GS-7	313	2	315
GS-6	291	3	294
GS-5	229	2	231
GS-4	115	1	116
GS-3	65	...	65
GS-3	25	...	25
Subtotal	2,795	30	2,825
Total permanent positions	2,802	30	2,832
Unfilled positions, Sept. 30	-73	...	-73
Total permanent employment end of year	2,729	30	2,759

LETTER FROM GOV. JOSEPH E. BRENNAN

[CLERK'S NOTE.—The subcommittee received the following letter from Gov. Joseph E. Brennan of Maine regarding the funding of the coastal zone management program. By direction of the chairman the letter has been printed in the record.]

[The letter follows:]

Letter From Governor Joseph E. Brennan

May 24, 1979

The Honorable Ernest F. Hollings
Chairman - Senate Appropriation
Subcommittee on State, Justice
Commerce, and the Judiciary
132 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Hollings:

The State of Maine would like to take this opportunity to express its views to the Appropriations Subcommittee on the proposed fiscal year 1980 budget of the Office of Coastal Zone Management, National Oceanic and Atmospheric Administration, U. S. Department of Commerce. It is intended that this letter should be incorporated into the Subcommittee's official hearing record.

The major purpose of this letter is to support the proposed budget that has been requested for the Office of Coastal Zone Management for fiscal year 1980. In addition we strongly urge that at least $4 million be appropriated for Outer Continental Shelf State Participation Grants, Section 308(c) (2) CZM Act.

Coastal Zone Management is a significant and successful program in Maine. Through the program we have been able to substantially improve management of coastal resources by state and local organizations and further, have been able to focus public, legislative, and executive attention on the ways to improve public policy as regards the Maine coast.

The active support of Congress and the appropriation of sufficient funds are essential to the continued success of our program. As the following more detailed comments indicate, we believe that federal funds invested in coastal management are well spent and are already paying dividends to the nation.

Program Administration Grants - Section 306

Funding under Section 306 of the Coastal Zone Management Act is the most important aspect of federal support for state programs from Maine's perspective. Maine spent three years developing its 306 program, which has been approved by the federal Office of Coastal Zone Management and is widely supported by state and local government officials and the interested public. We carried out an unprecedented amount of public involvement and technical work in developing this program. It's certainly an understatement to say that it was a very difficult and time-consuming task to forge a broadly supported program from the conflicting points of view of all the interests involved. I feel it's fair to say that we have made a very substantial commitment to the federal Coastal Zone Management program by investing the time and effort that we have.

As a result of this work we have considerable accomplishments to show, but a great deal remains to be done. In the area of accomplishments, we have significantly improved coastal management by:

a. Improving on the use of our native resources to provide jobs. For example, I have recently approved and sent on to the legislature a proposal to provide $9 million for the construction of public fish piers in several locations on the Maine coast. Approval of this measure is expected and it is anticipated that this will substantially enhance the prospects for growth in this environmentally compatible industry.

b. Dramatically improving the information base for making state and local land use decisions;

c. Increasing state and local personnel for administering regulatory programs to protect enviromental quality, and assisting private citizens and businesses in complying with these programs;

d. Establishing new authorities for the protection of public interest in coastal resource management. For example, under a bill now being considered by the legislature, sand dune areas would be protected from inappropriate and dangerous development. In addition, many towns have developed plans and ordinances to carry out local resource management responsibilities.

e. Improving public access to coastal resources under the Coastal Island Registry Program, which has reestablished public ownership of many coastal islands.

The key points here are that we can show substantial accomplishments even though we are only six months into implementation of our 306 program and that in our considered judgment, only a small portion of the potential of CZM has been realized to date.

We cannot overly stress the significance of continuing 306 grants to the State of Maine. The best way to ensure that national interests in effective management, beneficial use, protection and development of the coastal area are realized in Maine is to support the implementation of the state's approved program. Maine has and will continue in its work program to address issues of national concern, such as mitigation of coastal hazards, fisheries management and development, public access to the shoreline, rejuvenation of decayed urban waterfronts, and permit simplification.

We strongly urge funding of Section 306 Program Administration Grants at a level of at least $27.2 million for fiscal year 1980.

Energy Impact Formula Grants - 308(b)
OCS State Participation Grants - 308 (c) (2)

The Amendments to the OCS Lands Act contained a new provision under the Coastal Energy Impact Program - Section 308 (c) (2) provides grants to enable states to assume their responsibilities mandated by the OCS Lands Act. Although $5 million dollars was authorized for Section 308 (c) (2) Grants, no funds have been requested by the Administration. These Grants will be extremely important in Maine in fiscal year 1980, especially since it is anticipated that the first OCS lease sale on Georges Bank will be held during this period. In the months following this sale the State will receive at least twelve different documents from four federal agencies for each exploration plan. Maine's ability to deal with OCS matters is critically dependent upon the availability of adequate funds to perform our responsibilities under the OCSLAA. Therefore, we strongly urge that $4 million be appropriated for Section 308 (c) (2) OCS State Participation Grants for FY 1980.

In addition, in order for Maine to be adequately prepared to deal with current OCS activity, Formula Grants under Section 308 (b) of the CZM Act are necessary. Formula Grants are vital to enable Maine to plan for and develop the public facilities and services required as a result of OCS activity, a different function from that referred to above. We urge funding for Section 308 (b) at a level of $27.75 million or above for fiscal year 1980.

It is our hope that these comments will be of assistance to you as the fiscal year 1980 budget is developed. At your request, more detailed information on Maine's Coastal Program and its achievements to date can be provided. In addition a representative of Maine's State Planning Office would be pleased to testify before your committee if so requested.

Sincerely,

Joseph E. Brennan

JOSEPH E. BRENNAN
Governor

STATEMENT OF ROBERT M. BOOTH, JR.

[CLERK'S NOTE.—Subsequent to the hearing the chairman directed that the following statement of Robert M. Booth, Jr., general counsel, American Radio Relay League, originally made to the Committee on Commerce, Science, and Transportation also be in this record.]

[The statement follows:]

STATEMENT OF ROBERT M. BOOTH, JR.

The American Radio Relay League is a nationwide and bi-national non-profit organization of amateur radio operators of the United States and Canada, with a membership in excess of 166,000. It also is the headquarters organization of the International Amateur Radio Union, which consists of the national amateur radio societies of slightly more than 100 nations around the world.

I have served as General Counsel of the League for almost eighteen years, have been a licensed and active amateur radio operator for more than fifty years, am a registered professional engineer, and have been actively engaged in the practice of communications law before the Federal Communications Commission for almost thirty-five years.

The League has participated in many hearings held by Senate and House Subcommittees considering radio and related legislation over a period of almost sixty years. The most recent appearance before a Congressional Committee was ten days ago when I appeared before the Subcommittee on Communications of the Committee on Interstate and Foreign Commerce of the House of Representatives to testify on H.R. 3333, the proposed rewrite of the Communications Act of 1934. The League's most recent appearance before this Subcommittee was by League President Harry J. Dannals in September of 1978 in support of the objectives of S. 864, introduced by Senator Goldwater. Many of the League's suggestions and recommendations have been incorporated from time to time into the Radio Act of 1927 and the Communications Act of 1934.

The contributions of amateur radio operators to preservation of life and property over the years is so well known as to not require repeating. Seldom does a day pass that League Head-

quarters at Newington, Connecticut, does not learn of another instance in which a life has been saved as a result of communications available only by amateur radio.

There appears to be little in either S. 611 or S. 622 of direct interest to radio amateurs other than the sections relating to fees and license terms. In addition to commenting upon those matters, I should like to offer several constructive suggestions for amendments of the present Act which, if adopted, will improve the efficiency of operation of the Federal Communications Commission.

Fees

S. 611 provides, in proposed Section 106(b)(1), that the Commission shall "establish schedules for public resource fees to be collected from licensees engaged in the commercial utilization of the electromagnetic frequency spectrum for non-broadcast purposes," and that "[s]uch fees shall reasonably reflect the true value of the license issued to each licensee." It is not clear whether non-profit licensees, such as radio amateurs, would be subjected to or exempted from fees.

In S. 622, proposed Section 6(a) directs the Commission to "impose a fee on any person regulated under this Act" and, in Section 602(b), grants the Commission authority to waive the fee "(2) for non-commercial users of the spectrum, if the Commission determines that such waiver is in the public interest".

It appears that the intent in each instance is that fees not be imposed upon amateur radio applicants, licensees, or operators. There appears to be no reason why such an intent should not be clearly stated in the form of a specific exemption for the Amateur Radio Service as well as for other non-commercial and government applicants and licensees. A specific exemption for all amateur applicants, licensees and operators is requested.

In testimony before the House Subcommittee in September of 1978 on H.R. 13015 and again ten days ago on H.R. 3333, the League's spokesman stated as follows:

> The imposition of a spectrum fee gives the League some concern. The radio spectrum is not the property of the United States Government or any other government or combination of governments. It is as extensive as our universe, as recently demonstrated by transmission of pictures and telemetry from the moon, Jupiter, Mars and even farther in outer space. Most of the frequencies are assigned on a worldwide basis [and many are shared by stations of different services licensed by other governments] and the League respectfully suggests that further study be given to this proposal.

The comment is equally pertinent to a frequency use fee. If the Commission is to be directed to reestablish a fee system, it appears desirable that any and all fees be based upon the cost of processing applications and administering the particular service.

License Terms

S. 611 and S. 622 each would lift the present five-year limit on station licenses.

In earlier appearances before this Subcommittee and the Subcommittee on Communications of the House, League spokesmen have cited longer license terms as one of several ways to reduce the workload of the Commission's staff, and have recommended that the present five-year limit be extended to at least ten years.

The League is pleased to note that both bills contain such provisions. Even should other portions of the bills not be adopted, an amendment of Section 307(d) of the present Act should be adopted without delay to substitute "ten years" for "five years".

Improving Efficiency Of The Commission

Earlier I noted that the League would like to offer several constructive suggestions for amendments to the present Act not

contained in either S. 611 or S. 622 which, if adopted, will improve the efficiency of the Commission's administration of the Amateur Radio Service.

Approximately 375,000 amateur licenses are outstanding. Approximately 30,000 applications are received and must be processed each month. Many of the applications, such as renewal of license, are routine and easily processed. More than half are for operator's license for which the applicant must pass an examination demonstrating his knowledge of radio theory, practice, regulations, operating procedures, and last, but not least, the Morse Code. As the direct result of the licensing requirements, the Amateur Radio Service traditionally has been largely self regulating and self policing. In one Annual Report to Congress after another, the Commission has noted the lack of necessity for any substantial amount of time and effort to be devoted to monitoring and policing the Amateur Radio Service.

With the guise of deregulation and with the explanation of budgetary limitations, the Commission recently has undertaken a number of actions which will have substantial adverse and lasting effect upon the Amateur Radio Service in the coming years. The League is fearful that the service will degenerate to the point where its ability to achieve the basis and purposes of the Amateur Radio Service, as set forth in Section 97.1 of the Commission's Rules, may be lost. That section provides as follows:

> The rules and regulations in this part are designed to provide an amateur radio service having a fundamental purpose as expressed in the following principles:
>
> a) Recognition and enhancement of the value of the amateur service to the public as a voluntary noncommercial communication service, particularly with respect to providing emergency communications.

b) Continuation and extension of the amateur's proven ability to contribute to the advancement of the radio art.

c) Encouragement and improvement of the amateur radio service through rules which provide for advancing skills in both the communication and technical phases of the art.

d) Expansion of the existing reservoir within the amateur radio service of trained operators, technicians and electronics experts.

e) Continuation and extension of the amateur's unique ability to enhance international good will.

The problem arises from lack of funds for processing applications and administering the Amateur Radio Service. With the number of amateurs in the United States increasing approximately 15 percent each year, the problems will become increasingly acute unless some relief is provided to the Commission.

The Commission's answer to the ever-increasing number of amateur applicants and licensees has been to call upon data processing techniques and systems. The benefits derived from data processing are well known. Unfortunately, there are instances in which the user can become a slave of the data processing system rather than its master. That is what is happening at the Commission with the Amateur Radio Service.

An illustration of the problems is action taken by the Commission in the last two years in Docket 21135, a rule making proceeding looking toward simplification of the licensing and call sign assignment systems for stations in the Amateur Radio Service.

For more than fifty years, the regulatory agency, first the Department of Commerce, then the Federal Radio Commission, and finally the Federal Communications Commission, has issued separate licenses, and in many instances, distinctive call signs to amateur stations located in or associated with universities, colleges, high schools and other educational institutions.

As a result of experience gained during World War II, the Commission established the Radio Amateur Civil Emergency Service, more commonly known as RACES, for the express purpose of providing communications in times of disaster. One of the essential elements of RACES has been separate licenses and distinctive call signs for each of the stations so that every operator will be able to quickly identify a calling or working station.

Senator GoIdwater knows far better than I the importance of Military Recreation Stations operated by amateurs on bases and on ships of the Armed Forces throughout the world in maintaining morale and in providing communications in times of emergency.

The Commission already has cut back on its amateur station licensing activities by discontinuing separate licenses for repeater and secondary, or second, station licenses, and by discontinuing the issuance and renewal of distinctive call signs for repeater and special event station licenses. An example of a Special Event Station is the station at the Smithsonian Institute which has the call sign NN3SI.

Unfortunately, under the guise of deregulation, the Commission has proposed, in rule making Docket 21135, to discontinue the issuance of separate license for all club, military and RACES stations. The League expects an order finalizing the proposals by early fall of this year.

The discontinuance of distinctive call signs for repeaters has lessened to some extent the ability of amateurs to provide communication service in times of emergencies. The last ten or twelve years have seen an explosive growth of the number of low-powered amateur stations operating in automobiles and with complete hand-held stations on VHF and UHF amateur frequencies. These operations have been made possible by the use

of repeater stations located at some high elevation which receive and automatically retransmit signals to and from the low-powered mobile and hand-held stations. It is now possible to drive across the United States and be in communication with other amateurs through a VHF repeater almost every mile of the way. Should an accident occur, an amateur so equipped can summon emergency and life-saving assistance without even having to search for and stop at a telephone.

One of the reasons repeaters have been so effective in the saving of lives and property has been the assignment to them of separate licenses and distinctive call signs. The assignment of separate licenses places a responsibility for the technical operation of the station upon the owner where it belongs and not upon the casual or itinerant user. The assignment of distinctive call signs made possible the publication of nation-wide directories of repeaters which are invaluable both in times of emergency and to the traveling amateur. I have here several copies of the latest Repeater Directory published by the League.

The Commission's explanation for discontinuing repeater, secondary and special event station licenses and for proposing to discontinue club, military recreation and RACES licenses is that such applications cannot be handled by its present data processing equipment and that it does not have the manpower to process such applications by hand because of budgetary limitations.

The number of such applications is little more than one percent of all amateur applications. Some way should be found to continue these extremely valuable services. The answer is simple, at least to the League.

Volunteer Assistance To The Commission

The League has offered several times over the last few

years to expand the use of volunteers to administer examinations, grade examination papers and process applications at no charge to the Commission. It is feasible to design a procedure which will be reasonably free of abuse. Each time the offer has been rejected as being prohibited by 31 USC §665(b). H.R. 3333 now before the House Subcommittee would give the Commission, in Section 242(b)(7), authority "to accept gifts and voluntary and uncompensated services, notwithstanding the provisions of Section 3679 of the Revised Statutes (31 USC 665(b))". The League strongly recommends such an amendment to the present Communications Act.

A second part of the League's volunteer assistance proposal is that the volunteers have authority to issue temporary authorizations, but not licenses, to qualified applicants. League President Dannals submitted the following explanation in a statement submitted to the House Subcommittee in its hearing last September on H.R. 13015:

> The reason authority to issue "temporary authorizations, but not licenses," is suggested is to permit complete implementation of the "instant upgrading" program recently adopted by the Commission. Under that program an amateur who has passed an examination administered by a Commission employee to upgrade to a higher class of operator license with additional operating privileges need not wait several weeks and often longer for receipt of an amended or new license before operating with the new and additional privileges. "Instant upgrading" has been one of the most practical and popular procedural changes adopted by the Commission in recent years. Unfortunately, "instant upgrading" is unavailable to the Novice Class, which is the lowest and usually entry class to Amateur Radio. The dropout rate of Novice Class licensees has been substantial, because they must wait several weeks after having taken the examination to learn the results and, if successful, to obtain a license. Investigation has disclosed that one of the causes of the high dropout rate has been loss of interest and momentum during the several weeks between taking the examination and receiving the license. By authorizing "the issuance of temporary authorizations, but not licenses", by the volunteers who administer the Novice examinations, the delays in obtaining permission to operate will be eliminated. In addition, the issuance of temporary authorizations, but not licenses, is consistent with the provisions of the Administrative Procedure and Judicial Review Act, 5 USC 555, et seq.

The number of applications received and processed by the Commission's Private Radio Bureau has continued to increase significantly in the nine months since that testimony was submitted. The ever-increasing workload, coupled with the restraints placed upon the Commission's budget by Congress, makes even more imperative the granting of authority to issue "temporary authorizations, but not licenses" to amateurs who have passed an examination administered by a volunteer examiner.

The League suggests that the present Act be amended to incorporate the following in Section 4:

> Have authority to delegate to qualified persons, by contract or otherwise, the preparation and administration of examinations for amateur radio operator licenses and the issuance of temporary authorizations, but not licenses, to qualified applicants.

Contracts For Services

The contracting for services appears to be a reasonable alternative to the use of volunteers to process applications and perform other duties such as those discussed above. Commission personnel leave expressed doubt as to the Commission's authority to contract for such services, and H.R. 3333 now before the House Subcommittee on Communications proposes to grant the Commission authority to "enter into and perform such contracts, leases, cooperative agreements or other similar transactions with...private organizations and persons...as it may consider necessary or appropriate to carry out functions now or hereafter vested in the Commission." The League recommends such an amendment to the present Act.

Susceptibility Of Devices To Unwanted Signals

This Subcommittee held hearings last September on S. 864, a bill introduced by Senator Goldwater proposing to grant the Commission authority to require home entertainment and

other consumer devices including, but not limited to, television receivers, hi-fi amplifiers, AM and FM tuners and receivers, electronic organs, and public address systems, to incorporate circuits and construction to minimize the possibility of interference from nearby transmitters and other devices emitting electro-magnetic radiation. At the hearing, Senator Goldwater expressed the hope that voluntary action by manufacturers would render such legislation unnecessary, a spokesman for the Electronic Industries Association represented that the manufacturers already had initiated corrective action, and FCC Chairman Ferris promised that the Commission would pursue the matter with dispatch.

The League regrets to report that it has seen little tangible proof of positive action, either by manufacturers or the Commission. The Commission did issue an elaborate Notice of Inquiry in Docket 78-369 on November 21, 1978. Dozens of studies of the problem have been conducted in recent years by the Commission, the manufacturers, and the radio amateurs. Corrective measures are well known and, as long as the Commission does not strive for 100 percent protection, the measures are readily available at almost infinitesimal cost. The League simply does not understand the reluctance of industry and the Commission to take even the first step to cleaning up the ever-increasing problem of interference.

The League again urges enactment of the provisions of S. 864.

Point of Sale Control of Transmitting Equipment

The ready availability of transmitting equipment, including transceivers (a transmitter and receiver with some common components and circuits in a single package), capable of operation on unauthorized frequencies has been the direct cause of tens

and perhaps hundreds of thousands of stations operating in direct defiance of the 1934 Communications Act. The following is quoted from President Dannals' statement of September, 1978, before the House Subcommittee on Communications on H.R. 13015:

> The Commission has been deluged by tens of thousands of complaints of interference to television reception from transmitters operating in the 27 MegaHertz Citizens Band Service. A high percentage of the complaints are brought about by the illegal use of external radio frequency power amplifiers to increase the transmitted power from a maximum authorized power of four watts to several hundred watts. A lesser but substantial number of television interference complaints have arisen from the illegal operation by Citizens Band operators or unlicensed individuals of relatively high power amateur transceivers on frequencies adjacent to the 27 MHz Citizens Band allocations. Over the objections of the League and amateurs generally, the Commission has recently modified its rules for external radio frequency power amplifiers to prohibit the manufacture, shipment, offering for sale, or sale of amplifiers which (1) are not type accepted, (2) are capable of operation between 24 and 35 MHz. That action was taken in Dockets 21116 and 21117. The League submitted as a counter proposal that the present Act be amended to add the following to Section 303:
>
> > (t) Have authority to prohibit the delivery by sale, lease, gift or otherwise, of transmitting and associated equipment and components to a person not then possessing a valid authorization or license for operation of such equipment or components.
>
> * * * * * *
>
> Point of sale control also is needed for other than amateur-type equipment. The purchase and illegal operation of VHF marine transceivers for private land-mobile communication systems is becoming quite widespread. For example, a person may purchase without question or challenge a transceiver capable of operation on marine frequencies in the 152-174 MHz mobile band, install the unit in his automobile, and operate on frequencies assigned to the marine service.

The League strongly recommends that the present Act be amended to authorize point-of-sale control of all transmitters and associated equipment.

Secrecy of Communications

The Amateur Radio Service has enjoyed the reputation of being largely self-regulating. The amateurs have kept their

house in order with but minimal enforcement activity by the Commission. This has been made possible to a large extent by the exemption of amateurs from the secrecy provisions of Section 605 of the Communications Act. Nevertheless, questions have arisen from time to time because of a literal interpretation of the last sentence of that section. In addition, many responsible Citizens Band and General Radio Service operators have attempted to bring self-regulation to the CB service, only to be met by the obstacle that the exemptions of Section 605 apply only to amateur and broadcast stations. To provide clarification and enlargement of the exemption of Section 605, the League recommends that the last sentence of that section be revised to read as follows:

> This section shall not apply to the receiving, divulging, publishing, or utilization of the contents of any radio communication which is transmitted by a broadcast, amateur, citizens band or personal radio station, or by any other station for the use of the general public, or which refers to ships, aircraft, vehicles, or persons in distress.

The League greatly appreciates the opportunity to submit these comments and suggestions and hopes that they will be of assistance to the Committee.

Respectfully submitted,

Robert M. Booth, Jr.
General Counsel
The American Radio Relay
League, Incorporated

June 18, 1979

SUBCOMMITTEE RECESS

Senator HOLLINGS. The subcommittee will be in recess subject to call of the Chair.

[Whereupon, at 12 m., Monday, June 4, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

MONDAY, JUNE 11, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2:04 p.m., in room S–146, the Capitol, Hon. Ernest F. Hollings, presiding.

Present: Senators Hollings, Weicker, Bumpers, and Burdick.

Also present: Senator Randolph.

NONDEPARTMENTAL WITNESSES

WHEELING-PITTSBURGH STEEL CORP.

STATEMENT OF DENNIS I. CARNEY, CHAIRMAN, WHEELING-PITTSBURGH STEEL CORP.

Senator HOLLINGS. How are you doing, Mr. Carney?

Mr. CARNEY. Fine, sir.

Senator HOLLINGS. Last Monday during our hearing with the Economic Development Administration several questions were raised about the steel loan program of the EDA. In particular, there was a concern about a loan guarantee being made to the Wheeling-Pittsburgh Steel Co. for a new rail mill in Monessen, Pa. Since that hearing, I have had the opportunity to speak to Dennis Carney, the chairman of Wheeling-Pittsburgh and I have called this session in order to allow him to make his responses to our concerns on the record.

I understand we also have representatives here from other steel companies and after we have finished with Mr. Carney we will call them to the table to hear their statements.

Senator Randolph, did you have anything you wanted to say?

Senator RANDOLPH. No, I have no statement.

Senator HOLLINGS. You are invited to sit with the committee, we would be honored.

Senator RANDOLPH. This is fine.

Senator HOLLINGS. Specifically, Mr. Carney, we have this program in EDA for loan guarantees for those industries who are nationally sick, mostly as a result of the dumping, and come under the trigger mechanism of the trade policy of the Carter administration.

Going right to the point, it is for sick companies. As it came out in last week's hearing you were able to corral some $77 million

there at Wheeling-Pittsburgh. That didn't sound like a sick company. Second, with respect to the usage of that money, it was for a new rail mill. We were talking modernization of sick companies, not going into new endeavors. Third, I think it was in your own quarterly report, that it was stated that you had money for acquisitions and you were out with a $140 million commitment for acquisitions.

Obviously the loan guarantee program is not to help companies prosper and promote acquisitions. Fortunately—I am doing pretty well so far today—it was a $140 million application; it was not a commitment according to Mr. Hall, if I remember correctly. So those are the things I have in mind and I am confident that we will have quite a few questions.

Do you want to say anything?

Senator WEICKER. No, go right ahead.

Senator HOLLINGS. All right, we will hear from you, sir.

WHEELING-PITTSBURGH OPERATING HISTORY

Mr. CARNEY. I appreciate this opportunity, Mr. Chairman, because I am here to address the questions that you have raised by your committee——

Senator RANDOLPH. Louder, please.

Mr. CARNEY. And I hopefully do so with this testimony. I believe it would be helpful to provide an overview of Wheeling-Pittsburgh's operating history, our present circumstances, and the role and effect of guaranteed loans by the Economic Development Administration and the Farmers Home Administration.

Wheeling-Pittsburgh Steel Corp. was formed in 1968 as a result of a merger of Wheeling Steel and Pittsburgh Steel. This merger was prompted by the near financial failure of Weeling Steel and the belief by the lenders that the stronger management of Pittsburgh Steel would be beneficial to the newly formed larger operation. The merged company had total employment of over 18,000 people. It was weak financially at the time of the merger. Wheeling-Pittsburgh survived and made marginal improvement in the early 1970's and was particularly successful in 1974, which was a boom year for the entire U.S. steel industry.

Wheeling-Pittsburgh today employs approximately 14,500 people in the Monongahela and Ohio Valleys in the States of Ohio, 7,300; Pennsylvania, 5,100; and West Virginia, 2,100. We are the eighth largest company in terms of steel sales and our company accounts for slightly over 3 percent of domestically produced steel. Executive offices are located in Pittsburgh and most of our administrative personnel are in Wheeling, W. Va.

In the past few years several major developments have affected the entire steel industry in general and Wheeling-Pittsburgh in particular. With the worldwide decline in steel consumption,there was an influx of foreign steel with very damaging effects on pricing and the profitability of American steel companies. This pressure on the viability of American steel companies coincided with the imposition of very tough environmental laws and regulations.

The steel industry is dramatically affected by the Clean Air Act, the Water Pollution Control Act, and similar State laws and regulations issued under them. A third problem of particular conse-

quence for Wheeling-Pittsburgh and others is the cyclical nature of the steel business. Recently Youngstown Sheet and Tube was forced to merge with J. & L. (LTV) to keep it from bankruptcy. For the first time since 1929, the eight largest steel companies combined lost money in 1977. Wheeling-Pittsburgh is particularly vulnerable to fluctuations in the cycle of automobile and appliance sales because our finishing facilities are primarily for the production of sheet metal. Our prime markets for sheet are the automobile, appliance and container industries which fluctuate with the consumer demand.

In the 1970's Wheeling-Pittsburgh Steel management has developed a long range plan to insure the financial viability and stability of the company as a producer of steel and an employer of approximately 14,500 people. The major elements of this plan were and are:

One, to eliminate loss operations such as rods and wire which were significant parts of Wheeling-Pittsburgh steel production and sales;

Two, to enter into new steel products with good market demand and better profitability, and

Three, to solve our major pollution problems with the government agencies.

The following actions implement this overall plan:

One, make sure the company was operating in an efficient manner;

Two, eliminate major loss operations;

Three, reach an agreement with Federal and State agencies on a pollution control program;

Four, diversify our product mix; and

Five, develop a capital financing plan to accommodate these things.

Now taking them one at a time, first, efficiency, marked cost reductions have been a major factor in increasing our efficiency. In 1972, when our shipments were almost identical to 1977 levels, we had some 18,000 people on our payrolls. Last year, average employment dropped to less than 14,500—a reduction of 20 percent. In the last 3 years alone, we have reduced our salaried management personnel by 28 percent, our executive ranks by 40 percent, and our total executive payroll by $1½ million per year.

Productivity progress depends mainly on improving output per manhour. Wheeling-Pittsburgh's improvements in productivity are demonstrated by the reduction in our total manhours per shipped ton from 4.5 percent above the average for the industry in 1974 and 1975, to 3.3 percent below the industry average in 1976 and 1977. For the latest data available, in the second and third quarters of 1978 our manhours per ton shipped were 3.4 percent below the industry average. We have markedly improved our efficiency of operations, and, we believe, are fully competitive domestically.

ELIMINATION OF LOSS OPERATIONS

Since 1972, Wheeling-Pittsburgh has closed a rod and wire mill, has sold Johnson Steel and Wire, a subsidiary; sold the Thomas Strip Division; has sold partnership interests in steel plants in Belgium and Brazil; and eliminated certain other unprofitable

product lines. All of these steps have added to our corporate profitability.

POLLUTION CONTROL

In 1977, about 2 years ago now, we began negotiations with the Economic Development Administration for financing of a rail mill and with the Department of Environmental Resources of the Commonwealth of Pennsylvania on a consent decree covering pollution problems, primarily air pollution, at our Monessen and Allenport facilities. This resulted in an agreement which was signed on March 22, 1978. This agreement was conditioned on our obtaining financing to cover expenditures of approximately $28 million required by that agreement. Because we were unable to obtain such financing from private credit markets we had approached the Economic Development Administration and the Farmers Home Administration about loan guarantees. EDA quickly perceived that resolution of our pollution problems in one State was only a partial solution and that the ability of the company to function long term—and service federally guaranteed loans—was dependent upon the viability of all of our plants.

While indicating a desire to be helpful in the maintenance of Wheeling-Pittsburgh as a major employer, EDA told us that a companywide agreement with Federal and State pollution control agencies was a firm prerequisite for loan guarantees. Consequently, through much of 1978 and the first part of this year we devoted enormous efforts to the development of a companywide consent decree with the Environmental Protection Agency and State environmental agencies. On March 19 of this year such a decree was executed by Wheeling-Pittsburgh and the Environmental Protection Agency. By our estimates, it will require the company to spend approximately $86 million over and above the $1 million we have already spent—between the date of execution and the end of 1982. Without these expenditures the company would be subject to enforcement actions which would result in the termination of critical operations at one or more of our facilities with a domino effect for the rest of the company. The maintenance of Wheeling-Pittsburgh as an employer is dependent upon financing these Federal requirements.

During these negotiations it was recognized by EPA which made a careful study of our company, that in the absence of Federal loan guarantees Wheeling-Pittsburgh could not finance a program of this magnitude. As a matter of fact, section 25 of Wheeling-Pittsburgh's EPA consent decree expressly conditions the agreement on the issuance of guarantees by EDA and FmHA.

DIVERSIFICATION/RAIL MILL

After careful study of all of our facilities and the steel markets, we concluded that the best diversification for Wheeling-Pittsburgh was the production and sale of rails. We believe there is a great need and a market demand for such a facility and its production. We have been supported in this belief by discussions with most of the major railroads. Our plans call for a mill to produce longer length and better rails than are generally available in this country.

This is to be a rolling mill which will not add to the company's capacity to make steel. It will permit the use of some of its existing steelmaking capacity for new product line which is in short supply. The proposed rail mill is the object of much, if not all, of the criticism of this project which has been voiced by your subcommittee. Three points need to be made about this project.

First, relative to domestic capacity, there is not sufficient capacity to produce rails, both as to quantity and quality. Wheeling-Pittsburgh is itself, a rail purchaser. We are presently waiting 6 to 9 months for certain styles of rails. As a precondition to a loan guarantee commitment, EDA has conducted a lengthy study of domestic rail capacity and has concluded that the Monessen mill will not create overcapacity. I am sure this study is available to you and the subcommittee.

Second, the Monessen rail mill is inseparably tied to Wheeling-Pittsburgh's ability to finance the $86 million in pollution control expenditures. The enhanced profitability and, perhaps more importantly, the stability of that profitability which will be provided by the rail mill is an essential part of the financing program since the pollution control expenditures do not generate any additional revenue, but simply permit the company to stay in business.

Third, this facility is to modernize our Monessen plant. The rail mill will be built on the site of a rod and wire mill which was closed in 1972 as a direct casualty of cheap imports. Since that time we have not had any finishing capacity at our Monessen plant. Steel produced at Monessen is transferred to other plants in an ingot or semifinished form. This is not an efficient process. The rail mill will use hot metal produced at Monessen which was previously devoted to the rod and wire mill, Johnson Steel Wire and the Thomas Strip Division.

FINANCING

As these projects took shape, Wheeling-Pittsburgh began discussions with EDA regarding a loan guaranty. Our initial contacts preceded the announcement by Solomon in the White House. After the program was initiated, EDA indicated a willingness to work toward such a guaranty if the additional financing could be arranged beyond the $100 million limit of the steel program. In addition, the Pennsylvania Industrial Development Authority indicated a willingness to participate. The total cost of these programs is estimated at over $190 million. The Economic Development Administration and Farmers Home Administration guarantees are for 90 percent of the $150 million. PIDA which is the Pennsylvania industry participation, is in the form of a 4 percent loan of $10 million. EDA would guarantee funds for the rail mill and pollution control projects in Pennsylvania and FmHA would guarantee funds for pollution control projects in West Virginia and Ohio. The breakdown is as follows:

FINANCING PLAN

The rail mill EDA guaranteed loan was $63.5 million; the rail mill Pennsylvania Industrial Development Authority loan was $10

million. The rail mill Wheeling-Pittsburgh equity was $31.5 million, for a total of rail mill $105 million.

The pollution control FmHA guaranteed loan was $50 million. The EDA guaranteed loan was $36.5 million for a total of $86.5 million. Total federally guaranteed funds were $150 million. Total State (PIDA) funds were $10 million. The total equity of Wheeling-Pittsburgh is $31.5 million.

We have lenders for the $150 million in the form of nine major insurance companies who will loan the money only if we obtain the Federal guarantees. This is as late as last week. Such guarantees are, of course, limited to 90 percent of outstanding principal and accrued interest. For better or worse, the pollution control program required by our consent decree and the rail mill are financially inseparable. Without resolution of our environmental problems we would not be in business very long and the revenues to be generated by the rail mill are essential to servicing the debt required to do the pollution control program. We believe this program is completely consistent with the EDA steel program lending guidelines which state that:

> The intent of this program is to finance the physical, financial and technological modernization—including pollution control—of eligible firms in the steel industry.

EDA's modernization assistance is specifically defined to include:

> Pollution control equipment, product related capital and organizational improvements which enhance profitability by improving the quality of existing product(s) or by facilitating production of new product(s).

QUESTIONS RAISED AT JUNE 4 HEARING

Mr. Chairman, this provides an overview of our situation. Now I would like briefly to address several points which were raised in your hearing on June 4.

There was discussion in that hearing regarding a $77 million revolving credit agreement for Wheeling-Pittsburgh as it relates to the Federal guarantees. We are in the final stages of completing a loan agreement with a consortium of major banks in this country for a $77 million revolving credit agreement. These funds are to replace existing working capital bank lines and are only for working capital purposes. The terms of this arrangement provide for drawdown of these funds only as required by Wheeling-Pittsburgh for working capital. Any balance outstanding at the end of 4 years will convert to a term loan to be retired over an additional 3-year period. Any company of our size and, particularly one in the steel industry, needs standby credit agreements to deal with peaks and valleys in cash flow. It is also very important to note that the $77 million revolving credit agreement is conditioned upon Federal guaranty of long-term financing since the banks are equally cognizant of the threat to our financial stability without the rail mill and a resolution of our environmental problems. Thus, we have the situation where the working capital loans—which are not guaranteed—are dependent upon the guaranteed loans and vice versa.

With regard to EDA, it should be noted that in our negotiations with the agency they have expressly required that we have such a revolving credit agreement as a condition of the long-term capital loan guarantees. This provides assurance for the Federal Government and the insurance company lenders that Wheeling-Pittsburgh

will have adequate working capital during the construction period and initial operation of the rail mill and pollution control projects. The revolving credit agreement is not a substitute for EDA assistance, but a necessary companion of it.

It was suggested in your hearing on June 4 that these funds were to be used for acquisition by Wheeling-Pittsburgh. This is definitely not the case. These funds are only for working capital for our present operation and will be restricted to this purpose. Wheeling-Pittsburgh has no present plans to acquire any other company. We have been approached as we stated recently by several smaller companies which indicated an interest in being acquired, primarily for the managerial capacity of Wheeling-Pittsburgh. We have indicated to all such inquiries that we have no funds for any such acquisition.

A final point which needs discussion is a statement which was included in our first quarter report regarding commitment from the two Federal agencies to guarantee the financing in question. This statement was included based on letters of intent which we had received from EDA and FmHA. These letters of intent stipulated a series of conditions to the issuance of the guarantees. We have, in our judgment, satisfied all of these conditions other than those related to completion of loan documents, security interest, and the like. These are currently in negotiation and preparation. We took these indications from the Government at face value as good faith indication that if Wheeling-Pittsburgh did what it was required to do that guaranteed financing would be forthcoming. Our shareholders report further noted that these loans remain to be finalized and I believe it is clear from the face of that report that we did not have the money in the bank.

I should mention at this point the strong support that Wheeling-Pittsburgh has received from its employees. In early 1978, Wheeling-Pittsburgh was experiencing severe financial reverses and we could not raise funds in any normal financial market. At that time we had one option and that was to offer preferred stock for sale to our employees. Over 70 percent of our 14,500 employees subscribed for the purchase of more than $8.6 million worth of preferred stock. These employee stockholders have become part owners of the company. In addition, districts 15 and 23 of the United Steelworkers of America strongly support our plans to build the rail mill and pollution facilities and have accompanied management in negotiating with the Environmental Protection Agency for the consent decree. President Lloyd McBride himself and the international officers of the United Steelworkers have offered their full support for our specifical loan.

To conclude, Mr. Chairman, this is a brief review of a complex set of circumstances. We believe the guarantees we are seeking are vital to preserve Wheeling-Pittsburgh as a viable firm and preserve our employment which is critical to the economic health of the Monongahela and Ohio Valleys. We will pay back the money and the Federal Treasury will not be called upon. A review of the steel guidelines and the Solomon Report which underlies them indicates to us that our plans are completely consistent with their objectives. The 14,500 loyal and dedicated employees of Wheeling-Pittsburgh deserve your full support for the loan guarantees. I will now be

happy to answer any questions you or other members of the subcommittee may have.

EFFECT OF NOT OBTAINING LOAN

Senator HOLLINGS. Are you saying at the bottom line, Mr. Carney, if this does not go through, 14,500 employees are out of a job; is that right?

Mr. CARNEY. They could well be, from what I have said. Our company has been financially analyzed probably as much as any other company; by each of our major lenders; all the major insurance companies; by each of the banks and by EDA. All of these companies have concluded that the future viability of Wheeling-Pittsburgh depends on this rail mill and the Federal guaranteed loans.

STATUS OF LOANS

Senator HOLLINGS. You state that your report itself noted that the loans remain to be finalized and that the report on its face would show you did not have the money in the bank. Do you have a copy of that report?

Mr. CARNEY. Yes, I do. That report states in there that the loans will be finalized, I thought, I had hoped at the end of June. These commitments will enable us to finalize financial arrangements in June through a consortium of insurance companies. Actually, we will not make June.

Senator HOLLINGS. We will make that report a part of the record.

[The document follows:]

report on the

Annual Meeting of Stockholders

and

report on results for the

Three Months Ended March 31, 1979

The Annual Meeting of Stockholders of Wheeling-Pittsburgh Steel Corporation was called to order on April 27, 1979 at 10:00 A.M. The meeting was held in the Executive Offices, Four Gateway Center, Pittsburgh, Pennsylvania. Dennis J. Carney, Chairman, President and Chief Executive Officer, conducted the meeting.

Of 237,884 shares of 6% Prior Preferred Stock, 328,487 shares of $5 Cumulative Preferred Stock, 3,778,599 shares of Common Stock and 110,230 shares of Series A Preferred Stock outstanding, 79.36% of the votes were represented at the meeting, in person or by proxy.

Four directors were elected for terms expiring in 1982.

Dennis J. Carney
Chairman, President and Chief Executive Officer

C. Howard Hardesty, Jr.
Chairman, President and Chief Executive Officer
Commonwealth Oil Refining Co., Inc.

Allison R. Maxwell, Jr.
Retired; former Chairman of the Board

Andrew G. Scott
Executive Vice President

One director was elected for a term expiring in 1981.

Henry G. Allyn, Jr.
President and Chief Executive Officer
The Pittsburgh and Lake Erie Railroad Company

Price Waterhouse & Co. was elected as auditors for the year 1979.

The other directors are:

Peter Denby
Partner—Reed Smith Shaw & McClay

Robert A. DePalma
Vice President—Finance and Chief Financial Officer, Rockwell International Corporation

R. McL. Hillman
Retired; former Executive Vice President—Corporate and Finance

C. Taylor Marshall
Chairman and President, Edgewater Corporation

Robert E. Seymour
Chairman, Consolidated Natural Gas Company

John S. Wilbur
Director, The Cleveland-Cliffs Iron Company

CORPORATE OFFICERS

Dennis J. Carney	Chairman, President and Chief Executive Officer
Andrew G. Scott	Executive Vice President
George M. Esler	V.P.—Operations
James S. Howard	V.P.—Administration
A. Richard Rosavage	V.P.—Finance and Chief Financial Officer
Joseph Scalise, Jr.	V.P.—Industrial Relations
John E. Wright, III	V.P.—Purchases, Traffic and Raw Materials
George Raynovich, Jr.	General Counsel and Secretary
John W. Testa	Treasurer
Manfred Rose	Comptroller
Edwin B. Goldsmith, Jr.	Assistant Secretary
Eileen W. Smiley	Assistant Secretary
Grant D. Kalson	Assistant Treasurer
Frederick G. Chbosky	Assistant Comptroller

Remarks by Dennis J. Carney
Chairman and President
To the Annual Meeting of Stockholders

What a difference a year makes! It is a pleasure to report this morning at our 1979 Annual Meeting of Stockholders, progress that your management and employees have made since 1977.

The most important measurement of our progress is, of course, our financial condition. As you know, in 1978 we had a net income of $19-million, or $4.23 a common share, which was the second highest income obtained since the Wheeling-Pittsburgh merger in 1968. This compares with the loss of over $25-million, or $7.70 per common share, in 1977. Annual sales of $1.1-billion set a new record and reflected a 19-percent increase in sales over 1977, and shipments increased by 7-percent over 1977.

We recently reported a net income of $9.2-million, equal to $2.20 a common share, for the first quarter of 1979. This compares with a loss of approximately $18-million in the first quarter of 1978. We also had a loss of over $19-million in the first quarter of 1977. **Thus, our first quarter earnings this year improved by almost $28-million, or more than $7 a share, over the same quarters of the prior two years.**

The most significant measure of financial progress has been the net income in the past four consecutive quarters, from the second quarter of 1978 through the first quarter of 1979. This period's net income was $46-million, equal to $11.47 a common share on sales of $1.2-billion. Our return on sales was 3.8-percent—still considerably short of the 6-percent return on sales that we need for modernization—but the best attained since our record performance in 1974.

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NET INCOME IN THE PAST FOUR CONSECUTIVE QUARTERS

. . . WAS **$46-MILLION**
. . . EQUAL TO **$11.47 A COMMON SHARE**
. . . ON SALES OF **$1.2-BILLION.**

OUR RETURN ON SALES WAS 3.8%

. . . CONSIDERABLY SHORT OF THE 6% RETURN WE NEED FOR **MODERNIZATION.**

. . . BUT THE **BEST ATTAINED** SINCE OUR RECORD PERFORMANCE IN 1974.

Other significant improvements to our financial position in 1978 were: (1) an approximate $21-million increase in working capital, cash and short-term investments; (2) a reduction in long-term debt of $27.8-million and an increase in stockholders' equity of $17.4-million; and (3) payment of all dividend arrearages on preferred stock.

OTHER SIGNIFICANT IMPROVEMENTS IN 1978 WERE:

1) AN APPROXIMATE **$21-MILLION INCREASE** IN WORKING CAPITAL, CASH AND SHORT-TERM INVESTMENTS.
2) A **REDUCTION** IN LONG-TERM DEBT OF $27.8-MILLION . . . AND AN **INCREASE** IN STOCKHOLDERS' EQUITY OF **$17.4-MILLION.**
3) PAYMENT OF ALL **DIVIDEND ARREARAGES** ON PREFERRED STOCK.

Last year at this meeting, I emphasized problems of Wheeling-Pittsburgh and the steel industry and suggested some solutions to these problems. Today, I would like to briefly summarize some of our progress and accomplishments in solving these problems.

Make no mistake, higher operating rates and higher prices for our products have been major contributors to our profit improvement. However, these factors were augmented by substantial contributions from drastic cost reductions and increased productivity. We have made many strides toward a better cost-price relationship by a number of internal moves throughout the Corporation to strengthen our profit performance. Let's summarize a few of them.

One of our more important accomplishments during the past year was to enlist more than 10,000 of our management and union employees as stockholders through their purchase of $8½-million worth of Series A Preferred Stock. Their personal investment was far more than a significant source of funds, it was an overwhelming demonstration of loyalty and confidence in our future.

These employees representing more than 70% of our workforce have begun to receive cash dividends earned on their investment. And now that they are part owners, their dedication to the success of our Corporation is apparent in continued cost savings and productivity improvements.

As shown in our Annual Report, our productivity in comparison with industry averages compiled by the American Iron and Steel Institute has improved by 8.4% during the past five years, and that trend is continuing. Our total employment costs per shipped ton in comparison with industry averages have improved by 7.8% during the past five years, and 2.2% of that improvement was achieved last year. In addition, in spite of cost increases, our general and administrative expense was reduced by 5% last year for an annual savings of $2.7-million.

OUR PRODUCTIVITY

IN COMPARISON WITH INDUSTRY AVERAGES IMPROVED BY 8.4% . . . OVER THE PAST FIVE YEARS.

AND THAT TREND **IS CONTINUING.**

OUR TOTAL EMPLOYMENT COSTS PER SHIPPED TON

IMPROVED BY 7.8% . . . AND **2.2% OF THAT IMPROVEMENT . . . WAS ACHIEVED LAST YEAR.**

GENERAL AND ADMINISTRATIVE EXPENSE WAS **REDUCED BY 5%** LAST YEAR

. . . FOR AN ANNUAL SAVING OF **$2.7-MILLION.**

Further improvements are now in progress under intensified cost reduction efforts and productivity objectives, accompanied by concentration on marketing our most profitable products while curtailing unprofitable operations. An outstanding example of these corporation-wide programs **is provided by the progress of our Wheeling Corrugating Division,** which was one of our problem Divisions.

Following careful analysis, the Division closed warehouses in Buffalo, Boston, Richmond, and St. Louis. Revised product specifications, job combinations, and increased use of computer controlled equipment increased productivity. Production of an unprofitable line of utility buildings was phased out.

Sales and administrative personnel were reduced by 34% and sales were targeted on marketing the most profitable product lines. Shipments increased by 5.7% and sales volume by 13.8% last year. As a result of all these moves, Wheeling Corrugating's financial performance rebounded from a $2.9-million loss in 1977 to a $4.7-million profit in 1978, and this trend is continuing.

SALES AND ADMINISTRATIVE PERSONNEL WERE REDUCED BY 34%

SALES WERE TARGETED ON MARKETING THE **MOST PROFITABLE PRODUCT LINES.**

SHIPMENTS **INCREASED BY 5.7%** AND SALES VOLUME **BY 13.8% LAST YEAR**

AS A RESULT OF ALL OF THESE MOVES, WHEELING CORRUGATING'S FINANCIAL PERFORMANCE REBOUNDED FROM A **$2.9-MILLION LOSS** IN 1977 . . . TO A **$4.7-MILLION PROFIT** IN 1978.

Long-range investments we have made to increase our equity ownership of raw materials are now in the final stages of development, and will begin contributing to increased earnings this year.

Expansion of the Tilden Iron Ore Mine and Pellet Plant in Northern Michigan is ahead of schedule by five months. When completed this Fall, our share will double to 800,000 long tons annually. Pellets from this project will further improve costs at our blast furnaces.

Our new coal partnership Scotts Branch Mine in Kentucky is programmed for full production later this year. Seven of nine planned units of equipment are currently in operation. This mine is producing very desirable quality of coal for our operations.

In addition, our 100% owned W-P Coal Company —Omar Mine expansion located near Logan, West Virginia, produced a monthly record in March with the new preparation plant output at 73,000 net tons and clean coal shipments of 79,000 net tons. The preparation plant is producing more than forecast, with coal recovery and coal quality consistently better than anticipated. Present projections indicate a reduction of $1½-million in capital expenditures in the $27-million program for this expansion, and annual cost savings are estimated to be in excess of $1-million.

While aggressively pursuing projects such as these which were planned in the early 70's, we have continued to develop new long-range plans for the future. This year we have embarked on the largest and most ambitious capital investment program we have undertaken since our merger in 1968.

Last month we concluded a history-making agreement with the Environmental Protection Agency (EPA) and State environmental agencies that is unique in the steel industry. Under terms of this agreement, Wheeling-Pittsburgh will come into compliance with all present clean air and water standards at all of our manufacturing operations in Pennsylvania, Ohio, and West Virginia between now and 1983. This is the first multi-state, company-wide agreement EPA has reached with a steel company.

WE HAVE EMBARKED ON THE LARGEST AND MOST AMBITIOUS CAPITAL INVESTMENT PROGRAM SINCE OUR MERGER IN 1968.

LAST MONTH WE CONCLUDED A HISTORY-MAKING AGREEMENT WITH THE EPA AND STATE AGENCIES THAT IS **UNIQUE** IN THE STEEL INDUSTRY.

WPSC WILL COME INTO **COMPLIANCE** WITH ALL PRESENT CLEAN AIR AND WATER STANDARDS AT ALL OUR OPERATIONS BETWEEN NOW AND 1983.

THIS IS THE FIRST MULTI-STATE COMPANY-WIDE AGREEMENT EPA HAS REACHED.

. . . WITH A **STEEL COMPANY.**

In accordance with this agreement we have initiated a series of additional air and water quality control projects throughout the corporation. These facilities will require **capital expenditures of an estimated $86-million** when completed in 1982.

We broke ground last month for construction of

a new rail rolling mill at our Monessen plant, which is strategically located to serve the nation's major railroad systems. This mill will require **capital expenditures of approximately $102-million** and will take 2½ years to complete. It is designed to diversify our product sales, strengthen our competitive position, and further improve our financial performance.

Thousands of miles of mainline trackage are in need of repairs and rehabilitation, and more is in need of replacement to carry new 100-ton freight car loads at high speeds. Major railroads have already undertaken extensive rebuilding and replacement programs which will create a sustained demand for rails.

We are already equipped with the most modern primary facilities for rail production at Monessen, and our ultra-modern rail mill, employing the latest Japanese and French technology, will give us the best rail rolling and finishing facilities in the United States. Operating advantages will contribute to low costs, which should result in a strong potential for a healthy return on this investment.

With capital expenditures for environmental projects and our new rail mill facilities totaling about $188-million in addition to normal expenditures for blast furnace improvements and modernization of existing facilities, our most challenging task has been to arrange financing for this huge infusion of new capital. Because we were unable to finance these needed expenditures through private sources, it was necessary to use Government assistance for most of this financing.

We obtained commitments for Federal loan guarantees of $140-million, and for a $10-million direct loan through the State of Pennsylvania. These commitments will enable us to finalize financial arrangements in June through a consortium of insurance companies.

WE OBTAINED COMMITMENTS FOR

. . . **FEDERAL LOAN GUARANTEES OF $140-MILLION**

. . . AND FOR A **$10-MILLION DIRECT LOAN** THROUGH THE STATE OF PENNSYLVANIA.

THESE COMMITMENTS WILL ENABLE US TO **FINALIZE** FINANCIAL ARRANGEMENTS IN JUNE . . . THROUGH A **CONSORTIUM OF INSURANCE COMPANIES.**

This route to financing has required many months of negotiations. Much of the credit for where we are must be shared with Federal, State and Local government officials . . . and with the leaders of our Unions. We deeply appreciate their cooperation, steadfast support and diligent efforts on our behalf.

We have also recently concluded arrangements for a $77-million revolving credit line. The revolving credit, which can be converted to three-year term loans in 1983, will be used for general corporate purposes and provides the financial flexibility to handle peak cash requirements for the next seven years.

WE HAVE ALSO RECENTLY **CONCLUDED** ARRANGEMENTS FOR A **$77-MILLION REVOLVING CREDIT LINE.**

THE REVOLVING CREDIT . . . WHICH CAN BE CONVERTED TO THREE-YEAR TERM LOANS IN 1983 . . . WILL BE USED FOR GENERAL CORPORATE PURPOSES

. . . AND PROVIDES THE **FINANCIAL FLEXIBILITY** TO HANDLE **PEAK CASH REQUIREMENTS** FOR THE NEXT SEVEN YEARS.

Concurrently, while forging ahead on our massive new program of capital expenditures, we are exploring and developing numerous new avenues to increased income. Here are some examples:

Our Omar Mine coal properties in West Virginia also contain over **50-million recoverable tons** of some of the best quality low sulphur steam coal in the U.S.A. In these times of energy crisis, this is an important asset. We are planning early development of this asset for profits.

We are actively pursuing **real estate transactions** to generate additional revenues. Two years ago our Real Estate Department was reorganized into a profit center. Since then we have gained $2.2-million from the sale of idle or non-productive properties. In the same period our annual income from real estate rentals has doubled to more than $500,000. Currently under negotiation are additional sales totaling $700,000, and increased rentals adding up to $300,000 annually.

We are also exploring **future acquisitions** being proposed to us by several domestic and foreign firms. We are looking abroad for profitable **export** business. Recently, we sold $12-million worth of tubular products to China, and we are negotiating additional sales to Russia. Our purchase of the rail rolling mill and technology from Japan has established friendly working relations that can be of further benefit in future activities.

Looking to the immediate future, we have entered the second quarter with the largest order backlog since 1974, and we expect high operating levels to continue into the third quarter. April shipments have been severely curtailed by the strike of steel haulers. The effect on second quarter earnings will be determined by the length of the strike.

Under the Trigger Pricing Mechanism (TPM), the volume of steel imports being dumped in our home markets has slackened. Economists are forecasting domestic industry shipments for the year to approximate 98-million tons.

LOOKING TO THE IMMEDIATE FUTURE . . .

WE HAVE ENTERED THE SECOND QUARTER WITH THE LARGEST ORDER BACKLOG SINCE 1974.

WE EXPECT **HIGH OPERATING LEVELS** TO CONTINUE INTO THE THIRD QUARTER.

APRIL SHIPMENTS HAVE BEEN **SEVERELY CURTAILED** BY THE **STRIKE OF STEEL HAULERS.** THE EFFECT ON SECOND QUARTER EARNINGS WILL BE DETERMINED BY THE LENGTH OF THE STRIKE.

THE VOLUME OF STEEL IMPORTS BEING DUMPED IN OUR HOME MARKETS **HAS SLACKENED.**

ECONOMISTS ARE FORECASTING INDUSTRY SHIPMENTS TO APPROXIMATE **98-MILLION TONS.**

Despite this optimistic outlook, the cost-price squeeze on profits is tightening. Since the first of this year, the cost of scrap has soared 14%; the average cost of oil has increased 16%; the cost of zinc is up 15%; and the cost of aluminum for steel production is up 32%. These and other cost increases that do not come under wage-price guidelines will have a **severe impact on earnings without further price increases.**

Steel price increases for our products are still below permissible levels under the wage-price formula. After little more than a year of recovery from the recession that depressed industry profits from 1975 through 1977, we still need price increases adequate to cover the margin over escalating costs—just to maintain existing production facilities and without provision for faster modernization and expansion.

STEEL PRICE INCREASES FOR OUR PRODUCTS

ARE STILL **BELOW PERMISSIBLE LEVELS** UNDER THE WAGE-PRICE FORMULA.

AFTER LITTLE MORE THAN A YEAR OF RECOVERY FROM THE RECESSION THAT **DEPRESSED INDUSTRY PROFITS** FROM 1975 THROUGH 1977,

. . . WE STILL NEED **PRICE INCREASES** ADEQUATE TO COVER THE MARGIN OVER **ESCALATING COSTS**

. . . JUST TO **MAINTAIN** EXISTING PRODUCTION FACILITIES . . . AND **WITHOUT** PROVISION FOR FASTER MODERNIZATION AND EXPANSION.

At Wheeling-Pittsburgh, the stage is set for a new era of progress and prosperity. We are continuing our corporation-wide programs for more profitable sales, for cost reductions, and for productivity improvements. We are solidly committed to modernization and better environmental quality controls as fast as our financial performance permits. We are enthusiastic about the future, and we are grateful for the continued support of our stockholders, and dedicated efforts by our employees.

AT WHEELING-PITTSBURGH THE STAGE IS SET FOR A NEW ERA OF PROGRESS AND PROSPERITY.

WE ARE CONTINUING OUR PROGRAMS FOR **MORE PROFITABLE SALES,** FOR **COST REDUCTIONS,** AND **PRODUCTIVITY IMPROVEMENTS.**

WE ARE COMMITTED TO **MODERNIZATION** AND **BETTER ENVIRONMENTAL QUALITY** CONTROLS AS **FAST AS OUR FINANCIAL PERFORMANCE PERMITS.**

WE ARE **ENTHUSIASTIC ABOUT THE FUTURE . . .**

AND GRATEFUL FOR THE CONTINUED SUPPORT OF OUR STOCKHOLDERS . . . AND DEDICATED EFFORTS OF OUR EMPLOYEES.

Additional copies of this Report to Stockholders may be obtained by writing to:
Office of The Secretary
Wheeling-Pittsburgh Steel Corporation
P.O. Box 118
Pittsburgh, Pa. 15230

Wheeling-Pittsburgh Steel Corporation and Subsidiary Companies
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Quarter Ended March 31,	
	1979	1978
Net sales and other income	$314,920,000	$263,632,000
Cost of products sold	279,668,000	256,904,000
Selling, administrative and general expenses	11,738,000	12,255,000
Depreciation	8,703,000	8,814,000
Interest	3,965,000	3,770,000
	304,074,000	281,743,000
Income (loss) before taxes on income	10,846,000	(18,111,000)
Estimated taxes on income	1,684,000	16,000
Net income (loss)	$ 9,162,000	$(18,127,000)
Net income (loss) per share of common stock	$2.20	$(5.04)
Average shares outstanding	3,777,503	3,748,043
Shipments of steel products—tons	763,569	695,103
Raw steel production—tons	1,001,478	890,169

Per share amounts give effect to preferred dividend requirements.
Quarterly results are subject to annual audit and adjustments.

Wheeling-Pittsburgh Steel Corporation and Subsidiary Companies

CONDENSED BALANCE SHEET

(Unaudited as to 1979 Data)

	March 31, 1979	March 31, 1978
	(Dollars in Thousands)	
ASSETS		
Current Assets:		
Cash and short-term investments	$ 58,179	$ 48,225
Receivables—net	158,576	128,441
Inventories	130,906	102,410
Other current assets	6,827	19,795
Total Current Assets	354,488	298,871
Property, plant and equipment, at cost, less accumulated depreciation and amortization	380,076	382,725
Other non-current assets	64,305	70,788
	$798,869	$752,384

	March 31, 1979	March 31, 1978
	(Dollars in Thousands)	
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$191,915	$174,730
Long-term debt due within one year	20,988	19,900
Total Current Liabilities	212,903	194,630
Long-term debt	183,071	203,278
Other non-current liabilities	36,265	32,884
	432,239	430,792
Stockholders' Equity:		
Preferred stock, common stock and additional paid-in capital	180,031	175,786
Accumulated earnings	186,599	145,806
	366,630	321,592
	$798,869	$752,384

ACQUISITIONS

Senator HOLLINGS. On acquisitions, you cleared that up completely in your statement. In other words, where did we get the indication, I think it was a news report?

Mr. CARNEY. There were news reports which I don't know the source of which indicated that we were going to use this money and make acquisitions.

Senator WEICKER. Would you yield at that point?

Senator HOLLINGS. Yes.

Senator WEICKER. This is a publication, the American Metal Market, of May 2, 1979, which states:

> In that report, Carney acknowledged that portions of the $77 million line of credit recently arranged with a seven bank consortium "may be used" in the early 1980's for acquisition purposes. But he declined to detail the businesses.

Mr. CARNEY. Senator, if I may, that is inaccurate.

Senator WEICKER. You were misquoted?

Mr. CARNEY. Yes.

Senator WEICKER. Thank you, Mr. Chairman.

Senator HOLLINGS. The committee is very much concerned, you can see that. We have got to be fair.

Mr. CARNEY. Yes.

Senator HOLLINGS. We cannot be going for acquisitions when we are trying to keep employees employed and keep the steel companies going.

CHANGE OF PRODUCT

On the matters of wire and rod mill, you say on page 6 here——

Mr. CARNEY. The rod and wire mill was shut down in 1972.

Senator HOLLINGS. I am talking about when did you really plan to go into this program?

Mr. CARNEY. In 1974. We had started market studies for this project—well, that is almost 5 years ago now. It has been a long, hard struggle, Senator, believe me. I fully thought we would be in the rail business in 1977.

Senator HOLLINGS. You started in 1974?

Mr. CARNEY. We started planning in 1974. I personally have discussed this rail mill with the vice president of purchasing and the presidents and chairmen of most of our major railways. We would not have gone to this without some indication of their support.

Senator HOLLINGS. You see the judgment involved of competitors who are already in the rail business. They will say: We borrowed money at the regular percent without any Government guarantees and we are paying our stockholders and conducting operations.

Now comes along a new endeavor under the aegis of "modernization" and if the Government does that, why don't we expand it and start another rail mill ourselves. If I were your competitor, I would want an EDA loan, too.

Mr. CARNEY. If they can get an EDA loan, more power to them. If I could get a private loan, believe me, Senator, I would get one. It would be much simpler to have a private loan than this Government loan. Much simpler.

One other thing that might be of interest to the group, I keep hearing about this Government low-interest loan, the interest rate on this loan at the moment is 10½ percent, including the pollution. Most steel companies are getting their loans through Government revenue bonds at 7 percent. I am going to be paying 3½ percent more for my pollution loan, even with this Government guarantee, than most other steel companies.

The prime reason is I cannot float at the moment these pollution bonds. Our credit isn't good enough.

Senator HOLLINGS. How long have you been at Wheeling-Pittsburgh?

Mr. CARNEY. Five years.

Senator HOLLINGS. Where were you previously?

Mr. CARNEY. I was 32 years with United States Steel.

Senator HOLLINGS. Thank you.

Senator Weicker?

REPORTED EDA COMMITMENT

Senator WEICKER. Thank you, Mr. Chairman.

I would like to start off on the portion of your statement relating to your quarterly report.

[CLERK'S NOTE.—See pages 2899–2914 for full report.]

Mr. CARNEY. Yes, sir.

Senator WEICKER. I have a copy of that report in front of me. The statement made is:

> We obtained commitments for Federal loan guarantees of $140 million and for a $10 million direct loan through the State of Pennsylvania. These commitments will enable us to finalize financial arrangements in June through a consortium of insurance companies.

Mr. CARNEY. Correct.

Senator WEICKER. In your statement, the language used is a little different than that. You say: This statement was included based on letters of intent which we received from EDA and FmHA. These letters of intent stipulated a series of conditions to the issuance of guarantees. We have in our judgment satisfied all these conditions other than those related to loan documents, et cetera.

PREVIOUS TESTIMONY

Now, let me read to you the testimony of the administrator, Mr. Hall, at the hearings of June 4:

> Senator WEICKER. How much of the $100 million?
> Senator BUMPERS. What loan are you talking about?
> Senator WEICKER. First of all, it is a proposed loan.
> Mr. HALL. That is right.

Later on in this questioning:

> Mr. HALL. First let me say just for the record, this is a pending proposal before the agency. We have not made a final determination in terms of the industry competition, the 702 study.
>
> Second, we have not made a final determination on financial feasibility and reasonable insurance of repayment.
>
> I should also note that in addition to the funds requested from EDA, there is also pending a $40 million loan from the Farmers Home Administration business and industry loan program.
>
> Senator WEICKER. Have they turned that down?
>
> Mr. HALL. No, basically the two are contingent on our decision.

Now, that again, it seems to me, unless Mr. Hall has been misquoted, is somewhat different than the language that says: "We obtained commitments for Federal loan gurantees of $140 million."

I suppose the question that I would have to ask is that it would seem to me a mistake in material fact, and if that is the fact, it would be a violation of the Securities Act of 1934.

Is it your contention that you have a commitment from the Federal Government right now?

LETTERS OF INTENT

Mr. CARNEY. Well, what I said in the statement, I repeat again, my idea of the terminology is that a letter of intent to a condition that we had to meet for this commitment. It is still a commitment. I feel that a letter of intent which specifies, 1, 2, 3, 4, 5, 6, and it has about 16 different conditions that have to be met which I reviewed with everybody prior to our statement, was to me a commitment.

Maybe we should have used letter of intent. To me there is no difference between letter of intent and commitment, particularly when I qualified in that statement that these loans were not finalized and needed to be finalized by the end of June.

Senator WEICKER. I don't want to dwell on the semantics, the language says, "These commitments will enable us to finalize arrangements through a consortium of insurance companies." It then discusses another matter, that is, the financial arrangements with the insurance companies.

Mr. CARNEY. That is right.

Senator WEICKER. But if it is your contention, despite the position of the administrator, that you have a commitment——

Mr. CARNEY. We have letters of intent that I call a commitment. If you call them letters of intent, you can call them letters of intent, right? I had to start, Senator, much as I disliked it, the pollution control expenditures and because there is no way I can meet that schedule that I am required to meet without the expenditures, and, believe me, I wouldn't have started those expenditures if I wasn't fully convinced we would get these loans.

Senator WEICKER. According to your reasoning, then, nothing further needs be forthcoming from EDA or FmHA?

Mr. CARNEY. No, sir, that is not true. They have to finalize an arrangement between themselves and the banks and insurance companies and that is going on and has been going on. Unfortunately, I thought that would be done in June, at the moment it looks as though it will be June before there is an agreement between the agency and others.

Senator WEICKER. Now, the agency, if I am not—counsel can correct me if I am wrong—was supposed twice to have sent you letters approving the arrangement.

Mr. CARNEY. Yes, they are still negotiating.

Senator WEICKER. Why would they still be negotiating or postponing the situation if, indeed——

Mr. CARNEY. I have no idea.

Senator WEICKER. If you had the commitment on it?

Mr. CARNEY. I have no idea. I will be upset at the postponement of this. I cannot speak for why it is being postponed.

Senator WEICKER. But you knew it was being postponed?

Mr. CARNEY. Yes.

Senator WEICKER. Why did you make this statement, then?

Mr. CARNEY. Because I feel we have a commitment, Senator. I could be wrong. But I feel we have met—we have a letter of intent that says these conditions have to be met.

In my opinion, and our opinion, we have met those conditions.

Senator WEICKER. In other words, you don't feel that the conditions being met is something that requires determination both by you and the Federal Government?

Mr. CARNEY. Oh, in all cases, it requires both sides, you know.

Senator WEICKER. How can there be a commitment if the Federal Government has not signified approval?

Mr. CARNEY. I cannot say any more than I have said on that matter, Senator. I have answered the best I can.

Senator WEICKER. You have expressed an opinion to me. You made a statement to potential investors in this report.

Mr. CARNEY. Right, which I think is a proper statement today.

Senator WEICKER. Even though there has been no acceptance of your——

Mr. CARNEY. If I was scheduled, say, the same thing. It is a letter of intent, these are the conditions, we feel we have met them, therefore, I feel it is a commitment.

Senator WEICKER. Therefore you don't need the approval of the Federal Government?

Mr. CARNEY. That is taking it a step further in your judgment.

Senator WEICKER. Has the Federal Government approved of the fact that you have lived up to those conditions?

Mr. CARNEY. No; that is their judgment to make yet. They have not made that judgment.

Senator WEICKER. Was that statement made here, we have yet to have the judgment of the Federal Government?

Mr. CARNEY. Yes; when it says we have to finalize the loans in June.

MODERNIZATION REQUIREMENT

Senator WEICKER. Last Monday, we were discussing the question of whether your proposal, the new rail mill, met the modernization prerequisite for the programs. Mr. Hall responded the new rail mill was reopening an old facility that had previously been closed.

Would you clarify that for the record? In other words, this is not an old rail mill, is that correct?

Mr. CARNEY. No; it is not. This is a new project for Wheeling-Pittsburgh.

Senator WEICKER. This would be an entirely new facility?

Mr. CARNEY. New facility, yes.

Senator WEICKER. It would not be modernization?

Mr. CARNEY. Again you get to what you may call modernization, and others a new facility. We have a facility at Monessen, which had in it a blast furnace, coke batteries, fluming mills and an integrated plant. We shut it down for reasons that I stated, the rod and wire mill.

Rather than replace with a modern rod and wire mill which I don't think we can make money on, we are replacing with a rail

mill that I think we can make money on. To me, that is modernization.

Somebody else could call it something else but I think for most of the people in the steel business, they would, other than maybe some of my competitors, they would agree it is modernization.

Senator WEICKER. Permit me to ask this: What percentage of the old facility will actually be used in the new rail facility?

Mr. CARNEY. Everything there other than the rail mill. Everything is going to be used.

Senator WEICKER. What percentage?

Mr. CARNEY. A percentage? All of the whole coke battery, the blast furnace, the whole BOF, when you say percentage in a steel plant, it is made up of the front end and the back end and the whole front end of the plant is going to be used. It is not being changed at all.

As I say right now, the steel being made is being sent to other plants. This was reviewed with the agency and others and I have been at least on that one assured that this meets the modernization criteria. At least orally.

Senator WEICKER. In the true sense of the word modernization, I don't see a dime being spent involving ways for Wheeling-Pittsburgh to be more efficient in producing any of its current lines of sheet products.

CHOICE OF RAIL BUSINESS

Why did you choose the rail business? Why not maximize profits in an area where you have proved expertise as in oil company goods, for instance casing and drilling pipe?

Mr. CARNEY. As I stated in my report, if you look at it, our manhours per ton are probably as improved as much as anybody in the business. We have been spending capital dollars every year to improve our existing facilities.

We have a brand new coke battery which most people, many people cannot say. So we spent a lot of money on modernization of the existing plant. But at the same time, to improve the long-range financial viability, we are too dependent on sheets. Of the eight major companies, there is only one other company that is as high as 85 percent of their product in sheets. That company has many other diversities other than sheets. They are into nonsteel lines.

Of the major companies, we are probably as high in sheets as anybody and that market varies, it is a good market some years, it is a bad market other years. Unless we have some stability in earnings, we are not going to do too well.

Senator WEICKER. On the subject of the capacity, is it your claim, I gather, there is not sufficient capacity to produce rails in this country?

Mr. CARNEY. Yes, that is correct.

Senator WEICKER. You say as a precondition of the loan, EDA has conducted a lengthy study of the domestic market.

Do you know the nature of that study?

Mr. CARNEY. It is a 702 study which I believe has been made available to this committee. I have nothing further than what the committee has. It was issued a week or so ago. Further, as I say, I

have most encouragement from the people buying rails. They seem to think there is not too much capacity. Maybe they are wrong.

Senator WEICKER. Let me discuss your modernizing existing facilities once you have added $160 million to $180 million in debt. Your debt-equity ratio will be way out of whack with the rest of the industry. It will be approximately 88 percent while the rest of the industry hovers around 30 percent.

Mr. CARNEY. Thirty somewhere, yes, forty.

Senator WEICKER. When you get in that financial straitjacket, where else do you have to turn other than the Federal Government when you must modernize existing facilities?

Mr. CARNEY. That has been carefully studied not only by us but the lenders again and the EDA and we all feel confident we can service the debts.

NEED FOR EDA GUARANTEE

Senator WEICKER. How confident do all the lenders feel if they won't lend you the money unless the Federal Government is backing up?

Mr. CARNEY. That is how confident they feel, just that.

Senator WEICKER. About what you are doing, or about the Federal Government?

Mr. CARNEY. About what we are doing. Believe me, as I say, Senator, you can check with our lenders, they feel as strongly as I do that the rail business is a good business for Wheeling-Pittsburgh.

Senator WEICKER. If they feel it is so good, why do they require the Federal Government guarantee?

Mr. CARNEY. Because our structure is such that they would not give us the money without the guarantee.

Senator WEICKER. In other words, the taxpayers are supposed to foot a risk that the banks won't?

Mr. CARNEY. That is the purpose of this program. That has been the whole purpose of EDA from the start. That is true of every EDA loan. If they didn't have that condition, you wouldn't have an EDA program, Senator. The loan that was made to companies so far are all on the same basis.

Senator WEICKER. Mr. Hall told us that the rail mill will solve all your financial problems. The way I see it, the ability to pay back $160 million will be nothing but one big problem. Your annual costs will be $16 million worth of interest?

Mr. CARNEY. Yes.

Senator WEICKER. Plus $10 million amortization and a $10 million cost to run the pollution equipment, for a total cost of $36 million.

How is the rail mill going to generate those funds itself, and cover pollution control and other expenses?

Mr. CARNEY. Our projections show we can and that has been studied independently by the EDA. They have an independent study of the financial capabilities there. At least, tentatively, I believe it says we can do it. If they decided we cannot, they wouldn't give us the loan.

POSSIBLE SALE OF COMPANY

Senator WEICKER. According to an article in the Wall Street Journal, there is almost a daily parade of buyers and sellers marching into your office.

What assurance do we have that Wheeling-Pittsburgh will not be taken over by a foreign corporation after the proposed guarantee goes through?

Mr. CARNEY. I cannot give you any assurances on that, Senator, because we are a public company and if somebody wants to come in and buy all the stock, there is nothing legally that says they cannot do that.

Senator WEICKER. The same article states that 37 percent of your company stock is owned by Loew's Corp., and as I understand they are anxious to get rid of it.

Mr. CARNEY. No, that number is in error. It is 25 percent, not 37 percent.

Senator WEICKER. Twenty-five percent is Loew's, and I understand that they have already written the stock down.

Mr. CARNEY. If Mr. Tisch is anxious to get rid of it, he hasn't told me and I see him about every month.

WHEELING-PITTSBURGH EQUITY

Senator WEICKER. According to the EDA guidelines for the steel programs as published April 18, 1978, in the Federal Register, it requires that at least 15 percent of the total eligible project cost for projects must be in the form of equity or a subordinated loan.

What are you doing to come up with 15 percent of the total project cost which must be equity or subordinated standby loan?

Mr. CARNEY. We are coming up with that out of equity and a loan which is coming from the equipment purchased in Japan, $12 million of that will be financed out of a Japanese loan through their export-import bank and the balance will be our equity.

Senator WEICKER. This Japanese loan is in exchange for purchase of Japanese equipment?

Mr. CARNEY. Yes, and the prime reason I did that, Senator, I offered that same deal to every American company. I said, give me the same interest rate and I will be glad to deal with you. If any company in the world wants to buy a rail mill, they can buy through our bank, that is, a foreign company's export-import bank, with a maximum interest of 8 percent and probably 7, and I have to pay with our Government guarantee 10½ percent.

It doesn't seem quite fair to me but that is not my doing.

Senator WEICKER. How else is this new equity being raised? You mentioned the Japanese loan. What else?

Mr. CARNEY. The balance is going to come from our cash-flow and our earnings. As we move out with projections, we show we will have sufficient cash-flow to service the debt. As you know, in this sort of thing, you start servicing the debt pretty much after the rail mill comes in. At that stage, the earnings projection is such that we can service the debt. That is why without the rail mill, it would be difficult. The numbers show without the rail mill it is difficult.

Senator WEICKER. I will get into the rail mill. We have witnesses from other companies here on the matter of capacity. But I would like to know what percentage or dollar amount is Wheeling-Pittsburgh taking upon itself in the $188 million project?

Mr. CARNEY. I told you there it is $31½ million equity and $12 million to $14 million of that will come from the Japanese loan, the balance is our own. You have the numbers——

Senator WEICKER. It is $31 million?

Mr. CARNEY. $31½ million.

Senator WEICKER. Fine. How much from the Japanese?

Mr. CARNEY. $12 million to $14 million. The reason that is up in the air is we don't have the final cost of the Japanese equipment yet.

Senator WEICKER. So we are talking about $17 million?

Mr. CARNEY. Somewhere in there.

Senator WEICKER. $17 million out of the amount you put forward?

Mr. CARNEY. Right.

Senator WEICKER. So it will be less than 10 percent; is that correct?

Mr. CARNEY. Not less than 10.

Senator WEICKER. How does that meet the guideline that at least 15 percent of the total eligible project or projects must be in the form of equity or subordinated loan?

Mr. CARNEY. It meets it by the subordinated loan and equity.

Senator WEICKER. Including the loans, as far as the Japanese are concerned?

Mr. CARNEY. Right. It doesn't say that that loan has to be an American loan.

Senator WEICKER. Do you think that I might have any difficulty explaining the use of the taxpayers' money for the purchase of Japanese know-how and equipment?

Mr. CARNEY. There is none of the money being used for the Japanese equipment. That is the point I made, Senator. And you said yourself that money I am using from Japan is all out of the equity money. There is not one dime of Government money going into the Japanese equipment. I just went into that with you.

Senator WEICKER. But that is a bookkeeping arrangement?

Mr. CARNEY. No; not bookkeeping.

Senator WEICKER. Would you meet the requirements without the Japanese loan?

Mr. CARNEY. I would have difficulty. That is the reason I said I went to Japan.

Senator WEICKER. I have nothing else.

Senator HOLLINGS. Senator Burdick, do you have any questions?

APPLICATION TO EDA

Senator BURDICK. Yes; I am sorry I got here late but I am trying to get a grasp of this problem. You have an application for a loan guarantee of how much?

Mr. CARNEY. The total is $150 million and it is complicated.

Senator BURDICK. $150 million between EDA and FmHA?

Mr. CARNEY. Yes; the rail mill EDA is $63½ million; PIDA is $10 million, there is a split there. The total federally guaranteed was $150 million.

Senator BURDICK. What will that finance?

Mr. CARNEY. Rail mill and pollution equipment.

Senator BURDICK. Pollution comes to $85 million?

Mr. CARNEY. $86½ million. That is in addition to the $100 million.

Senator BURDICK. The great majority will be used for antipollution equipment?

Mr. CARNEY. Yes.

Senator BURDICK. And that has been ordered by EPA or somebody?

Mr. CARNEY. Yes; we have a consent decree signed. We signed a consent decree on March 19 that specifies that that be done.

Senator BURDICK. What would be the effect of your not getting the loan guarantee?

Mr. CARNEY. Oh, yes. If these loans are not approved, we are in serious trouble because we are already spending this money for pollution control equipment.

Senator BURDICK. That is all.

JOB LOSS

Senator WEICKER. Mr. Chairman, I have one more question, if I could follow up on a question that you asked of Mr. Carney.

Senator HOLLINGS. Yes.

Senator WEICKER. This is relative to jobs. You indicated that if this weren't put through, all the jobs would fail, 14,500 jobs. I didn't quite get a clearcut impression as to what Mr. Carney's answer was. Do you want to answer that now?

Mr. CARNEY. I said, yes it was very likely that if we don't have these loans approved for——

Senator WEICKER. As I understand it, the number of jobs in the Monessen plant are some 300 in number.

Mr. CARNEY. That is only for the new rail mill. The number of jobs in the company is 14,500 and what I have concluded and is supported by our lenders is if we don't spend the pollution money—which we have to spend, and on the rail mill—the company likely may not make it.

Senator WEICKER. There is no argument in this committee relative to the pollution funds. The question arises if indeed the other funds are intricately with this, in other words, it is the whole corporation——

Mr. CARNEY. That could only be done with careful financial analysis which EDA has done. If anything, they have been very very careful in the study of this project since you know yourself you have been asking questions for 6 months now.

EDA 702 STUDY

Senator WEICKER. This is the EDA report, I guess. The 702 study states: "No attempt has been made to examine in detail the accuracy of the probability of risk components which made up the forecast. All this office can do, given the constraint in time and re-

sources, is survey the forecasts available and make a judgment as to the most likely result."

Mr. CARNEY. That is in regard to the market, I assume. I cannot speak for EDA on that.

Senator WEICKER. I have no further questions.

CONCLUDING REMARKS

Senator HOLLINGS. Mr. Carney, I am impressed with the fact that your employees have bought into the stock and they have confidence, and the banks have put up $77 million for operating capital. We have been quoting Mr. Hall. He did consider the rail operation as modernization. He so testified. I was considering in my mind and I begin to see it, although it is a judgment call—call it as you will, when you talk about current line of products, when was it you ceased making rod and wire?

Mr. CARNEY. 1972.

Senator HOLLINGS. So you have not made any for the last 7 years?

Mr. CARNEY. Well, we made some, we sold Johnson Steel Wire which was a wire plant up in Massachusetts, about 1976, as I remember. So we did make some wire billets and so forth for wire and rods converted from those billets up through about 1976.

Senator HOLLINGS. So for 3 years with any line to pay off the loan would be new because you have not been in this for 3 years; is that what you are saying?

Mr. CARNEY. Yes, true.

Senator HOLLINGS. Well, you are positive about the acquisitions. I am convinced that we would have witnesses here if you weren't; there have been no witnesses—I guess they would be here.

Mr. CARNEY. Anybody who came to my door and as I said I have no money for acquisitions and won't for the next 4 to 5 years. We will have a tough time getting along without spending any money for acquisitions. If we can make it without acquisitions, we will be very fortunate.

Senator HOLLINGS. Well, I am impressed with your testimony. Let's see how long I stay "impressed." We have some other witnesses.

Mr. CARNEY. Thank you, Senator.

Senator HOLLINGS. Thank you, very much for your appearance here. For the record, I suggested this hearing because I was impressed listening to Mr. Carney last week. He asked to see me and I thought the public record ought to show what the gentleman has to say so that people can differ about what is modernization and what is commitment but at least the people can see this almost for the first time, at least as I have.

I think it has been very helpful.

Next, we have Mr. Robert Slater, president of Colorado Fuel and Iron, Pueblo, Colo., who will be introduced by our distinguished colleague, Senator Hart.

STATEMENT OF HON. GARY HART, U.S. SENATOR FROM COLORADO

Senator HART. Good afternoon, Mr. Chairman.

Thank you for the opportunity to appear before this committee and introduce a representative of a very important corporate constituent in the State of Colorado.

I think he is here not only for this but—there is more than just this loan involved. There is a fundamental economic principle, the degree to which the Government should be involved in the marketplace.

The proposed Federal guarantee of loans for Wheeling-Pittsburgh Steel Corp., I think, raised some very troubling issues, which are going to require very close congressional study.

I have been following this matter since early this spring, when it was first brought to my attention by Mr. Slater, who is here in his capacity as president of C.F. & I. Steel Corp. and will testify shortly.

I am glad that Mr. Slater was able to come to Washington to this hearing to share with the subcommittee the reasons for C.F. & I.'s opposition to the loan guarantees. I think his testimony will be of great help to you in making this determination.

Before Mr. Slater testifies, I want you to know that I fully endorse his position. I have scanned the loan guarantee proposal and am convinced that it would be contrary to both law and overall public policy and interest.

I would like to submit, Mr. Chairman, a copy of a letter which I sent last April to Secretary Kreps detailing my position.

Senator HOLLINGS. Without objection it will be part of our record.

[The letter follows:]

U.S. SENATE,
Washington, D.C., April 5, 1979.

Hon. JUANITA M. KREPS,
Secretary, Department of Commerce,
Washington, D.C.

DEAR MADAM SECRETARY: I urge you to reject the proposed guarantee by the Economic Development Administration of loans to the Wheeling-Pittsburgh Steel Corp. to help the company build a new rail mill.

The statutes controlling this type of loan guarantee quite appropriately prohibit subsidies for the manufacture of products when the industry already produces more than the market demands. Today's demand for steel rails is only two-thirds of current production. Even with the projected increase in demand, privately financed industry expansion now underway will have the industry operating at excess capacity. The guarantee of Wheeling-Pittsburgh's loans would therefore be illegal.

The proposed loan agreement is an effort to prop up an ailing company by helping it begin making a new product. This proposal would not be an effective way to do that, would be unfair to Wheeling-Pittsburgh's competitors, and could actually jeopardize the overall steel industry.

A major goal of the administration's steel assistance program is to preserve jobs. Yet no more than 200 people are employed in any rail mill. This amounts to about half a million dollars per job—even ignoring the jobs elsewhere which EDA's action would threaten.

This Federal subsidy would be unfair to the existing companies who have financed their rail mills without governmental assistance. C.F. & I. Steel Corp., of Pueblo, Colo., is completing a 3 year, $85 million expansion of its rail mill. C.F. & I. paid for this modernization and expansion on its own. It would be patently unfair for the government to subsidize another company's competition with this privately financed venture.

The true effect of the proposed guarantee of Wheeling-Pittsburgh Loans could be to weaken the industry. Increasing the production capacity of the rail industry beyond existing or projected demand could jeopardize all companies in that field.

EDA in December sent a letter to Wheeling-Pittsburgh, expressing its intent to guarantee the loans. The effective period of that letter, extended once, has now expired. I urge you to not renew that letter of intent, but instead to let it lapse.

Thank you for your attention to this matter.

Sincerely,

GARY HART.

INTRODUCTION OF MR. SLATER

Senator HART. I would like to say just a word in introduction of Mr. Slater.

He is an extremely able president of C.F. & I. Steel Corp., which is headquartered in Pueblo, Colo.

C.F. & I. isn't a large corporation compared to some of the industrial giants in the industry. But it is an important, valued corporate citizen in Colorado. And I think it is one of the best managed corporations of its type in the country.

Mr. Chairman, I am here in two capacities: One, as a Senator from Colorado and by way of introduction of your next witness. But I am also here because I think the principle involved is a very important one.

That is the question as to whether we are going to have free markets in this country and, if the Government is going to get involved in the marketplace, how and where and whether that involvement will be fair.

I cannot, for the life of me, understand how the Government, if it does involve itself in this capacity, can do so for one company in an industry and not do so for all the companies. If we are going to have increased Government involvement in the free market, I think that involvement better be evenhanded and fair.

With that, I would like to introduce Mr. Slater, who will make the case for himself.

Senator HOLLINGS. Thank you, Senator Hart. We appreciate your appearance.

LETTER FROM SENATOR ARMSTRONG

We have a letter from Senator Armstrong, who could not be here. That letter is in support of Mr. Slater's position and will be made a part of the record at this point.

[The letter follows:]

U.S. SENATE,
Washington, D.C., June 11, 1979.

Hon. ERNEST F. HOLLINGS,
Chairman, Subcommittee on State, Justice, Commerce, and the Judiciary, Committee on Appropriations, Washington, D.C.

DEAR FRITZ: I commend your initiative in convening today's hearings to explore in depth the Economic Development Administration's implementation of the steel loan guaranty program in general, and the Wheeling-Pittsburgh loan guaranty application in particular.

Because of my long-standing concern about this issue, I wish my schedule could permit me to attend today's hearings. Unfortunately, previous commitments prevent me from participating in this afternoon's hearing.

I am pleased that Robert Slater, President of C. F. & I. Steel, Inc., is able to be with you today. C. F. & I. is one of Colorado's largest employers and is the keystone of the Pueblo, Colo. economy. Bob is respected as one of Colorado's top business and civic leaders. And he is the perfect choice to testify at today's hearing since he will offer a unique and, I believe, most reasonable perspective on this issue.

Over the course of the past 6 months, I have developed serious reservations about whether EDA should approve Wheeling-Pittsburgh's $100 million loan guaranty application in its present form. In my view, it is unwise Federal policy to offer Federal loan guaranties to a company operating in a manufacturing industry that is already competitive, and in which its production capacity is now and in the future will likely be underutilized.

As you know, Wheeling-Pittsburgh applied for a $100 million EDA Federal loan guaranty to finance pollution control devices at its plants in three States and for construction of a rail mill at its Monessen, Pa. facility.

I do not oppose Federal financial help to help alleviate Wheeling-Pittsburgh's environmental problems * * * especially since the "problems" are largely the result of federally mandated pollution control regulations. But it makes no sense to offer Federal loan gurantees to help construct a rail mill where excess capacity already exists in the industry.

EDA has statistics on file which offer conclusive evidence that a new railmaking facility is not needed. Latest estimates indicate that only two-thirds of the domestic railmaking capacity is being utilized. Although rail demand is expected to increase until the mid-1980's, demand will gradually return to slightly above today's level. Even at its projected peak, however, rail demand will not reach the industry's current capacity.

Of course, I sympathize with the problems that Wheeling-Pittsburgh and other large industrial firms have had making profits in light of import competition, overregulation, and pollution control requirements. But these are not the issues which are the most directly involved in approving the Wheeling-Pittsburgh loan guaranty application. What is in question is whether the Federal Government ought to provide guaranties within an already competitive, and underutilized industry, and where it is conceivable that the guaranties may cause more harm than good.

If EDA approves the Wheeling-Pittsburgh loan guaranties, it will be at the expense of C. F. & I. and other steel companies which use private financing to expand and modernize their facilities. In fact, C. F. & I. just completed a 3-year, $85 million privately financed modernization program at its rail mill. The result is that C. F. & I. has the most modern rail mill in the United States.

The bottom line, in my view, is that approval of the application will represent unwarranted government intrusion between competitors. I have personally conveyed to EDA my opposition to its issuing the loan guaranty.

So your hearings are particularly welcome. After you and the other subcommittee members review the evidence, I am sure you will share my belief the Wheeling-Pittsburgh loan application should not be granted.

Please call on me if you have any questions. Thank you for your courtesy in considering my views.

Best regards.

Sincerely,

WILLIAM L. ARMSTRONG.

NONDEPARTMENTAL WITNESSES

COLORADO FUEL & IRON CO.

STATEMENT OF ROBERT J. SLATER, PRESIDENT, COLORADO FUEL & IRON, PUEBLO, COLO.

Senator HOLLINGS. Mr. Slater, you may proceed.

Mr. SLATER. Thank you, Mr. Chairman and Senators.

I am Bob Slater. I am president of C.F. & I. Steel Corp., which was formerly known as the Colorado Fuel & Iron Co.

I have been with C.F. & I. about 9 years. Prior to that time, I spent 15 years in the American railroad industry.

Now I would like to comment on the proposal to grant Wheeling-Pittsburgh these loan guarantees.

I am not here to discuss the Government's guarantee to provide financial assistance in achieving air and water compliance. Nor am I attacking the steel program.

Let me say a few things about C.F. & I.

We are 1¼ percent of the steel industry in the United States. We are not a large company. We are not one of the majors. We rank somewhere around 13 to 15 in size, depending upon what you use as a unit of measurement.

Rail and rail accessories comprise about 37 percent of our business. It is an important business. It is our largest product line.

We have been making rail for 97 years. And we have invested heavily in that business.

We also make, as a matter of interest, rod and wire, as was mentioned by the previous witness. And we make money on that, too.

Ironically, aside from what the public believes—and perhaps, maybe, what people here in Washington believe—we are a profitable steel company and we are profitable because we invest in our company and we modernize and we are aggressive and we beat the bushes for orders.

MODERNIZATION OF C.F. & I.

In 1975, 4 years ago, we initiated a project to modernize and to expand the capacity of our rail mill. In April 1979, just a little more than 1 month ago, we completed that project at a capital cost of $85 million.

Now, this was a 4-year project. And we had three reasons for the project:

One was for operating necessity.

This was an old mill. It was built in 1903. And we had to modernize to stay in the business.

We had no spares. We didn't make spares. Our product capacity was low. And we modernized for operating necessity.

We also modernized for economic necessity. We increased productivity. We want to stay in business. We increased it through output of the mill—again, for necessity.

And because of the necessity of increasing sales, we had to come up with something new. So, we are now making long-length rails.

We are the only company in the United States making long-length rails. And I hear somebody else has a new idea of making long-length rails. We are making them now.

We are making alloy rails. This has been a 7-year project, on which we have been working with the Association of American Railroads and the Pueblo Test Track in Colorado, in order to come up with a special hard-wearing rail, so that the American railroads can have a new product that will last longer than the standard carbon rail.

And I think we have developed this and we are making it and commercially marketing this alloy rail.

Now, this program with the rail mill was a continuation of an overall program, an overall capital plan. It was initiated around 1970. Since that time, C.F. & I. has spent over $400 million in capital in our mill.

Now, we didn't wait for a handout. We went to the private sector for our money, for the funds to make these important improvements. We are paying 12-percent interest on the debt that we incurred in borrowing that money in order to make this commitment not only to our customers but, also, to our employees in reassuring them that we have a viable industry.

Now, C.F. & I. is located in a small town in southeastern Colorado, which is up against the front range. It is a town of about 100,000 people.

We are over 30 percent of the payroll in the county—in the city and county of Pueblo. And we are an important entity there.

And it bothers me severely to see the Government sponsor financing to allow some other company to come into a completely new business, a new product line, in which they have no expertise, when we have just invested one big piece of cash and assumed the risk of investing that cash to produce a new rail mill and again certify our existence in the steel market.

From what I see, you know, this is really a penalty. If you are financially responsible and aggressive, you get penalized because the money goes to the person who is not financially responsible and aggressive nor has a company that is responsive to the marketplace.

Now, we don't qualify for loans. We don't qualify for an EDA loan, because we are profitable. That is ironic. We are profitable because rails and railroad products are part of our business.

Now, as I said, we are the small guy. In an industry dominated by giants, we are the small guy.

Now, we see the Government, through the EDA, striking us in our most important product line, financing another company to break into a new business, which is an old business for us.

We have 7,100 employees at C.F. & I. and I don't know how I can explain to the management employees and union employees why these things happen. They worry.

Over the past 4 years, we have invested in that rail mill the $85 million that is the largest capital expenditure ever made in the 104-year history of our company.

We were a company 4 years before Colorado became a State.

The irony is that we know the industry's capacity to produce rails is sufficient to meet any demand for rails. We now realize a production threat to our financial stability—our employees' stability and our competitive stability.

We believe that to provide these funds to allow a new entrant into a new field is to penalize the aggressive company and reward the mediocre. The pie is only so big. And to decree a new entrant into rail production, paying 10 percent or less on money, while we pay 12 percent and above—it floats with the prime rate on the loans we negotiate—to finance this facility is a frustration to the promotion of the basic steel industry.

In fact, this is really, I think, the first step to the demise of the industry if you rob Peter to pay Paul, which is what I think this is.

As was said last week, by analogy, we are the Hollings-Weicker steel company. I think you gentlemen were rather prophetic.

MARKET CAPACITY STUDIES

I have difficulty explaining to my employees how their taxes support a new entrant into the rail production field.

You have heard about the market capacity study. And I would like to comment on that.

Our first brush review indicates some very serious problems with that study.

That study has to be brought into the real world. And we will submit facts for the record and respond to these 702 report findings that will question the effects of the work.

There are a number of things defective. The tie plate production is entirely wrong. It totally ignores 1978 demand for rail. It recognizes rail imports but fails to see the rail import application. It identifies 14 estimates of rail capacity. And the lowest one was Wheeling-Pittsburgh. And that one isn't challenged. It ignores ours.

Production capacity is arbitrarily discounted by 20 percent.

The number of rail sections reported by the study is grossly overestimated.

The report admits to quote no exact information on tie plate manufacturing but then concludes that there is no excess manufacturing capacity.

There is no correlation between rail demand and basic market measurements, such as the wooden tie usage. And there is a correlation between wooden tie purchases and rail purchases in any given year.

The report ignores regulatory reform in the American railroad system, promoting track abandonments, consolidations, and the like.

We have been in the rail business for 97 years. And we reject the report.

Gentlemen, I will answer any questions that you have.

STATE OF STEEL INDUSTRY

Senator HOLLINGS. Mr. Slater, the steel business, obviously, got hit by two governmental policies, one for environmental controls and the other as a sort of nonpolicy with respect to imports being dumped.

That's the genesis of the present EDA program, the special steel program, by the Congress and the administration.

Of course, we are concerned that Mr. Carney and Wheeling-Pittsburgh wasn't being adulterated. That was my principal concern, because I have seen too many housing programs twisted and turned around so that the public housing or housing for poor folks doesn't end up in the hands of poor folks.

With respect to the policy here, you are going to make us all experts in rails and steel. But let me ask you with respect to the wire business:

You say that's a thriving business now?

Mr. SLATER. No, sir, that is not a thriving business.

I really would be, probably, at a loss to identify any what we would call 'thriving business' in the steel industry. But it is a profitable business.

Senator HOLLINGS. You would finance it? If you were a banker, you would?

Mr. SLATER. Yes. I would in certain areas.

Senator HOLLINGS. How many rod and wire businesses have started up in the last year? Do you know?

Mr. SLATER. Can I make a guess and you promise not to hold me to it? You won't hold me to it?

Senator HOLLINGS. No, not at all.

Mr. SLATER. I would guess, half a dozen, maybe. I can think of one, two, three—two within a 100-mile radius of our plant——

Senator HOLLINGS. That started up as new businesses in rod and wire?

Mr. SLATER. Yes, sir. That is correct.

IMPORTS OF STEEL RAIL

Senator HOLLINGS. Going on to the steel rail business itself, the amount consumed in the United States or sold within the United States, what proportion would be foreign or imported and what proportion would be American manufactured in the last year or two or whatever?

Mr. SLATER. The American Iron & Steel Institute measures the importation of steel rails as 60-pound rails, light rails, and above.

It is our opinion, going to the AREA figures—which is the American Railroad Engineering Association figures—that the greatest percertage of the imports of rail into the United States is in the light rail area. And that is the rail of 60 pounds per yard or 80 pounds per yard that is used in the mining industry—such as coal, copper, underground iron ore—that can be easily man-handled in an area of severe physical limitation.

Senator HOLLINGS. And how do you measure the degree of that importation? Is it a large amount of that being consumed or used? Is it over 50 percent?

Mr. SLATER. No, sir.

I think the figure that strikes me is a very minor percentage.

Senator HOLLINGS. Minor percentage?

Mr. SLATER. Yes.

LONG RAIL BUSINESS

Senator HOLLINGS. And the long rail business, how much is imported?

Mr. SLATER. To my knowledge, in the last 4 to 5 years, I think I have only heard of about 10,000 tons have been imported into the United States.

Senator HOLLINGS. So there hasn't been any usage, you are the only company manufacturing it?

Mr. SLATER. There is another company in North America, sir.

Senator HOLLINGS. Where is that?

Mr. SLATER. In Sydney, Nova Scotia, they produce a long rail, in Canada.

Senator HOLLINGS. But in the United States you are the only one?

Mr. SLATER. That is correct.

Senator HOLLINGS. How do you measure that market for the lay person that knows nothing about all this?

Mr. SLATER. That market is measured as a part of the entire rail consumption in the United States.

Senator HOLLINGS. Is there a big demand for it?

Mr. SLATER. There is a good demand for it. It is a new product now being introduced to the railroads. It is our job to sell that product to the railroads. We have shipped and made, I would say, close to 50,000 tons of the long length rails at this time. We have been in production about a year.

Senator HOLLINGS. Can Colorado Fuel and Iron satisfy the demand in this country by itself?

Mr. SLATER. By ourself, no, sir, I don't think we can. I wish I would be able to because we would expand our rail mill which we could easily do over and above what we are producing. This expansion program is taking us from about 300,000 tons in that area, to 550,000 in that area. If I believed that the rail mill, that the rail market is as strong as I have heard people say it is, with a very minor infusion of capital, we could go from 550,000 tons—I am not talking theoretical, I am talking actual—to about well over 800,000 tons with a very minor infusion of capital.

Rail is not made in a mill. Rail is made in the finishing end of the mill, not in a rolling mill itself.

Senator HOLLINGS. Well, you say you are the only long length rail manufacturer in the United States?

Mr. SLATER. That is correct, sir.

Senator HOLLINGS. We have another committee that I don't think you would want to appear before.

Mr. SLATER. Depends on what committee it is.

Senator HOLLINGS. They have an idea that if you are the only one then there ought to be five more. Like the automobile manufacturers, and everything else like that. It is the antimonopolistic committee. I suggest you sneak out of town before they grab you. [Laughter].

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What we do is establish public policy, as I did in my own bill in the automobile fuel economy area, where we put requirements on the manufacturers in this country to try to get the fuel economy car. We realized the weak financial predicament of Chrysler and we put in a special provision because we thought as a matter of public policy that the General Motors and Ford ought to have some competition.

Senator Weicker?

Senator WEICKER. We will have to get, I am sure, some of the responses from the other witnesses that are appearing here but I gather we are not talking just about competition in the long rail business, are we?

Mr. SLATER. That is correct.

U.S. RAIL PRODUCTION CAPACITY

Senator WEICKER. In the sense of this particular loan, a rail mill makes different types of rail of which one of them is long rails?

Mr. SLATER. That is correct, sir. The majority now, 90 percent is standard rail at our rail mill. We hope to increase——

Senator WEICKER. Who are your competitors there?

Mr. SLATER. We have United States Steel Co., Bethlehem Steel Co., and, of course, we would compete against the close-in foreign producers such as Algoma in Canada, Sydney Steel in Eastern Canada. And, of course, the myriad of government-supported steel companies in foreign nations.

Senator WEICKER. I have no further questions at this time.

Senator BURDICK. I have been told that we have real demand for rails to upgrade a lot of our lines in this country, and a lot of branch lines in my area. I believe you just said you were unable to provide the product yourselves.

Mr. SLATER. As a single company, no, Senator. I don't think we could provide that product ourselves. Probably half of it.

Senator BURDICK. Doesn't the Nation need some additional production in that area?

Mr. SLATER. No, sir, I really don't believe that it does. I believe there is such capacity. My figures, and, again, let me stress another point, I spent 15 years in the railroad industry. There is a lot of complications that have not been figured by the EDA report. Just taking a single look.

For example, the report talks about capacity. They pick the lowest number out of 14.

Now, I have not seen an EDA representative come to my plant and say how much rail can you make? It is a very simple matter. The controversy surrounds this. It is a very simple matter to get a halfway intelligent steel engineer in a period of 1 week to go around to the four rail mills in the United States, stand there with a stopwatch and he can tell you what the capacity is in the United States. It is a simple thing to compute.

I haven't had any EDA person ask to visit us. I don't know about the other companies. Maybe they did go there. But not as far as I am concerned.

ESTIMATED RAIL DEMAND

Rail demand we figure, like last year, was 900,000 tons. Now we are going to make 550,000 tons of rail when we get this mill up and running in another few months and we think rail demand will go up. It will probably go up to 1.1 or 1.2 million. From the reports I read even in the EDA study, I know there is about totally among the three companies, 1½ million tons of capacity. If the rail demand goes to 1.2 or 1.3, I think we can cover that demand very easily.

I know the other question is, people predict 1.7 million in rails. You know how difficult it is to put a rail in track? You have ridden the corridor between Washington and New York and a track has to come out of service for a long distance for a rail to be replaced. The railroads have some physical limitation to put rail into track and that has to be considered. If I had a company that could grind out 2 million tons of rail a year, the railroads couldn't buy it nor could they get them all on track. This is a difficult process. It is becoming more and more mechanized. I have laid rail and track and I know how difficult it is.

I have laid long rail and long welded rail. But there are limitations outside of the ability to produce rails that affects that marketplace.

We have been making rail for 97 years. We don't think we know all about it because you learn something everyday but we do know a little bit about rail.

Senator BURDICK. Are you saying that in conclusion we don't need further rail production?

Mr. SLATER. That is correct. I am saying we don't need further rail production and I am saying that I cannot understand how a company can come along and go into a new product line and already hit a market that has excess capacity.

I think they ought to take their money and stay with what they know best. They have a good reputation in other steel products. We meet them head on in some areas, some product line areas. Let me stay where they know what they know how to do and we will meet them competitively.

FINANCING WHEELING-PITTSBURGH ENVIRONMENTAL IMPROVEMENTS

Senator HOLLINGS. The new product is environment—did you have any difficulties with the environmental requirements? How much have you spent?

Mr. SLATER. We have spent over $56 million on air and water pollution control. Now you have to understand that Colorado is a pristine area, we didn't wait or we didn't fight to be very honest. I cannot afford the lawyers that it takes to delay all that stuff. I have seen that happen in the industry. Just delay, that is all it is. So we can only do one thing, comply. I think we have as clean a steel mill as there is in the United States. We have a water permit from EPA, and there are not many steel companies that have that. We have air quality that is excellent. We don't have any problem. We have never been fined by the Environmental Protection Agency, because we didn't wait.

Now, that was a smart thing to do in a sense, and we didn't know at the time, but things that really cost $2 million last year or 5 years ago now cost $10 million, so we got away really cheap bringing our plant into compliance.

Senator HOLLINGS. Well, there is $86.5 million in this EDA package for the environmental requirements that have been imposed on Wheeling-Pittsburgh. I assume that you would think that in order to pay that out they ought to stick to steel rod and wire, is that it?

Mr. SLATER. No, sir, I think that you will see through testimony that Wheeling-Pittsburgh is a good producer of sheet, they are well known in the oil rig goods, the oil well casing and tubing business. We meet them competitively. They are a good competitor. We make money in that product line. I think, again, they should stay in the business they know best.

Senator HOLLINGS. You think that economically, financially they can pay up that $86½ million by——

Mr. SLATER. I think they are going to go down the drain. [Laughter.]

Senator HOLLINGS. That is the whole idea of the EDA loan guarantee thing.

Mr. SLATER. I don't see how any company can borrow almost $200 million and have people say, here is $200 million, this will keep you healthy. I think they ought to get some waiver on the EPA and take things a little slower than what seems to be happening.

Senator HOLLINGS. That is another problem. You have your lawyers, we have a worst time with the bureaucrats to get the waivers.

I have no further questions.

Senator WEICKER. Thank you, Mr. Chairman.

Mr. SLATER. Thank you, sir, for your time.

Senator HOLLINGS. Thank you.

Mr. Arnot is next.

BETHLEHEM STEEL

STATEMENT OF D. S. ARNOT, VICE PRESIDENT, COMMERCIAL, BETHLEHEM STEEL, BETHLEHEM, PA.

ACCOMPANIED BY:

W. T. ANTHONY, MANAGER, RAILROAD PRODUCT SALES
J. M. WORKMAN, MANAGER OF MARKET RESEARCH SALES
E. E. DAVIS, ASSISTANT VICE PRESIDENT, PUBLIC AFFAIRS

Senator HOLLINGS. You don't have anybody to introduce you, but you are welcome.

You are from Bethlehem Steel?

Mr. ARNOT. That is correct.

PREPARED STATEMENT

Senator HOLLINGS. We will make your full statement part of our record.

[The statement follows:]

STATEMENT OF D. S. ARNOT

Wheeling-Pittsburgh Steel Corp.—W-P—the eighth largest fully integrated steel producer in the United States, with 1978 sales in excess of $1.1 billion, has made application to three governmental agencies for financial assistance. A portion of this governmental assistance will be spent to enable Wheeling-Pittsburgh to comply with certain environmental agreements.

Bethlehem Steel Corp.—Bethlehem—is not opposed to granting governmental assistance to Wheeling-Pittsburgh to meet environmental standards!

However, according to Wheeling-Pittsburgh's own announcements, a substantial portion of the financial assistance sought from two Federal agencies, Commerce and Agriculture, plus a 4 perent loan from the Pennsylvania Industrial Development Authority, will be use by Wheeling-Pittsburgh to diversify its product lines.

Bethlehem is opposed to the use of taxpayer dollars to enable a private company to move into new product lines, particularly when existing, competitive facilities are sufficient to meet current and expected demand.

Wheeling-Pittsburgh, by its own announcements, intends to use more than half of the Federal financial assistance to construct a new facility at Monessen, Pa., to produce steel rails and tie plates, products presently produced by Bethlehem (and others), but products not presently produced by Wheeling-Pittsburgh. The Monessen facility, with modest additional expenditures, also will permit Wheeling-Pittsburgh to produce structural shapes and pilings, two more products now produced by Bethlehem, but never produced by Wheeling-Pittsburgh.

Wheeling-Pittsburgh has suggested Bethlehem—and others—are opposed to Wheeling-Pittsburgh's applications for financial assistance from our government because Bethlehem is concerned about increased competition in the production/sale of steel rails, tie plates, structural shapes and piling. This is not true. If Wheeling-Pittsburgh wishes to broaden its product lines, and is willing to invest its own moneys in support of this decision, we would willingly compete with them.

If Wheeling-Pittsburgh is truly convinced, as stated in their announcements, that there is a tremendous need for additional rail and shape capacity in the United States, our free enterprise system permits and encourages Wheeling-Pittsburgh to invest its money, build the facility at Monessen, and allow the market place to prove either the wisdom or folly of its judgment.

But this is not the course Wheeling-Pittsburgh wishes to follow. It proposes to test the wisdom or folly of its decision—not with its own funds—but with guarantees and loans backed-up with public moneys.

Our free enterprise system, which Bethlehem enthusiastically supports, is based on fair competition and independent action. Seventy-five years ago, the founder of Bethlehem Steel gambled his money, and the money of other private citizens, on a new kind of rolling mill making an entirely new product—the wide flange beam, similar in many respects to the products Wheeling-Pittsburgh proposes to produce at Monessen. These people believed in themselves and their judgments.

Our free enterprise system, founded on fair competition, enabled Charles Schwab and his supporters to build the new mill. The marketplace proved them to be correct.

Today, our company employs 95,000 people. The products produced on the new mill, because of Mr. Schwab's vision, judgment, and willingness to take a risk for possible profit helped build our Nation.

We do not oppose the construction by Wheeling-Pittsburgh of a new facility at Monessen to produce products which will compete with us. If the Wheeling-Pittsburgh management believes we need additional capacity to produce rails, and tie plates, and shapes, and piling, if its private investors concur, we say to Wheeling-Pittsburgh: invest your money, build your mill, market your products, our system of free enterprise encourages such risks. Our Nation's history of fair competition guarantees Wheeling-Pittsburgh the opportunity to succeed, or to fail.

Additional competition, fair competition, does not frighten us. But Wheeling-Pittsburgh, and its private investors, seem unwilling to compete fairly, to test their own judgments under our free enterprise system. Instead, Wheeling-Pittsburgh wants the American taxpayers to guarantee the Monessen project against failure.

Some people have suggested that, without governmental guarantees and loans, Wheeling-Pittsburgh cannot finance the Monessen facility. It has been said that Wheeling-Pittsburgh's internal cash flow and its inability to acquire funds through external financing deprives Wheeling-Pittsburgh of the chance to prove, or disprove, its business judgements about demand/capacity for rails and shapes. However, on May 2, the media reported that Wheeling-Pittsburgh had arranged a $77 million line of credit with a seven-bank consortium. This money, according to the May 2 reports, will be used—no, not to help construct the Monessen mill, but for "acquisition purposes."

What an incongruous situation: Three public bodies provide $160 million of public money, guarantees and loans to Wheeling-Pittsburgh for a new steel facility to permit Wheeling-Pittsburgh to diversify because Wheeling-Pittsburgh cannot obtain private funding without governmental guarantees. Wheeling-Pittsburgh borrows $77 million from seven banks to acquire other business concern.

Congress, to its credit, when it authorized the business loans and grants programs, wrote into the law an important limitation. In order to insure fair competition, EDA is precluded from providing financial assistance to any project:

"When the result would be to increase the production of goods * * * when there is not sufficient demand for such goods * * * to employ the efficient capacity of existing competitive commercial or industrial enterprises."

We believe present standard rail capacity is adequate to meet projected demand and adding additional rail capacity would only result in displacing production and employment at both our Steelton and Bethlehem, Pa., plants.

In summary, Bethlehem does not oppose competition. We favor competition, from Wheeling-Pittsburgh, from anyone, as long as it is fair competition.

Bethlehem does not oppose financial assistance by EDA, or other public bodies, to permit Wheeling-Pittsburgh to meet air and water quality standards. The construction of pollution abatement facilities, aided by governmental loans and guarantees, will permit Wheeling-Pittsburgh facilities in Ohio, West Virginia, and Pennsylvania, including the Monessen Plant, to remain in operation.

However, Bethlehem does oppose financial assistance by EDA, or other public bodies, to permit Wheeling-Pittsburgh, or anyone else, to diversify its product lines, to produce new products, at a new mill, when the risk of success or failure of this venture is borne by the American taxpayer.

Last month, Wheeling-Pittsburgh demonstrated its ability to obtain private capital—a $77 million line of credit with seven banks. These external, private funds, and Wheeling-Pittsburgh's internal cash flow, not public funds, should be the dollars risked for a new mill at Monessen to produce new product lines. Bethelehem would have no quarrel with meeting such new competition.

We urge that no funds be authorized by Congress, or be granted by EDA, to permit Wheeling-Pittsburgh to achieve a private goal—diversification—with the risks being borne by the American public.

SUPPORT OF ASSISTANCE FOR ENVIRONMENTAL IMPROVEMENTS

Mr. ARNOT. I would introduce, on my left, Mr. Joe Workman, in charge of our market research activity, and on my right Mr. William Anthony, manager of our railroad product sales, which includes railroad rail but also includes a number of other products, including, switches, axels, and so on, for the railroad industry.

I would like to read my statement for the record, if I might, Mr. Chairman. It is very brief.

Senator HOLLINGS. All right, go right ahead.

Mr. ARNOT. Wheeling-Pittsburgh Steel Corp.—W-P—the eighth largest fully integrated steel producer in the United States, with 1978 sales in excess of $1.1 billion, has made application to three governmental agencies for financial assistance. A portion of this governmental assistance will be spent to enable Wheeling-Pittsburgh to comply with certain environmental agreements.

Bethlehem Steel Corp.—Bethlehem—is not opposed to granting governmental assistance to Wheeling-Pittsburgh to meet environmental standards.

However, according to Wheeling-Pittsburgh's own announcements, a substantial portion of the financial assistance sought from two Federal agencies, Commerce and Agriculture, plus a 4-percent loan from the Pennsylvania Industrial Development Authority, will be used by Wheeling-Pittsburgh to diversify its product lines.

OPPOSITION TO ASSISTANCE FOR NEW RAIL MILL

Bethlehem is opposed to the use of taxpayer dollars to enable a private company to move into new product lines, particularly when existing, competitive facilities are sufficient to meet current and expected demand.

Wheeling-Pittsburgh, by its own announcements, intends to use more than half of the Federal financial assistance to construct a new facility at Monessen, Pa., to produce steel rails and tie plates, products presently produced by Bethlehem—and others—but products not presently produced by Wheeling-Pittsburgh. The Monessen facility, with modest additional expenditures, also will permit Wheeling-Pittsburgh to produce structural shapes and piling, two more products now produced by Bethlehem, but never produced by Wheeling-Pittsburgh.

Wheeling-Pittsburgh has suggested Bethlehem—and others—are opposed to Wheeling-Pittsburgh's applications for financial assistance from our Government because Bethlehem is concerned about increased competition in the production/sale of steel rails, tie plates, structural shapes, and piling. This is not true. If Wheeling-Pittsburgh wishes to broaden its product lines, and is willing to invest its own moneys in support of this decision, we would willingly compete with them.

If Wheeling-Pittsburgh is truly convinced, as stated in their announcements, that there is a tremendous need for additional rail and shape capacity in the United States, our free enterprise system permits and encourages Wheeling-Pittsburgh to invest its money, build the facility at Monessen, and allow the marketplace to prove either wisdom or folly of its judgment.

But this is not the course Wheeling-Pittsburgh wishes to follow. It proposes to test the wisdom or folly of its decision—not with its own funds—but with guarantees and loans backed up with public moneys.

DEVELOPMENT OF BETHLEHEM STEEL

Our free enterprise system, which Bethlehem enthusiastically supports, is based on fair competition and independent action. Seventy-five years ago, the founder of Bethlehem Steel gambled his money, and the money of other private citizens, on a new kind of rolling mill making an entirely new product—the wide flange beam, similar in many respects to the products Wheeling-Pittsburgh proposes to produce at Monessen. These people believed in themselves and their judgments.

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Thank you, Mr. Chairman.

WHEELING-PITTSBURGH ACQUISITIONS

Senator HOLLINGS. Mr. Arnot, do you have any evidence other than the news reports about acquisitions by Wheeling-Pittsburgh?

Mr. ARNOT. All I have is the same May 2 report that I believe Senator Weicker referred to earlier.

ADDITIONAL BETHLEHEM CAPACITY

Senator WEICKER [presiding]. As I understand it, the three existing companies, United States Steel, C.F. & I., and yourselves, all claim you have existing capacity to meet any reasonable projections of demand. Let's assume you are all wrong, in 3 years there is a surge in long-term demand for rail. How would your company react?

Mr. ARNOT. If our forecast was wrong, Senator Weicker, I believe the first thing we would do, if once we were assured that that demand was increasing, we could get back in the rail business in our Lackawanna plant in New York, N.Y., where we once produced rails. We are so convinced of our projections for the future in terms of rail demand that we shut that facility down at the end of 1977. We wouldn't have shut it down if we didn't believe our prognosis for future rail demand.

Senator WEICKER. How long would it take you to open up that plant?

Mr. ARNOT. That would take no more than 18 months to reopen that facility, the facility we would have in mind to produce rail.

Senator WEICKER. And at a cost of roughly—I understand these are all estimates?

Mr. ARNOT. Yes, it depends on how we might approach the problem. It could be as high as $50 million—no, higher than $50 million, one scenario would be as little as $5 to $10 million, say between $5 and $10 to $50 million, depending on how we would go.

Senator WEICKER. In other words, you would be opening and modernizing a mothballed mill at a fraction of the cost and time of building a brand new mill, reemploying workers previously laid off, and all this without a dime of Government money. Is that correct?

Mr. ARNOT. That is essentially correct. We might not choose to roll on the old former mill. We might roll it on an existing facility that is there now. But I don't want to complicate the situation, but the facility is there and it is a structural facility capable of rolling rail.

Senator WEICKER. So in addition to your present capacity, in addition to present capacity of C.F. & I., both of you—yours, as you said, Mr. Slater, with a slight addition of capital money—can be expanded.

Mr. SLATER. That is correct.

Senator WEICKER. And Bethlehem has the Lackawanna plant it could go to.

Mr. ARNOT. That is right, in a shorter period of time.

ESTIMATED 5-YEAR DEMAND FOR RAIL

Senator WEICKER. Yes. I understand you and your people are somewhat knowledgeable about the market demand for rail. Would you please tell us what you anticipate to occur within the next 4 to 5 years?

Mr. ARNOT. Thank you.

I would like to think we are somewhat knowledgeable in the rail demand. We have been in the business not quite as long as Mr. Slater has been, but we have been in the business 70 years, plus, so we think we know something about rail demand.

We project in the next, say, 5 or 6 years, demand level in the 1.2- to 1.3-million ton annual range.

After that time, we anticipate that demand will fall off to something less, perhaps back to something like 900,000 tons per year.

The reason for this is that there has been, because of the railroad's problems over the last several years, there has been deferred maintenance which they have started to pick up on the last couple of years and that is running, what we would call deferred maintenance, is running at 150,000 to 200,000 tons per year.

We say that that will stop in another 6 years or so and we will be back to a normal replacement factor which should consume about 900,000 tons per year, something in that vicinity.

Senator BUMPERS. What was the date you said you would reach that, Mr. Arnot?

Mr. ARNOT. Approximately 1985, within, say, maybe 7 years.

Senator WEICKER. I have no further questions. Dale?

Senator BUMPERS [presiding]. Mr. Arnot, how many tons were produced in 1978?

Mr. ARNOT. How many tons were produced?

Senator BUMPERS. In this country.

Mr. ARNOT. We shipped 1,100,000—no; 1978, excuse me, 984,000 tons.

Mr. WORKMAN. Yes.

Senator BUMPERS. Was that up or down from 1977?

Mr. ARNOT. That was down, I believe 1977 was about 1.1. Do you have it, Joe, handy?

Mr. WORKMAN. Yes.

Mr. ARNOT. I might add, Senator, that for the first 3 months of this year, despite severe weather conditions in the first quarter, and the lack of availability of railroad cars to ship rail that our industry shipped at an annual rate of 1.1 million tons.

RAIL IMPORTS

Senator BUMPERS. Let me ask you this, how much rail steel was imported into this country last year?

Mr. ARNOT. Well——

Senator BUMPERS. Steel rail, I guess it is.

Mr. ARNOT. The total was 135,000 tons, I guess, but about 78,000 tons of that was lighter than standard rail; in other words, nonrailroad rail. The mining rail which Mr. Slater referred to earlier, the 60-pound, 80-pound weight rail.

Mr. ANTHONY. This is rail not considered under the Wheeling-Pittsburgh applications.

Senator BUMPERS. They would not make that, is that what you are saying?

Mr. ARNOT. And we do not make it in our Pennsylvania plants, we go to another plant.

Senator BUMPERS. That was about 78,000 tons of regular steel rail?

Mr. WORKMAN. It was 78,000 of what we call light rail. We believe the imports of standard rail, the product we are discussing, was on the order of about 65,000 to 70,000 tons.

Senator BUMPERS. In 1978?

Mr. WORKMAN. Yes.

Senator BUMPERS. How did that compare with 1977?

Mr. WORKMAN. There are no figures available for 1977 that split the standard rail from the light rail but the total imports in 1977 were 87,000 tons of both light and standard rail.

Senator BUMPERS. So 1978 was up to 135,000 tons for both classes?

Mr. WORKMAN. Yes.

Senator BUMPERS. Who did——

Mr. WORKMAN. They were down in the first quarter. Imports in the first quarter were about 22,000, first quarter 1979.

Senator BUMPERS. How did that compare with the first quarter of last year?

Mr. WORKMAN. I am not sure. Down, I believe.

Senator BUMPERS. Where does most of this come from; Japan?

Mr. WORKMAN. Canada, yes, and some from Japan.

Senator BUMPERS. Germany?

Mr. WORKMAN. Some from Germany.

Mr. ANTHONY. Canada and Japan. The increase of last year over the year before was primarily 60 pound rail which we abandoned when we closed the Lackawanna facility. So that is in the category of light rail; 80 pound and under is classified light rail.

Senator BUMPERS. The 987,000 tons, what percentage did Bethlehem produce last year of that total?

Mr. ANTHONY. Less than 25 percent.

Senator BUMPERS. What did C.F. & I. produce?

Mr. SLATER. A little over 30 percent, sir.

Senator BUMPERS. And who else was in there?

Mr. ARNOT. United States Steel.

Senator BUMPERS. When did they produce, the balance?

Mr. ARNOT. They would have produced the balance.

NEEDS OF RAILROADS

Senator BUMPERS. Did Mr. Carney—I had to leave before he finished, did he say anything about conversations with the railroads, some of the larger railroads in this country about what they preceive to be the future demand for steel rail?

Mr. ARNOT. He did say, Senator, and I don't know that I can quote him exactly but he did——

Senator WEICKER. He is here if you want to ask him.

Senator BUMPERS. Did you testify to this?

Mr. CARNEY. What is that?

Senator BUMPERS. We are talking about correspondence or conversations or understandings you had with certain railroads about future projections, the demand projection of steel rail.

Mr. CARNEY. Every one of the major railroads has encouraged us to go into the rail business and we have letters of intent from most of them to purchase our rails. So although the producers say everything is fine, at least most of the consumers to me are saying everything isn't fine.

Senator BUMPERS. Did they give you any other reason other than, of course, they would like to see a lot of people in it because that would make it a little more competitive with more people, I suppose and they might benefit from a little lower price.

But did they give you any other reason for encouraging you to go into this business?

Mr. CARNEY. Each railroad is different. They all have their own projections. Some of them have high projections for the future, some low. I can name one of our major railroads that over the next 10 years will buy—they showed me their projections—twice as much rail as they bought and used over the last 10 years.

They have to replace all their main lines. They have a plan to replace all their main lines, so this particular railroad which is one of our major roads has given me numbers that they will increase their production.

Senator BUMPERS. What is the capacity projected to be at the Monessen plant?

Mr. CARNEY. It will be a maximum 432,000 tons.

Senator BUMPERS. A maximun of 432,000 tons?

Mr. CARNEY. Annually, yes.

Mr. SLATER. Excuse me, I am Bob Slater.

Senator BUMPERS. This is a free for all, speak up.

Mr. SLATER. I apologize, but if I may; I am president of C.F. & I., I would like to see the letters of intent to purchase this rail. You know a letter of intent is a negotiable instrument and if you were going to get loans in the marketplace from banks to produce something of a letter of intent from your customer saying they are going to purchase so many thousands of tons of rail over the next 4 or 5, 6 years is a negotiable instrument that can act as security against those loans.

Now, we have canvased our railroad customers as to their needs and we feel that we can support those needs. We hear nothing from our customers—and that being the railroads in the mid-West and West and even the big pilot rail down at Little Rock, Ark. on the Missouri-Pacific. We hear nothing about letters of intent. I would like to see those letters of intent.

Senator BUMPERS. Would you classify those as legally drawn up?

Mr. CARNEY. No; they are not legal documents.

Senator BUMPERS. But it is in writing?

Mr. CARNEY. Yes.

Senator BUMPERS. It is not something you can go to the bank with and get credit on?

Mr. CARNEY. Right. I trust the railroads, you know, the way I trust the Government. [Laughter.]

Senator BUMPERS. Would you want to rephrase that? [Laughter.]

Mr. CARNEY. Not particularly.

Senator BUMPERS. I didn't know anybody that trusted the government that much. Go ahead.

Mr. ARNOT. I would like to expand by saying I have never met a purchasing agent in any business that wouldn't like another supplier. This is true in the rail business, too, because they have that many more sources of supply.

I would like to also echo what Mr. Slater said, we, of course, call on all the railroads, because we sell to them on a regular basis and we have had no indication when we add up the total of all of their forecasts for the future, that wouldn't indicate that there is sufficient demand today and for the future to handle future requirements for the railroads.

DELIVERY SCHEDULES

Senator BUMPERS. What are your delivery schedules now, Bill?

Mr. ANTHONY. Perhaps a minute to discuss normal rail schedules would be worthwhile.

Certain customers need rail at certain times of the year when they can put it in track in good weather. It is normal to solicit the plans of all your rail buying customers late in the year to get their plans for the following year.

After you have gotten all those projections—historically, there are about 25 percent more than it turns out to be—then you plan your rail program ahead, what sections you are going to roll, what months, et cetera.

Customers who can tolerate late year deliveries, that is where they are generally put to even out the rolling schedules.

We now are producing rail for all of the major Eastern railroads. We have rail on our books for Wheeling-Pittsburgh, some of which we have delivered so far, some of which is projected on into the balance of the year.

Rail is generally sold and planned on a calendar year basis.

I would like to read an excerpt from a May 7 Wall Street Journal. It says:

> If the statements of rail buyers themselves are any indication, Mr. Carney's opponents are right. Consolidated Rail Corporation, which bought about 140,000 tons of rail in each of the past 2 years, says it is getting adequate supplies and some other railroads agree that the current nationwide capacity is sufficient.

Mr. CARNEY. Senator, could I respond to that because you know this is a fairly critical question that you ask as to capacity and that is what is tied to delivery. From the producer's point of view, 1 year delivery may be fine but for the customer, it may not be satisfactory. As he stated, Bethlehem is our sole supplier of rails. We need them for our railroads, for crane rails, and I will quote from the PIDA hearing by my vice president of purchasing as to our situation with Bethlehem.

The question is, are we in allocation, and allocation in the steel business generally means there is not sufficient capacity.

I will quote from a November 9, 1977, letter from Bethlehem: "We are pleased to offer a quotation on your inquiry specifying a total of 850 net tons of cold-rolled heavy rail from which you have been allocated 760 tons." We wanted 850, they allocated to us 760,000 tons. Then in the 1978 letter, they said that all rail "will come from your 1979 allocation."

Therefore, my vice president of purchasing called Mr. Vanvliet, the district manager in Pittsburgh, asking the question, "Is Wheeling-Pittsburgh on allocation for rails?" The answer given was, "Yes."

Now, I don't call that adequate capacity just for us. Now we are just a small buyer. But I would like to have my rail sooner.

ANNUAL SUSTAINABLE CAPACITY

Senator BUMPERS. What is your annual capacity of rail, Mr. Arnot?

Mr. WORKMAN. We list that in some documents which have been presented to EDA. Our sustainable capacity is about 280,000 tons a year.

Senator BUMPERS. Did you produce that last year?

Mr. ARNOT. Actual capacity is higher than that, that is the schedule.

Senator Bumpers How about C.F. & I?

Mr. SLATER. At the end of 1978 our capacity was 300,000 tons, we produced, I think, 298,000 tons. With the completion of an $85 million program in April of 1979, our capacity now will rise on a learning curve basis to 550,000 tons sustainable and a surge basis of about 800,000 tons.

Mr. Carney, I will take your order for rail. We have room for more rail.

Mr. CARNEY. We will be glad to give you some.

Senator BUMPERS. With an 85——

Mr. CARNEY. With delivery of less than a year.

Mr. SLATER. Send us an order.

Senator BUMPERS. I don't mind everybody talking. But let's keep it rather orderly.

Are you telling me that for $85 million, you increased your capacity from 300,000 tons to 550,000 tons?

Mr. SLATER. That is correct, sir.

Senator BUMPERS. You now have that annual production capacity?

Mr. SLATER. We are on a learning curve, effective April 1979, bringing the mill up to that 550,000 tons.

Senator BUMPERS. When will you reach that capacity?

Mr. SLATER. We are projecting, in December of this year.

Now, at that point in time, with a minor expenditure of probably $15 million to $20 million, increasing the size of the rail finishing facility, we can move from the 800,000 ton level per year, if necessary. And that expenditure, we estimate, as I said, to be $15 million to $18 million.

Senator BUMPERS. Why did you expand by 250,000 tons if the projection for 1985 is down?

Mr. SLATER. We had—in 1975, we initiated a program to modernize our rail facility, because our rail facility was originally built in 1903. And it was later modernized in 1925.

Now, we felt that we had to increase throughput, increase productivity, reduce costs, save energy. And we had already spent some $300-plus million in our plant modernizing the hot end and finishing end and the mines. This was the sole area left not modernized over a 10-year program, amounting to over $400 million—

in fact, just short of a half-billion dollars. This was the rail mill, the next target.

And you know, really, if rail was as good a product as I hear said, we would have picked the cherry first and really modernized our rail mill back in 1970 instead of letting it be the last project in our 10-year capitalization program.

Senator BUMPERS. How much have you reduced your costs?

I take it, the additional capacity—this is new, modern mill capacity, is it not?

Mr. SLATER. That is correct.

Senator BUMPERS. You don't use the same technology you had been using?

Mr. SLATER. That is correct.

We have introduced two new mill stands, a new rolling process, and, in fact, a computerized process, a new straight-ending process.

Senator BUMPERS. By what percentage can you reduce your costs on steel produced in the extra capacity below what you have been producing at?

Mr. SLATER. You don't reduce your costs one bit, because by the time you get a project finished over a 4-year period, inflation results—the cost of energy, the cost of labor, the cost of materials have eaten away at your profit—and you are lucky just to maintain the same position.

But if you don't do that, of course, your costs would have skyrocketed.

Senator BUMPERS. Mr. Arnot, do you consider your mill to be a modern mill?

Mr. ARNOT. Yes, sir.

We can produce rail to the AREA specification, which is the standard. We have satisfied that specification. And that specification gets tighter. It is updated and becomes more difficult to meet over the years. And we are producing to that specification.

CAPACITY COMPARED TO FUTURE DEMAND

Senator BUMPERS. Now, it is troubling to me, gentlemen, if these figures you have given me are correct.

I will invite any comment any of you have.

We are talking about a projection of 985,000 tons in 1985. Was that the right figure?

Mr. WORKMAN. That is in terms of actual shipments in 1978.

Senator BUMPERS. You are anticipating 900,000 tons for 1985? Is that correct?

Mr. WORKMAN. Right.

Senator BUMPERS. We were looking at the downward projection. Somebody said it was 900,000 tons.

Mr. ARNOT. In about 7 years.

Senator BUMPERS. Well, that is 1985. If we are looking at 900,000 tons—or roughly 110,000 tons less than this year—in 1985—you are telling me that C.F. & I. has increased their capacity from 300,000 to 550,000 tons?

Mr. SLATER. Yes.

Senator BUMPERS. Your capacity is what now?

Mr. WORKMAN. 280,000.

Senator BUMPERS. What is United States Steel's?

Mr. McGRANN. 708,000 tons.

Senator BUMPERS. How much of this did you sell?

Mr. SLATER. He is not with United States Steel.

Senator BUMPERS. Is anybody here from United States Steel?

Mr. ARNOT. No; I don't think so.

Senator BUMPERS. They are big enough, so they don't care, I guess. [Laughter.]

Senator WEICKER. They are big enough, so they don't want to be noticed that they are big enough.

Mr. ARNOT. In 1985, I did say, 900,000 tons. And I was thinking of normal railroad maintenance returning to that level. This deferred maintenance that I talked about achieving currently, the level of 150,000 to 200,000 tons will be diminished.

But there are other rail markets—industrial uses and mine uses—that utilize standard rail. When you add that into it, rail demand, we would anticipate, in 1985 would be 1.1 million, roughly.

Senator BUMPERS. Do you export any rail?

Mr. ARNOT. Very little.

Senator BUMPERS. How about C.F. & I.?

Mr. SLATER. Yes, sir, we do.

Senator BUMPERS. How much?

Mr. SLATER. It varies with market conditions. In 1975 we put 82,000 tons of rail into Taiwan, in 1976 I don't think there was any exported.

Senator BUMPERS. Was that your total exports, just to Taiwan?

Mr. SLATER. No, we exported other products.

Senator BUMPERS. I am talking about rail now.

Mr. SLATER. Yes, that—no, there was also an export I believe into Mexico at that time, too. I will be happy to get the figures for you if you care to.

Senator BUMPERS. I would like to see those.

Senator BUMPERS. To go on with this projection, if we are talking about 1.1 million instead of 900,000 tons in 1985, and United States Steel has 705,000 tons——

Mr. McGRANN. 708,000 tons.

Senator BUMPERS. Is that what you call sustainable capacity?

Mr. McGRANN. That is what they call it.

Mr. ARNOT. We have it estimated at 720,000, so we can split the difference.

Senator BUMPERS. You were projecting what, 430 what?

Mr. CARNEY. 432,000 tons.

Mr. SLATER. We are saying now, 550,000, sir.

Senator BUMPERS. Now, that would be almost 2 million tons a year to meet a projected demand of 1.1 million. It looks to me like some of you guys are going to have to give, whether Wheeling-Pittsburgh gets theirs or not.

Mr. WORKMAN. That is why we are here.

Mr. ARNOT. That is why we are here. We don't anticipate operating at better than 80 percent of capacity except for a peak year or two, because it never levels out exactly.

Mr. SLATER. That is why we are here. That's right.

Mr. ARNOT. We only anticipate operating at 80 percent of capacity.

COMPLAINTS FROM RAILROADS

Senator BUMPERS. Do you have any complaints, any of you, from any of the railroads, about the quality of your rail?

Mr. SLATER. Well, sir, I'll speak for C.F. & I. We get as many complaints as I complain about the quality of raw materials that I buy.

I think that the railroads, yes, they will say that we have some rail that looks like they have surface defects. We inspect them. We have people to do that. And if they are marked, we will take them back. And if they don't, we will sell it to them.

But our complaints in rail are very minor.

Senator BUMPERS. I am always reluctant to ask anybody to make a declaration against interest, as you lawyers say.

Mr. ARNOT. We don't have an abnormal amount of complaints, say, on rail compared to other products.

We produce virtually a full steel product line. I wouldn't say they are any more abnormal on rail than other products. You will always have some complaints—a claim, even, on occasion.

Senator WEICKER. Senator, may I ask a couple of questions at this juncture?

Senator BUMPERS. Certainly.

FUNDING OF ENVIRONMENTAL IMPROVEMENTS

Senator WEICKER. For Bethlehem and C.F. & I., have both of you met the EPA standards with your own money?

Mr. SLATER. Yes, sir, with the exception, sir, that we have funded certain EPA programs, for example, the coke plant pollution control facilities, through industrial revenue bond issues at 8 percent, I believe they were.

Mr. ARNOT. We have used bonds, yes, pollution control bonds. But other than that, it is our own money, absolutely.

Senator WEICKER. So that even without the loan relative to Monessen—and you have not argued and I am not arguing about the money allocated to Wheeling-Pittsburgh to assist them on their pollution problems—still, even that is a leg up insofar as Wheeling-Pittsburgh is concerned when compared to other companies in the industry getting that money to handle that problem.

Mr. ARNOT. That is correct.

Mr. SLATER. Right.

POTENTIAL LAYOFFS AT EXISTING RAIL PLANTS

Senator WEICKER. Point 2 relates to the question that Dale asked earlier. I suppose it comes to the point of borrowing from Peter to pay Paul, the analogy of Mr. Slater.

I suppose, if these figures are correct, you people are going to be laying some people off in your plants. Correct?

Mr. WORKMAN. That is right.

Mr. ARNOT. It is our analysis that if Wheeling-Pittsburgh goes ahead with this in their plant, we would be definitely laying people off whenever that facility comes onstream. Even without it, there would be certainly some years, as it goes up and down, when we would be having to lay people off.

Mr. SLATER. Sir, as far as C.F. & I. is concerned, with our 7,100 people in an area as confined as Pueblo, Colo.—as I said, we are over 30 percent of the payroll of the county there—Pueblo County—we would have to lay people off there, too, if we lost rail orders.

But, as the representative from Bethlehem said, the business is cyclical. I have seen it really good. I have seen it really bad, too—as little as a year and a half ago.

We could hardly give the rail away. And we had 600 layoffs at Pueblo, Colo., because of it.

USE OF RAIL

Senator BUMPERS. What percentage, if you know, of your sales go to replace present roadbed? And what of it is new for industrial purposes—extensions and that sort of thing? How many miles of commercial railroad do we have in this country? Do you know?

Mr. WORKMAN. 193,000 miles of rail. And it is going down every year.

Senator BUMPERS. Down every year?

Mr. WORKMAN. Less and less trackage in each system each year as railroads abandon lines.

And most of them would like to abandon more track than they are permitted to do under the present rules?

Senator BUMPERS. And I see this country becoming more and more dependent on the railroad industry and barge—that is not derogatory of the trucking industry. But as the years go on, we will go more and more to rail and barges.

I think Amtrak will be more viable.

Senator WEICKER. You wouldn't know from the Senators' new transportation plan.

Mr. ARNOT. Perhaps you were out of the room when Senator Weicker asked the question, if our forecasts were wrong—ours being lower than Mr. Carney's—were in a position—and Mr. Slater said essentially the same thing, to expand in a much shorter time frame than 4 years.

If we see the market going that way, we have the potential capability and the raw steel capability in place now at Lackawanna, N.Y., to produce something in the area of 700,000 tons more per year.

Mr. Slater quoted another figure for his projections.

NEUTRAL ON ENVIRONMENTAL IMPROVEMENTS

Senator BUMPERS. Mr. Arnot has stated in his testimony that Bethlehem has no objection to an EDA loan, Mr. Slater, to take care of the pollution control costs of Wheeling-Pittsburgh.

Do you feel that way?

Mr. SLATER. Well, we have taken a neutral position on that, with the understanding that we did our own thing.

We have spent some $65 million to $70 million over the last 9 years—10 years—excuse me—installing our own air pollution equipment.

And, as I said before, when you were absent, the reason we did it was, we couldn't afford the lawyers to delay it. As a result, we have

been able to install a lot of air pollution equipment at lower costs, because what cost $2 million 5 years ago is now worth $6 million or $8 million.

But we are taking a neutral position on the EDA loan on air and water pollution control equipment.

Mr. CARNEY. Senator, excuse me, please.

There is an inference that Wheeling-Pittsburgh hasn't spent their own money. And I want to get on the record that we have spent $100 million on pollution control up to now of our own money.

Senator BUMPERS. I know the State of Pennsylvania is putting $10 million into this thing.

Mr. ARNOT. That is correct.

Senator BUMPERS. You are a Pennsylvania company.

Mr. ARNOT. And we objected strongly.

Senator BUMPERS. You may be a Delaware corporation. But you operate there.

Mr. ARNOT. We objected.

Mr. Workman was there—and Bill.

Senator BUMPERS. Senator Randolph has asked to be heard. And, certainly, he is always welcome to be heard in this committee.

Senator Randolph, we will hear from you now.

Senator WEICKER. I have no further questions.

Senator BUMPERS. I have finished with my questions, gentlemen. Thank you very much.

Mr. ARNOT. Thank you, Mr. Chairman.

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

Senator RANDOLPH. Thank you very much.

Senator BUMPERS. Senator Randolph, I can only stay briefly. I am already late for something. I may have to leave here in just a minute. I want you to know that.

Senator RANDOLPH. I will take possibly 5 minutes.

Senator BUMPERS. I am sorry, I didn't realize until this moment you wanted to be heard.

Senator RANDOLPH. I understood that Senators were not being heard today, and that is no criticism of any word that went out. But it is my understanding that was the case.

Senator BUMPERS. We didn't know Senator Hart wanted to testify until just before the hearing. However, you all are certainly welcome to be heard, Senator Randolph, please proceed.

Senator RANDOLPH. The appearance of our able colleague, Senator Hart, with Mr. Slater, the president of Colorado Fuel & Iron, is understandable and most appropriate. But he was not here just introducing a constituent. He was here supporting that constituent—that company in opposition to Wheeling-Pittsburgh. That is the reason that I earlier said I had no statement. However, in view of Senator Hart's testimony, I felt that, I should take the opportunity to support Wheeling-Pittsburgh.

SENATOR HEINZ' LETTER

Now, I wish to read and I do this at the request of Senator Heinz, a letter that he has sent under date of June 6 to the chairman, Senator Hollings:

I am writing to express my concern that, in your subcommittee's consideration of the fiscal 1979 supplemental appropriation, the Economic Development Administration's steel set-aside loan guarantee program will be continued intact. As I indicated to your subcommittee last year, I strongly support this program, which will both strengthen our domestic steel industry and further EDA's overall objective, which is to create jobs for Americans.

I also want to make clear my support for EDA's intent to guarantee a loan to Wheeling-Pittsburgh Steel Corp. I hope that your subcommittee will not act in a way that might jeopardize this company's success in enjoying almost 15,000 workers in three States.

The new rail mill to be built in Monessen, Pa., has received a favorable recommendation through EDA's 702 review process, an assessment that this facility will not produce excess capacity for rail domestically. The rail mill will not only employ new workers but will also assure the company's economic stability so it can maintain its present employment as well.

To encourage this facility is consistent with EDA's purpose in creating and preserving jobs, and its construction will, in my judgment, add to the economic and competitive health of the entire steel industry. I strongly urge your subcommittee to support EDA's intentions in this regard.

Thank you for your attention.

LETTER FROM HON. JOHN HEINZ

Senator BUMPERS. We have that letter from Senator Heinz and it will be in our files since you have read it into the record.

SUPPORT OF WHEELING-PITTSBURGH GUARANTEED

Senator RANDOLPH. Thank you again, Mr. Chairman, for giving me the opportunity to not take a substantial amount of time of the committee but to read very briefly from a letter which has been sent to members of the subcommittee.

I will not go into the first part of the letter but will read the portion beginning with paragraph 2.

The financing program developed by Wheeling-Pittsburgh in which EDA and the Farmers Home Administration are being asked to participate, is essential to the maintenance of this corporation as a major employer in the Ohio and Monongahela Valley. For a considerable period of time, the jobs provided by Wheeling-Pittsburgh in West Virginia and our neighboring States of Ohio and Pennsylvania, have been threatened by the company's marginal financial condition and the possibility of enforcement action by the U.S. Environmental Protection Agency, and State pollution control bodies.

Through the diligent efforts of the company and many persons in EPA and the State agencies, an agreement was reached on March 19, 1979 for a companywide pollution control program. Installation of pollution control devices at all of the company's plants for over a 3½-year period is required by the consent decree. However, successful future operations of the company depends on the strengthening of its product line in an area in which demand can reasonably be projected. Thus, the company is proposing to construct a rail mill at Monessen. for the production of railroad rails. This facility is essential to the company's future profitability and its ability to finance the pollution control program which itself will require approximately $85 million.

Federal loan guarantees of $155 million in debt financing are needed to implement this plan—$100 million from EDA and $50 million from Farmers Home Administration. Approval of these loan guarantees by Farmers Home Administration and the EDA will maintain nearly 5,000 jobs involving West Virginians. The loss of this employment would be calamitous.

Now, I want to note the testimony of Mr. Carney. He spoke of 2,100 West Virginians. There is no argument as to the validity of his statement or my statement. In the tristate area we have West Virginians who live in West Virginia, pay taxes in West Virginia, are citizens of West Virginia, who are working just across the Ohio River in Ohio and just up the river in the Commonwealth of Pennsylvania.

So the figures that Mr. Carney gave presumably are the 2,100 that are actually employed in the facilities in the State of West Virginia.

Mr. CARNEY. That is correct.

Senator RANDOLPH. Whereas, I am correct in the statement that nearly 5,000 West Virginians work within the tristate area for Wheeling-Pittsburgh. I want to make that clear.

I personally appreciate the efforts of the members of the subcommittee in giving to Mr. Carney the opportunity to review this program and for inviting the other gentleman from competing companies to express their views.

I am confident that Mr. Carney's testimony will show the full justification for Federal loan guarantees to Wheeling-Pittsburgh and the need to move forward with this vital steel project.

LETTER FROM HON. JENNINGS RANDOLPH

Now, I have enclosed, as my letter indicated, a memorandum which I will not take the time to read. I ask that it be made, Mr. Chairman, a part of the record of my testimony.

Senator BUMPERS. Without objection.

[The letter and memorandum follow:]

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C., June 11, 1979.

Hon. ERNEST F. HOLLINGS,
U.S. Senate,
Washington, D.C.

DEAR FRITZ: As you know, Dennis Carney, Chairman of Wheeling-Pittsburgh Steel Corp., will appear before the Subcommittee on State, Justice, Commerce and the Judiciary of the Committee on Appropriations, today, to review Wheeling-Pittsburgh's rail mill and pollution control financing plans and to respond to questions that were raised at last week's hearing regarding the application for a $100 million loan guaranty from the Economic Development Administration (EDA). This letter is to express my strong support for this Wheeling-Pittsburgh program. Since mid-1977, I and other Members of Congress have been working with the company and Federal officials in this effort.

The financing program developed by Wheeling-Pittsburgh in which EDA and the Farmers Home Administration (FmHA) are being asked to participate is essential to the maintenance of this corporation as a major employer in the Ohio and Monongahela Valleys. For a considerable period of time, the jobs provided by Wheeling-Pittsburgh in West Virginia and our neighboring States of Ohio and Pennsylvania have been threatened by the company's marginal financial condition and the possibility of enforcement action by the U.S. Environmental Protection Agency and State pollution control bodies. Through the diligent efforts of the company and many persons in EPA and the State agencies, an agreement was reached on March 19, 1979, for a companywide pollution control program. Installation of pollution control devices at all of the company's plants over a three and one-half year period is required by this Consent Decree. However, successful future operations of the company depend on the strengthening of its product line in an area in which demand can reasonably be projected. Thus, the company is proposing to construct a rail mill at Monessen, Pa., for the production of railroad rails.

This facility is essential to the company's future profitability and its ability to finance the pollution control program, which itself will require approximately $85 million.

Federal loan guarantees of $150 million in debt financing are needed to implement this plan—$100 million from EDA and $50 million from FmHA. Approval of these loan guarantees by FmHA and EDA will maintain over nearly 5,000 jobs involving West Virginians. The loss of this employment would be calamitous.

I personally appreciate the efforts of the Subcommittee in giving Mr. Carney the opportunity to review this program. I am confident that his testimony will show the full justification for Federal loan guarantees to Wheeling-Pittsburgh and the need to move forward with this vital steel project.

Enclosed is a copy of a more detailed memorandum on this matter.

With sincere thanks for your cooperation and with very best wishes, I am

Truly,

JENNINGS RANDOLPH.

Enclosure.

MEMORANDUM

From: Senator Jennings Randolph.
Date: June 7, 1979.

This memorandum gives a brief background on the pending application for an EDA Loan Guaranty filed by Wheeling-Pittsburgh Steel Corp. I emphasize that Federal loan guarantees by EDA and FmHA for Wheeling-Pittsburgh are extremely important to the areas in West Virginia, Pennsylvania, and Ohio where the company operates. The company is a major employer which could not be replaced. Accordingly, I and other Members of Congress, including Senators Glenn and Heinz, have invested considerable personal effort in the development of the plan described below.

BACKGROUND

Wheeling-Pittsburgh employs approximately 14,500 people in the Monongahela and Ohio Valleys in the state of Ohio (7,300), Pennsylvania (5,100), and West Virginia (2,100). In the period 1975–77 the company experienced substantial operating losses which threatened its existence. Over this period requirements under the Water Pollution Control Act and the Clean Air Act became effective which imposed substantial obligations on Wheeling-Pittsburgh to control emissions from its mills. The company was not in a financial position to make the investments required and is delinquent in putting in pollution control equipment required by EPA and the pollution control agencies of the three States in which it operates. Enforcement action by EPA and/or the State agencies against any one of the company's plants could trigger a general cessation of operations. Accordingly, it is essential to the maintenance of the jobs provided by the company that this problem be resolved.

In mid 1977 I and other Members of the Congress concerned with the maintenance of Wheeling-Pittsburgh as an employer began working with officials of the company to develop a financing plan involving EDA and FmHA which would permit resolution of its environmental problems and improve its profitability. These efforts subsequently coincided with the issuance of a Report to the President on a Comprehensive Program for Steel Industries prepared by a task force chaired by Undersecretary of the Treasury, Anthony Solomon. The report released December 6, 1977 recognized the need for Federal assistance to help steel concerns to modernize and put in pollution control equipment required by Federal law.

To ensure the future stability of Wheeling-Pittsburgh as a producer of steel and major employer, three things are required:

(1) Fulfillment of its obligations under applicable air and water pollution control laws and regulations;

(2) The development of new, profitable products; and

(3) A financing plan to accommodate both.

These problems fit with the findings and recommendations of the Solomon Report, particularly the need for comprehensive agreements with EPA and Federal financial assistance in the form of loan guarantees to help steel companies finance pollution control and modernization programs.

The EDA Steel Program was a direct descendant of the Solomon Report. The steel program consists of a one time program of approximately $500 million in loan guarantees to steel firms to assist in pollution control and modernization. The EDA Steel Guidelines provide for loan guarantees for the following:

Firms with serious financial problems, with little or no access to capital markets;

Firms seeking funds for modernization of plants located in areas of high and rising uemployment or threatened massive layoffs; and

Firms with viable plans for modernization.

EDA guarantees are limited to $100 million for any single company and projects must meet the statutory requirements of the EDA program including a secretarial finding of reasonable assurance of repayment and a finding that any new production capacity does not create over-capacity in the domestic economy.

WHEELING-PITTSBURGH

Wheeling-Pittsburgh is heavily concentrated in the production of sheet which is used primarily in the automobile and appliance industries and is subject to cyclical fluctuations in consumer spending. Therefore, a prime objective of management is a diversification which will lend greater stability to demand for its products. The company has experienced a major overhaul in management in the last three years which has led to sharply improved efficiency. Its manhours per ton of steel produced is below the industry average and the present management has reduced the work force substantially while increasing output. This is the price of an efficient, competitive enterprise. It has led to improved financial performance with four straight profitable quarters.

To accomplish the diversification needed for long-term stability, Wheeling-Pittsburgh proposes to construct a new rolling mill for the production of railroad rails at Monessen, Pa. To meet ints environmental responsibilities, the company sought an agreement with EPA. To finance both, Wheeling-Pittsburgh has applied for loan guarantees from the Farmers Home Administration ($50 million) and EDA ($100 million).

POLLUTION CONTROL PROGRAM

For the greater part of a year, from the late spring of 1978 through the early part of 1979, Wheeling-Pittsburgh worked earnestly with the Environmental Protection Agency to fashion a plan for meeting pollution control requirements. This was

essential because enforcement action against any one of the company's facilities could trigger closing of all of them. Second, both the Economic Development Administration and the Farmers Home Administration, which had indicated a willingness to consider loan guarantees for the company, made it clear that a complete and final settlement with EPA was a prerequisite to Federal assistance with financing. On March 19, 1979, Wheeling-Pittsburgh executed a Consent Decree with EPA which was the first, and to date the only companywide consent decree between a major steel producer and EPA. this decree was the result of very long and difficult negotiations. The resultant program requires approximately $85 million in expenditures by the company before the end of 1982.

During these negotiations it was recognized by EPA that in the absence of Federal loan guarantees Wheeling-Pittsburgh could not finance a program of this magnitude. Accordingly, section XXV of the Consent Decree expressly conditions the agreement on the issuance of guarantees by EDA and FmHA. A copy of the pertinent provision from the Consent decree is attached.

DIVERSIFICATION

As I have indicated, to improve its financial stability the company proposes to construct a rail mill for the production of railroad rails as part of its plant at Monessen, Pa. This is to be a rolling mill which will not add to the company's capacity to produce steel. It will permit the use of some of its existing steelmaking capacity for a new product line which is deemed by many to be in short supply. The proposed rail mill is the object of much, if not all, of the criticism of this project which has been voiced in your Subcommittee. Two points need to be made about this project.

First, relative to domestic capacity, there appears to be a substantial shortage of capacity to produce rails, both as to quantity and quality. There are only three other companies in the business presently and they enjoy the benefits of a tight market. As a precondition to a loan guarantee commitment, EDA has conducted a lengthy study of domestic rail capacity and has concluded that the Monessen mill will not create over-capacity. I am sure this study is available to you and the subcommittee.

Secondly, the Monessen rail mill is inseparably tied to Wheeling-Pittsburgh's ability to finance $85 million in pollution control expenditures. The enhanced profitability and, perhaps more importantly, the stability of that profitability which will be provided by the rail mill is an essential part of the financing program since the pollution control expenditures do not generate any additional revenue, but simply permit the company to stay in business.

FINANCING

As these projects took shape, Wheeling-Pittsburgh began discussions with EDA regarding a loan guaranty under the steel program. EDA indicated a willingness to work toward such a guaranty if the additional financing could be arranged beyond its $100 million limit. Accordingly, the Farmers Home Administration was contacted about loan guarantees under its Business and Industry Program. In addition, the Pennsylvania Industrial development authority indicated a willingness to participate. The total cost of these programs is estimated at over $190 million. The EDA and FmHA guarantees are for 90 percent of outstanding principal and interest. PIDA participation is in the form of a 4 percent loan. As the plan has developed, EDA would guarantee funds for the rail mill and pollution control projects in Pennsylvania and FmHA would guarantee funds for pollution control projects in West Virginia and Ohio, The breakdown is as follows:

Financing plan

[In millions of dollars]

Rail mill:	
EDA-guaranteed	63.5
Pennsylvania Industrial Development authority	10.0
Equity	31.5
Total	105.0
Pollution control:	
FmHA-guaranteed	50.0
EDA-guaranteed	36.5
Total	86.5
Total Federally guaranteed funds	150.0
Total State (PIDA)	10.0
Total equity	31.5

Wheeling-Pittsburgh has identified lenders for $150 million in the form of nine major insurance companies subject to issuance of the Federal guarantees, such guarantees are, of course, limited to 90 percent of outstanding principal and accrued interest. I am advised that the company has satisfied all of the conditions stipulated by EDA and FmHA for issuance of guarantees other than completion of final documents. The papers needed to complete the transaction are under negotiation and preparation.

AUTHORITY—EDA

The steel program is being carried out by EDA under the Economic Development Revolving fund. For fiscal year 1978 your subcommittee approved the use of $100 million for this fund for the steel program. Because of the time required to finalize these complex transactions, EDA has not committed these funds. An extension of this authority is required to maintain the steel program. The 1979 supplemental appropriation bill passed by the House would extend this authority for fiscal year 1979. I strongly urge that your subcommittee take similar action.

CONSENT DECREE U.S. EPA v. WHEELING-PITTSBURGH STEEL CORPORATION—MARCH 19, 1979

XXV. The Defendant has applied for Federal loan guarantees in a minimum amount of 140 million dollars ($140,000,000), a major portion of which is to finance the program of pollution control equipment and facilities required by this Decree. Letters of intent to issue such guarantees have been given to the Defendant by the Economic Development Administration, U.S. Department of Commerce (100 million dollars) and the Farmers Home Administration, U.S. Department of Agriculture (40 million dollars) subject to satisfaction of certain contingencies including identification of lenders, development and execution of all necessary loan agreements, and arrangement of equity. As of the effective date of this Decree the loans to be federally guaranteed are being arranged, but have not been closed. The parties to this Decree recognize that the agreement of Defendant to carry out the program of pollution control required herein is dependent upon such federally guaranteed financing. In the event such loans are not arranged and binding federal commitments to guarantee financing in this magnitude are not executed on or before December 1, 1979, this Decree shall be voidable, at the option of the Defendant or the Plaintiff.

HELPING HAND VERSUS HANDOUT

Senator RANDOLPH. One final comment. I do not desire to be argumentative, I am only speaking my own conviction. The president of the Colorado Fuel & Iron Corp., made the statement here today, and I am sure that my memory is correct, that to make this loan to Wheeling-Pittsburgh would be a handout. Now that is his opinion. And he has a right to that opinion. It is not a handout; it is a helping hand in the tradition of the business loan program.

But that is not my opinion and I so state with emphasis because I think I know the essence of the Economic Development Administration program. I know about the development of this legislation from the passage of the original act in 1965. I know the value of EDA programs in Pennsylvania, the value in Connecticut, the value in Arkansas, the value in Colorado, and the value in West Virginia.

Now this is not to say that a Federal agency does not sometimes make mistakes or a mistake. But it is my conviction that in this instance Mr. Slater is in error. I think this Wheeling-Pittsburgh project is a valid approach by an agency of the Government, EDA, to provide loan assistance, to preserve and create jobs and to strengthen a company that is having financial difficulties.

I thank you.

Senator BUMPERS. Thank you very much, Senator Randolph. Do you have any questions?

Senator WEICKER. I have no questions of Senator Randolph. I have one brief question of the representatives of EDA that are here.

Senator RANDOLPH. Just before that, Senator Weicker, perhaps I did say this, but Senator Glenn is addressing a letter or has addressed a letter in support of Wheeling-Pittsburgh. I want the record to so indicate.

Senator BUMPERS. We will be happy to incorporate that in the record when it comes in.

Thank you, Senator Randolph.

Senator WEICKER [presiding]. Mr. Hausner and Mr. Waldron of the EDA are here and I'll ask them to come forward.

DEPARTMENT OF COMMERCE

Economic Development Administration

STATEMENT OF VIC HAUSNER, DEPUTY ASSISTANT SECRETARY, ECONOMIC DEVELOPMENT ADMINISTRATION

ACCOMPANIED BY: GLEN WALDRON, CHIEF, BUSINESS LOAN DIVISION

EDA LETTERS OF INTENT

Senator Weicker. My question is brief. There has been considerable emphasis put on the letters from EDA to Wheeling-Pittsburgh. Gentlemen, did you bring with you copies of the letters between EDA and Wheeling-Pittsburgh?

Mr. Hausner. Yes, we did.

Senator Weicker. I wonder if we could see those.

Mr. Hausner. There are three letters, those are copies of all three.

Senator Weicker. These are the three?

Mr. Hausner. Yes.

Senator Weicker. The bottom one is the first, right?

Mr. Hausner. Right.

Senator Weicker. I will have all three submitted for the record, then.

[The letters follow:]

U.S. Department of Commerce,
Economic Development Administration,
Washington, D.C.

Mr. Dennis J. Carney,
Chairman, Wheeling-Pittsburgh Steel Corp.,
Pittsburgh, Pa.

Dear Mr. Carney: As a result of recent meetings between representatives of Wheeling-Pittsburgh Steel Corporation (Wheeling-Pitt) and the staff of our Office of Business Development, and on the basis of our preliminary review of the application submitted to the Economic Development Administration (EDA), we have determined that we will recommend to the Assistant Secretary for Economic Development that he give favorable consideration to a 90% EDA guaranty of not greater than $100 million in fixed asset financing to be made by lenders to Wheeling-Pitt. The proceeds from this financing would be used strictly for the purposes specified in your application which we understand will result in the preservation of over 15,000 jobs corporate-wide in the West Virginia, Pennsylvania and Ohio tristate area, and enable the company's steel manufacturing and related facilities to be in compliance with all applicable Federal and state environmental regulations as well as permit the construction and equipping of a modern rail mill in Monessen, Pennsylvania.

This letter of intent will be in effect until February 15, 1979, and is subject to the satisfaction of the following contingent provisions:

1. EDA's determination that the statutory requirements of the Public Works and Economic Development Act of 1968, as amended, Public Law 89-136; 42 U.S.C. 3121 et seq., other applicable statutes and all EDA directives, rules and regulations, including but not limited to, Part 306, Business Development Program, CFR Title 13, Chapter III, have been complied with.

2. Evidence of a concluded agreement between Wheeling-Pitt and the Environmental Protection Agency on a program of pollution control measures with the documented acceptance of the pertinent environmental authorities in the states of Ohio, West Virginia and Pennsylvania, confirming that Wheeling-Pitt has complied

with, or will comply with, all Federal, state and local environmental laws and regulations in effect at the time of the EDA Loan Guaranty as a result of the implementation of the project financing related to the company's corporate-wide pollution abatement program.

3. Commitment by the Farmers Home Administration (FmHA) of the U.S. Department of Agriculture to participate in the project financing of the proposed Monessen, Pennsylvania, rail mill in the form of a 90 percent guaranty of loans to Wheeling-Pitt of $40 million on terms and conditions satisfactory to EDA.

4. Commitment by the Middle Monongahela Industrial Development Association, Inc. (MIDA) to participate in the project financing of the proposed Monessen, Pennsylvania, rail mill in the form of a $10 million direct loan to Wheeling-Pitt, subordinated in payment and in collateral security to all EDA and FmHA guaranteed financing and on terms and conditions satisfactory to both agencies.

5. Identification of, and firm commitments from, all private sector financial lender participants in the project financing to include EDA and FmHA related debt capitalization (and also include possible restructuring of existing institutional lender financing extended to the company, as deemed appropriate), and equity capitalization required in the Agency's view, to insure the successful implementation of Wheeling-Pitt's modernization and pollution abatement programs. Of particular importance in this vein, is substantiation of adequate financing under terms and conditions acceptable to EDA that will provide Wheeling-Pitt the required operating capital necessary to ensure the company's capability of meeting its day-to-day operating needs with minimal financial disruption, thereby ensuring its viability.

6. Satisfaction by Wheeling-Pitt of the fifteen (15 percent) equity capital requirements that pertain to total required project financing.

7. A financial structure which permits the EDA 90 percent guaranteed exposure the best collateral security position obtainable considering the nature of covenants of existing and proposed credit facilities to Wheeling-Pitt.

8. Submission by the lender or lenders of acceptable loan agreement(s) with respect to the $100 million EDA guaranteed financing.

9. Agreement between EDA, the lending institution(s) and Wheeling-Pitt on a definitive Guaranty Agreement and General Terms and Conditions and a Loan Agreement in respect to the EDA guaranteed financing containing such terms and conditions, which, in the opinion of EDA, are necessary to protect EDA's exposure and ensure the successful achievement of project objectives.

10. Submission by financial participants involved in non-Federal related debt and/or equity financing to the company of legal documentation evidencing terms and conditions of their respective participations acceptable to EDA.

You should understand that any financial commitments or other obligations incurred by any party prior to the execution of a Guaranty Agreement by EDA are entirely at the risk of such party.

Should you have any questions regarding this letter, please do not hesitate to call at your earliest convenience.

Sincerely,

GEORGE T. KARRAS,
Deputy Assistant Secretary for Operations.

Mr. GEORGE RAYNOVICH, Jr.,
General Counsel and Secretary, Wheeling-Pittsburgh Steel Corp.,
Pittsburgh, Pa.

DEAR MR. RAYNOVICH: We acknowledge receipt of your letter of February 5 in which you state that you are making progress toward satisfaction of all the terms and conditions of our letter of intent to Mr. Dennis J. Carney dated December 28, 1978. It is my understanding that members of our Office of Business Development staff will meet with our investment bankers on Monday, February 12, to start negotiating the structure and nature of the proposed EDA guaranty. We are cognizant that lenders of the funds to be guaranteed by EDA and FmHA have been identified and counsel for them has been selected. It is important that final agreements with EPA be reached so that we can precisely define the total cost of the project, as well as complete our financial analysis for the same.

We take this opportunity to inform you that, subject to the satisfaction of the same contingent provisions of our December 28 letter to Mr. Carney, and again reiterating that any financial commitments or other obligations incurred by any party prior to the execution of a Guaranty Agreement by EDA are entirely at the risk of such party, we wish to extend the effectiveness of our previously issued letter of intent to April 1, 1979.

Should you have any questions regarding this letter, please do not hesitate to call us at your convenience.

Sincerely,

GEORGE T. KARRAS,
Deputy Assistant Secretary for Operations.

U.S. DEPARTMENT OF COMMERCE,
ECONOMIC DEVELOPMENT ADMINISTRATION,
Washington, D.C.

Mr. GEORGE RAYNOVICH, Jr.,
General Counsel and Secretary, Wheeling-Pittsburgh Steel Corp.,
Pittsburgh, Pa.

DEAR MR. RAYNOVICH: This is to inform you that, subject to the satisfaction of the same contingent provisions of our December 28, 1978 letter of intent to Mr. Dennis J. Carney, we wish to extend the effectiveness of this December 28 letter of intent to July 16, 1979 (the effectiveness of said letter having expired April 1, 1979, pursuant to our February 12, 1979 letter to you).

We again wish to reiterate that any financial commitments or other obligations incurred by any party prior to the execution of a Guaranty Agreement by EDA and the acceptance of the same by the required parties, are entirely at the risk of such party.

Should you have any questions regarding this letter, please do not hesitate to call us at your convenience.

Sincerely,

GEORGE T. KARRAS,
Deputy Assistant Secretary for Operations.

NO FINAL EDA COMMITMENT

Senator WEICKER. The statement is made here,

You should understand that any financial commitments or other obligations incurred by any party prior to the execution of a Guaranty Agreement by EDA are entirely at the risk of such party.

Is that correct?

Mr. HAUSNER. That is correct.

Senator WEICKER. That was in the initial letter sent to Wheeling-Pittsburgh.

Mr. HAUSNER. Yes.

Senator WEICKER. In the letter of February 12, again to Wheeling-Pittsburgh:

We take this opportunity to inform you that, subject to the satisfaction of the same contingent provisions of our December 28 letter to Mr. Carney, and again reiterating that any financial commitments or other obligations incurred by any party prior to the execution of a Guaranty Agreement by EDA are entirely at the risk of such party, we wish to extend the effectiveness of our previously issued letter of intent to April 1, 1979.

Mr. HAUSNER. Yes.

Senator WEICKER. Again, April 5, 1979, from EDA,

We again wish to reiterate that any financial commitments or other obligations incurred by any party prior to the execution of a Guaranty Agreement by EDA and the acceptance of the same by the required parties, are entirely at the risk of such party.

Mr. HAUSNER. Yes.

Senator WEICKER. It seems clear to me, and I gather the intent of this was to make very clear that there has been no final commitment made by EDA, is that correct?

Mr. WALDRON. That is correct, sir.

Mr. HAUSNER. That is correct.

PROPRIETY OF WHEELING-PITTSBURGH STATEMENT

Senator WEICKER. Mr. Carney, do you still stick by your statement that it was proper to state in the quarterly report—

We obligated commitments for Federal loan guarantees of $140 million, and a direct loan from the State of Pennsylvania. These commitments will enable us to finalize financial arrangements by June through a consortium of insurance companies—

In light of the language in those letters from EDA?

Mr. CARNEY. I had those letters when I made that statement.

Senator WEICKER. In light of these letters, you consider that to be a commitment?

Mr. CARNEY. Yes, I sure do.

Mr. HAUSNER. It is also true of those letters that while they indicate the contingent character of the agency's commitment, that we were in fact writing a letter of intent and in that sense indicating our interest in moving ahead.

Senator WEICKER. No question of that. That is why I want all the letters included in their entirety in the record. The basis is your December 28 letter which sets forth the details.

Mr. HAUSNER. That is correct.

Senator WEICKER. But in no sense legally had a commitment been made?

Mr. HAUSNER. We had not made a final decision.

Senator WEICKER. All right. I have no further questions.

Mr. HAUSNER. Thank you.

Senator WEICKER. I also submit for the record a letter to Mr. Hall from the Commerce, Consumer and Monetary Affairs Subcommittee, Government Operations Committee of the House of Representatives, signed by Benjamin Rosenthal. That will be made a part of the record.

[The letter follows:]

HOUSE OF REPRESENTATIVES,
COMMERCE, CONSUMER, AND MONETARY AFFAIRS SUBCOMMITTEE,
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C., May 24, 1979.

Hon. ROBERT T. HALL,
Assistant Secretary, Economic Development,
Department of Commerce, Washington, D.C.

DEAR MR. HALL: The Commerce, Consumer and Monetary Affairs Subcommittee of the Government Operations Committee is continuing its examination of the Steel Loan Guarantee Program, administered by the Economic Development Administration. As I stated in my January 26, 1979, letter to you, staff has conducted an indepth examination and has further consulted with persons knowledgeable about the steel industry, including academicians, consultants, and financial analysts.

Most recently, we have had occasion to review the Section 702 study, which EDA completed on the Wheeling-Pittsburgh Steel Co. application. We have some serious problems with the study's finding that long-term efficient and competitive capacity to produce standard rail is about 70 to 80 percent of "maximum theoretical capacity". The final conclusion that Section 702 was not violated was predicated on this assumption.

Based on our discussion with those knowledgeable about the steel industry, the capacity for rail production does run around 1.5 million tons per year. However, no opinion was ever voiced that "real" capacity was 70 to 80 percent of that figure. To the contrary, we have been advised that real capacity approaches this figure of 1.5 million tons.

A review of the relevant pages of the Section 702 study does not reveal in any way how the 70 percent figure was selected. The reasoning resulting in the 80 percent figure appears to be based on (1) the applicant's unsupported claims that it will not ship more than 80 percent of its annual capacity of 432 million tons; (2) the

fact that in 1976 the rail production ran at 87 percent of capacity, even though there was no finding that orders for rail outstripped domestic producers' actual capacity to produce rail; and (3) the confusion as to the product mix, even though we have been repeatedly advised that 30 to 25 percent of rail production involves the production of related items, such as ties which are utilized with the rail. (It appears that this latter figure remains relatively constant.)

Next, the Section 702 study does not consider the possible ramifications of railroad deregulation or even the likelihood that it may occur. We were told by persons, including even a railroad trade group which would favor the construction of another rail mill, that deregulation would probably mean the abandonment of several thousands of miles of branch lines, many of which are in need of replacement if they cannot be abandoned. At the very least, the Industry Studies division should have discussed with trade groups, congressional staffers, and the railroads, both the effects of and likelihood of deregulation. If deregulation occurs, excess rail production capacity will probably exist if the Wheeling-Pittsburgh rail facility is built.

Finally, we are concerned with the proposed financing of the Wheeling-Pittsburgh project and also other projects under this program. As we understand, most of the lenders involved in the Steel Program are refusing to assume the 10 percent unguaranteed portion of the loan and that, instead, third parties are assuming this remaining 10 percent.

Such a practice should be rejected. The recently published "Guidelines Handbook on Federal Loan Guarantee Programs", issued by the Subcommittee on Economic Stabilization, Committee on Banking, Finance and Urban Affairs, recommends that Federal loan guarantee programs require the private lender to co-insure the loan by bearing a significant risk of loss on each loan. While 10 percent may not be a sufficiently significant amount of risk, we are more concerned that the lender is bearing no risk at all. As stated in the guidelines, p. 5, "The assumption underlying coinsurance is that more care will be taken in making and in servicing a loan if the private lender * * * is exposed to some degree of risk in the transaction." Senate Report No. 96-165 discussed coinsurance and, in effect, requires that lenders in EDA Title II projects bear at least 10 percent of the loan. (This report accompanies S. 1150.) If lenders refuse to bear the risk for 10 percent of the loan, then undoubtedly the loan is extremely risky.

I hope that you will take the above considerations into account in processing the Wheeling-Pittsburgh loan application and other loan applications as well.

Sincerely yours,

BENJAMIN S. ROSENTHAL,
Chairman.

U.S. INTERNATIONAL TRADE COMMISSION

Senator WEICKER. By letter dated May 31, 1979, the U.S. International Trade Commission transmitted a budget amendment of $1,500,000. This amendment is to provide funds to enable the Commission to carry out the new responsibilities imposed by the proposed MTN implementing legislation. The materials relating to this amendment will be made part of the record.

[The information follows:]

Letter From Joseph O. Parker, Chairman, U.S. International Trade Commission

May 31, 1979

Honorable Ernest F. Hollings
Chairman, Subcommittee on State,
Justice, Commerce and Judiciary
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Hollings:

Attached are copies of schedules and justification materials supporting the U.S. International Trade Commission's request for an amendment of $1,500,000 to the Commission's FY 1980 budget estimates. The amendment increases the Commission's request for FY 1980 to a total of $16,200,000.

We have transmitted required documents to the Office of Management and Budget. We understand that our request officially will be sent to the Congress with the next package of similar requests for all agencies. The Trade Act of 1974 requires that the Commission's budget requests be forwarded to the Congress without change by the President. We are therefore transmitting these materials now so that they can be available for your use while the formal transmittal from the Office of Management and Budget is pending.

Sincerely,

Joseph O. Parker
Chairman

Budget Amendments

Appropriation Language Sheet

Budget appendix page	Heading	1980 Request pending	1980 Proposed amendment	1980 Revised request
926	Salaries and expenses------	$14,700,000	$1,500,000	$16,200,000

Justification of Amended Budget Request

The United States International Trade Commission requests approval of a budget amendment increasing its FY 1980 budget request by $1,500,000 to a total of $16,200,000. This amendment is to provide funds to enable the Commission to carry out the new responsibilities imposed under the proposed MTN implementing legislation.

The need for this amendment was clearly expressed in report 96-143 of the Senate Committee on Finance concerning the Commission's authorization of appropriations for FY 1980 (S 1132). As stated in the report, the funds are required by the Commission to support ".....50 additional employees to carry out its responsibilities under the new countervailing duty and antidumping laws recommended by the Committee and the Ways and Means Committee during their consultations with the Administration on implementing legislation for the MTN. It is expected that the implementing legislation will be introduced during June. It will contain significant revisions of the countervailing duty and antidumping laws necessary to implement the international code on subsidies and countervailing measures and amendments to the international antidumping code negotiated in the MTN."

The report continues: "...the new countervailing duty and antidumping laws will result in a substantial increase in the work of the ITC during fiscal year 1980. The amount of time for injury investigations will be significantly reduced as compared to current law. Furthermore, the ITC will be required to undertake at least two injury determinations in each countervailing duty and antidumping case. These changes in the law, together with numerous new procedural requirements, will require at least 50 additional positions at the ITC if the Commission is to carry out its new responsibilities. The Committee believes that an additional $1.5 million for the salaries and expenses of these new employees is necessary and recommends this addition to the Senate."

The largest workload impact on the Commission will stem from new countervailing duty provisions. Under current law, the Commission is required to determine whether imports benefiting from subsidies to foreign producers are injuring or are likely to injure U.S. producers, or are preventing the establishment of such producers, only when the class or kind of article that is the subject of the investigation is imported into the United States duty-free. Only four such investigations have been required of the Commission in FY 1979. Under the new legislation all prior cases, upon petition, will require injury determination by the ITC; there are approximately 68 such prior cases. In addition, based on filings in calendar year 1978, the Commission estimates that it will be required to initiate 45 countervailing duty investigations in FY 1980 dealing with new allegations arising under the amended countervailing duty law.

Under the proposed new legislation, the Commission may be required to make several different types of injury determinations in almost every instance instead of a single determination as under present law. This multiplicity of determinations will add substantially to the workload of the Commission.

In addition, the Commission will have similiar new responsibilities under the revised antidumping law. The Commission estimates that it will have 35 dumping investigations in FY 1980. This is approximately 75% more than we estimated in our original budget submissions. In addition to the increased number of investigations, each investigation will require more resources due to the new and additional determinations required and the reduced time within which to conduct the investigations. The provisions in the proposed legislation subjecting the Commission determinations to possible court appeal on the basis of the record will require more complex and expensive procedures for these investigations.

In addition to salaries there will be related costs such as investigative travel, office space, supplies, services, and equipment. The detailed cost estimates are shown in the Table of Object Classification.

The Commission believes that the requested increase of $1,500,000 is essential for it to fulfill these new responsibilities.

Analysis of Changes in Obligations for FY 1980

(In thousands of dollars)

	Request pending	Proposed amendment	Revised request
FY 1979 Budget, assuming enactment of pay supplemental--	$13,432		$13,432
Automatic increases:			
Cost of excess days (FY 1980 includes 52 weeks plus 2 workdays)----------	+79		+79
Within-grade, quality, and wage-board pay increases---	+185		+185
Annualization of October 1978 pay increase, including amount absorbed in FY 1979 by application of early-year savings from vacancies in Commissioner positions, etc.----------	+66		+66
Related increase in employee benefits----------	+30		+30
Increase in employees compensation fund payments------	+3		+3
Increase in standard level user charge rates----------	+18		+18
Increase in stenographic reporting costs following expiration of low-cost contracts----------	+25		+25
Other increases resulting from higher unit prices: (Travel 28; rents, communications, and utilities 15; printing 27; services 28; supplies 18; equipment 2)-	+118		+118
Total automatic increases----------	+524		+524
Program increases:			
Compensation, 21 new positions, less net change in lapses of $70,000----------	+403		+403
Compensation, 50 new positions, less lapses of $225,000		+898	+898
Cost of temporary employees----------	+13	+14	+27
Overtime----------		+15	+15
Related increase in employee benefits----------	+38	+84	+122
Travel costs----------	+16	+80	+96
Transportation of things----------	+1		+1
Standard level user charge for added space----------	+55	+89	+144
Other rent, communications and utility costs----------	+30	+45	+75
Printing costs----------	+19	+90	+109
Costs of other services----------	+113	+88	+201
Supply and material cost----------	+38	+45	+83
Equipment costs----------	+18	+52	+70
Total program increases----------	+744	+1,500	+2,244
Proposed budget 1980----------	14,700	1,500	16,200

SALARIES AND EXPENSES

Program and Financing (In thousands of dollars)

Identification code 34-0100-0-1-153	19 80 Request pending	19 80 Proposed amendment	19 80 Revised request
Program by activities:			
Direct program: Research, investigations, and reports	14,700	1,500	16,200
Reimbursable program: Research, investigations, and reports	10	-	10
Total program costs funded 1/	14,710	1,500	16,210
Change in selected resources (Undelivered orders)	-	-	-
10.00 Total obligations	14,710	1,500	16,210
Financing:			
11.00 Offsetting collections from Federal funds	-10	-	-10
25.00 Unobligated balance lapsing	-	-	-
Budget authority	14,700	1,500	16,200
Budget authority			
40.00 Appropriation	14,700	1,500	16,200
Relation of obligations to outlays:			
71.00 Obligations incurred, net	14,700	1,500	16,200
72.40 Obligations balance start of year	1,150	-	1,150
74.40 Obligations balance, end of year (-)	-1,150	-75	-1,225
77.00 Adjustments in expired accounts	-	-	-
90.00 Outlays excluding pay raise supplemental	14,680	1,425	16,105
91.20 Outlays from civilian pay raise supplemental	20	-	20

1/ Includes capital outlays as follows: Request pending $112 thousand; proposed amendments, $52 thousand; revised request $164 thousand.

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 34-0100-0-1-153	1980 Request pending	1980 Proposed amendment	1980 Revised request
Personnel compensation:			
11.1 Permanent positions	10,259	898	11,157
11.3 Positions other than permanent	192	14	206
11.5 Other personnel compensation	42	15	57
Total personnel compensation	10,493	927	11,420
Personnel benefits:			
12.1 Civilian	947	84	1,031
13.0 Benefits for former personnel	-	-	-
21.0 Travel and transportation of persons	325	80	405
22.0 Transportation of things	4	-	4
Rent, communications, and utilities			
23.1 Standard level user charges	839	89	928
23.2 Communications, utilities, and other rent	491	45	536
24.0 Printing and reproduction	242	90	332
25.0 Other services	944	88	1,032
26.0 Supplies and materials	303	45	348
31.0 Equipment	112	52	164
Total direct costs, funded	14,700	1,500	16,200
94.1 Change in selected resources	-	-	-
Total direct obligations	14,700	1,500	16,200
Reimbursable obligations:			
11.1 Personnel compensation	9	-	9
12.1 Personnel benefits, civilian	1	-	1
Total reimbursable obligations	10	-	10
99.0 Total obligations	14,710	1,500	16,210

PERSONNEL SUMMARY

Identification code 34-0100-0-1-153	1980	1980	1980
	Request pending	Proposed amendment	Revised request
Total number of permanent positions	416	50	466
Full-time equivalent of other positions	15	1	16
Total compensable work-years	424	41	465
Average GS grade	10.38	+.02	10.40
Average GS salary	24,575	-200	24,375
Average salary of ungraded positions	15,499	291	15,790

DETAIL OF PERMANENT POSITIONS

	1980	1980	1980
	Request pending	Proposed amendment	Revised request
Executive level III	1	-	1
Executive level IV	5	-	5
Subtotal	6	-	6
GS-18	1	-	1
GS-17	3	-	3
GS-16	4	-	4
GS-15	36	2	38
GS-14	37	5	42
GS-13	55	8	63
GS-12	47	8	55
GS-11	51	8	59
GS-10	-	-	-
GS-9	40	7	47
GS-8	11	-	11
GS-7	44	3	47
GS-6	36	2	38
GS-5	29	3	32
GS-4	9	2	11
Subtotal	403	48	451
Ungraded	7	2	9
Total permanent positions	416	50	466
Unfilled positions, end of year	-9	-2	-11
Total permanent employees, end of year	407	48	455

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will recess subject to the call of the Chair.

[Whereupon, at 4:17 p.m., Monday, June 11, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1980

FRIDAY, SEPTEMBER 14, 1979

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m., in room S–146, the Capitol, Hon. Ernest F. Hollings (chairman) presiding.

Present: Senators Hollings and Weicker.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

AMENDED BUDGET REQUEST

STATEMENT OF ROBERT T. HALL, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

ACCOMPANIED BY:
VICTOR HAUSNER, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT POLICY AND PLANNING
EDWARD M. LEVIN, JR., CHIEF COUNSEL
BRIAN WHALEN, BUDGET OFFICE
ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION
BEVERLY L. MILKMAN, SPECIAL ASSISTANT
FREDERIC HEIM, ASSISTANT DIRECTOR, OFFICE OF AUDITS, OFFICE OF INSPECTOR GENERAL

BUDGET SUMMARY

Senator HOLLINGS. On August 1, the Senate approved S. 914, the new Public Works and Economic Development Act. However, the House has not yet acted on the authorizations that are needed before we can appropriate for these programs. We want to be ready to make the appropriations and this morning we will hear the amended budget request of the Economic Development Administration. The amount of the request is $1,458,929,000, an increase of $909,729,000 over the 1980 base, and provides for 1,333 permanent positions.

Appearing on behalf of this request is Robert T. Hall, Assistant Secretary for Economic Development, who is accompanied by Victor Hausner, Deputy Assistant Secretary for Economic Development Policy and Planning; Edward M. Levin, Jr., Chief Counsel; and Brian B.

Whalen, the Budget Officer. We welcome you all and would be delighted to hear your statement.

Mr. HALL. Thank you very much, Mr. Chairman. It certainly is a pleasure for me to appear before you today to present the administration's request for a budget amendment in support of the proposed National Public Works and Economic Development Act of 1979.

You will recall that when I testified before you several months ago regarding our reprograming request to enable us to make an additional grant for the 1980 winter Olympics, I had an opportunity to respond briefly to your questions on the administration's budget requests for the new legislation. Unfortunately, I was not able at that time to provide the committee with the details it desired.

We are sensitive to the fact that there were delays in submitting our legislative and budget packages this year, and I want to express to you, Mr. Chairman, and to the committee members and its staff, our deep appreciation for your understanding of the situation and your cooperation in scheduling these hearings so promptly upon the resumption of the current session.

STATUS OF NEW LEGISLATION

Our new legislation, which both reauthorizes and expands the programs of the Economic Development Administration, has made significant legislative progress. A bill, S. 914, was passed by the Senate by a vote of 83 to 17 on August 1. A companion bill has been reported out of the House Committee on Public Works and Transportation, and we anticipate an early rule and a favorable vote very shortly. We do not expect differences between the two bills to be a serious obstacle to prompt resolution by a conference.

It is our understanding that the second Senate budget resolution which was reported by the Senate Budget Committee contains sufficient funds in the 450 functional account to accommodate our appropriation request. While the House has not yet acted on its second budget resolution, the first budget resolution also contained funds for an expanded EDA program; and this was supported by a comfortable margin in a House floor vote.

Both the Senate-approved bill and the bill now moving through the House amend the existing Public Works and Economic Development Act of 1965. This underscores the fact that the new legislation builds on and expands the central objectives of EDA—to help retain and create jobs and to raise incomes in those parts of our country where local economies are distressed and lag behind national growth.

Much of what is in the new legislation consists of programs with which you are familiar—grants to States, development districts, cities, and redevelopment areas to build the local capacity to plan and carry out effective local economic development programs; grants for public facilities to help support permanent, private sector job retention, and creation enterprises; technical assistance to provide a knowledge base for economic development; and loans and loan guarantees for businesses that will enable them to retain or expand employment.

The new legislation—like the present EDA Act—is based on the principle that the core of economic development is private sector employment; all of our programs are focused on this one central idea. The way to relieve regional economic distress is to help the private sector make investments in job-retaining and job-creating facilities.

What is basically new is the fact that we are asking for a greatly expanded and improved loan guarantee program for the private sector—supported by expanded grants for public facilities, an interest subsidy program for the most distressed areas, and an experimental program for grants that could defray up to 15 percent of the private sector cost to retain or create jobs in the most severely distressed places.

To provide adequate resources for the expanded program, the administration is requesting an additional $682,958,000 and administrative support of 342 new positions.

We are also requesting additional authority to guarantee loans by private lenders, but this increase will not require additional appropriations.

The resources requested through this budget amendment are in addition to the basic programs supported under EDA's existing legislation and carried forward in the new legislation. These programs, all of which were supported in the President's January budget, include public works grants, direct loans and loan guarantees, and planning and technical assistance. Approval of the budget amendment would enable EDA to significantly expand its business finance and related program efforts and provide the administrative support needed to carry out these efforts.

The administration continues to support an inland energy impact program to assist areas being adversely affected by rapid population increases caused by energy resource development. Senators Hart and Randolph introduced a bill to mitigate these problems on April 10, 1979, which was endorsed by the administration. Since that time, Senators Hart and Ford have both introduced new bills to expand the existing program being administered by the Farmers Home Administration under section 601 of the Powerplant and Industrial Fuel Use Act of 1978.

The various bills are being studied to determine whether an amendment to broaden and extend the 601 program will be the best vehicle to remedy this impact problem, or whether some other method would be more effective. The administration's position is that funding for any program finally enacted should be charged against function 270 rather than function 450, which is the Community and Rural Development function; 270, as I am sure you are aware, Mr. Chairman, is the energy function.

The total program appropriation request is for $1,399,333,000, plus $1.8 billion in guarantee authority. The total funding proposed for salaries and expenses is $59,596,000; this will support 1,333 permanent positions.

FACTORS SUPPORTING REQUEST FOR INCREASED FUNDS

Let me mention two important factors which support the administration's request for increased EDA funds in a year when inflationary and budget cutting pressures are so intense.

First, economic development spending can be a very cost-effective way for the Federal Government to address structural economic problems and the attendant unemployment. Imperfections in the marketplace often lead entrepreneurs to overinvest in more attractive areas and underinvest in less attractive places. Overinvestment can cause inflationary pressures and ultimately leads to other economic inefficiencies. By focusing on the credit availability problem for firms in places where there is underutilized labor, land, and facilities EDA assistance can lead to net new investment and jobs without adding to inflation. Similarly, the use of EDA incentives to influence the locational decisions of firms allows the same underutilized resources to be put back to work in places where private investment probably would not have occurred. Over the long run, EDA's geographically balanced development approach can compensate for excesses in the marketplace and contribute to overall growth for the national economy.

Second, the new EDA legislation incorporates a revised eligibility system through which increased funding can be targeted to urban and rural areas in all regions of the country where there is legitimate economic distress. This system represents a reduction of areas eligible under the current EDA program, but accomplishes regional balance and responsiveness to the different types of distress being experienced around the country.

PROGRAM AREA HIGHLIGHTS

Let me highlight each of the program areas affected by the EDA budget amendment.

DEVELOPMENT FINANCING PROGRAM

The most significant increase requested in the budget amendment involves EDA's existing business development program which is being expanded and improved in order to address the serious problems that impede private investment in economically troubled areas:

One, the lack of available credit. Firms in distressed locations—particularly if they are of moderate size, marginally profitable, new ventures, minority owned, or involve new technology—may not have access to long-term capital. Their lack of access to capital may be caused by a number of factors, including lender preference for making loans in nondistressed areas; the credit history of the firm, or its ownership structure; lack of liquidity of smaller banks; lender preference for making short-term loans; or preference on the part of some lenders for making large loans.

Two, the high cost of credit. High interest rates often result from the perceived riskiness of both short- and long-term loans. This higher risk may be due to the characteristics of the private firm and/or the type of area in which it is presently located or wishes to locate.

Three, the high cost of doing business in distressed places. Distressed locations sometimes tend to be more costly places in which to operate a business. Capital is one cost to a firm; other major costs are land, labor, material, energy, and transportation. Distressed urban areas often have high land assembly, energy, and labor costs, whereas distressed rural areas may have high land preparation and public infrastructure costs.

The expanded resources requested for the EDA development financing program will allow for the flexible application of three major tools—direct loans, loan guarantees, and interest rate subsidies—to help overcome the obstacles to private investment in distressed locations.

Direct loans will be provided for up to 75 percent of an applicant's costs for fixed assets or working capital. Direct loans are effective in solving credit access problems when a firm's size and location combine to make it a more risky venture. In periods of tight money, direct loans are essential to smaller firms, which may be facing a higher degree of risk, especially to permit their continued operation.

Guarantees will be provided for up to 90 percent of the face value of fixed assets or working capital loans. The new EDA legislation as proposed by the administration would authorize EDA to guarantee loans with a face value of up to $1.8 billion in fiscal year 1980. A direct appropriation is requested only to cover potential defaults on guarantees which have been made in prior years. This represents a change in the way the EDA program has operated in the past, when 20 percent of the amount of the EDA exposure was set aside as a reserve against possible loan defaults. The administration's orginal fiscal year 1980 budget requested $84,965,000 for this 20 percent reserve. Under the new method developed by the OMB for Government-wide application and reflected in EDA's proposed legislation, the administration is requesting a $27,923,000 appropriation to cover defaults on loan guarantees made prior to fiscal year 1980. The assumption is that there will be no defaults in fiscal year 1980 on those guarantees that are made in fiscal year 1980.

Thus, the EDA budget amendment reflects a $57,042,000 net reduction in fiscal year 1980 appropriation needed to implement the expanded loan guarantee authority.

Loan guarantees reduce the risk of loss on the loan to a private lender and should enable the lender to charge a lower interest rate and set a longer term than might be the case otherwise. Thus, firms will gain access to capital at less cost and at longer maturities than they would without the guarantee. The EDA guarantee also will facilitate the creation of a secondary market for economic development-oriented business finance paper. Since guaranteed portions of loans do not count against a bank's legal lending limit, the EDA guarantee will provide liquidity to banks, encouraging them to lend to eligible projects in the first place and supplying them with new sources of loan funds.

Interest subsidies will be provided on guaranteed loans for fixed assets and working capital. Under the administration's proposal, EDA would have the authority to reduce interest rates by as much as 7 percentage points, but in no event could the borrower pay less than 3 percent per year in interest. I should note that under the Senate-passed

bill, this authority would be somewhat reduced to a 5-percentage-point subsidy, with a not lower than 5 percent interest rate to the borrower; the House committees that have considered the legislation tend to favor terms closer to the administration's proposal.

Interest rate subsidies act directly on the cost of capital. Existing firms in distressed locations may need reasonably priced working capital or expansion capital. Interest rate subsidies could also be appropriate to firms desiring to locate in distressed places and needing lower priced credit to offset some of the higher costs of doing business in those locations. This type of subsidy is especially important during periods of very high interest rates which may have severe impacts in chronically distressed areas; EDA will provide only short-term interest subsidies. The administration is requesting $350 million for interest rate subsidies in fiscal year 1980. I should note the Senate-passed bill limits the authorization for this program to $50 million, but the House bill is expected to pass a significantly higher funding level. The number of firms assisted through these additional resources will depend on the depth of subsidy required for different types of firms and different types of areas.

PUBLIC SECTOR GRANTS

A $275 million increase in funds for public sector grants is proposed as a necessary counterpart to the expanded EDA development financing program. These grants are used in accordance with local economic development plans to provide a commercial or industrial environment conducive to private business location, expansion, and retention activities. Eligible activities include the design of public facilities, land acquisition and site preparation, construction and rehabilitation of public facilities, and special projects to provide immediate jobs for the unemployed. Funds under the expanded public sector grant program can also be used to defray up to 15 percent of the costs of a private firm that needs assistance in order to modernize, expand, or establish facilities in an eligible area. These grants, which will be linked to EDA development financing loans and loan guarantees, will be made available to local public entities for the purchase and/or improvement of real property. The acquisition and preparation of land and the construction or rehabilitation of a plant are examples of activities to benefit a single firm that can be financed with additional grant funds.

TECHNICAL ASSISTANCE

The substantial increase in EDA business finance assistance proposed in the new EDA legislation calls for a complementary program of technical assistance targeted to private sector firms in distressed rural and urban areas. We propose a $15 million increase in EDA's technical assistance budget to accomplish this objective. These funds will finance a wide variety of technical assistance services for firms that wish to remain, expand, or initiate operations in distressed areas. Specific forms of assistance include management assistance, feasibility or market studies, productivity analyses, loan packaging services, and other

assistance tailored to the needs of firms. We expect to coordinate a substantial portion of this assistance through a network of facilitating organizations.

ADMINISTRATIVE SUPPORT

An increase of $16,929,000 for support of 342 permanent full-time positions is needed to carry out the additional responsibilities contained in the proposed EDA legislation. While program funds requested are increased by 90 percent over the pending request, and loan guarantee authority is increased by 324 percent, the requested increase in full-time permanent positions is only 35 percent. This increase in staff efficiency will be accomplished by new, streamlined processing and procedures, greater decentralization of decisionmaking, increased use of automatic data processing, and improved management systems.

A total of 286 of the 342 positions requested are needed to administer the expanded project load; this represents 84 percent of the required increase. Of the 342 positions, 235 or amost 70 percent will be allocated to the field.

I should note that included in this request are funds to open a regional office in Kansas City. During fiscal year 1980 we plan to expand our field organizations from the existing 6 regional offices to 10. Funds and staffing have been requested in the fiscal year 1980 budget currently under consideration to operate three new regional offices—New York, San Francisco, and Boston. Between December 1, 1979, and February 1, 1980, we plan to place a small cadre of staff at the four new regional sites to prepare for their opening on February 1, 1980. Our current plans are to have all of the additional staff hired no later than June 1980. I should point out most of the staff will be on board well before that June date.

The new legislation, backed by the funding requested in this amendment, will help strengthen the economic development of distressed rural and urban communities. It will provide new private sector jobs and badly needed income to the citizens of these communities. It will strengthen their tax bases, attract new private investment, and thereby help them support essential public services without imposing high property taxes on their citizens. It will also help communities and their citizens become more self-sufficient in the future.

There are numerous urban and rural areas which still have high unemployment, low average incomes, substantial poverty, and lagging jobs growth. They do not have enough private investment to provide jobs to their residents, nor do they have the private sector tax base to support essential public services. These communities require special targeted aid to bring in new private sector jobs and investment.

I think the current EDA proposal is submitted in recognition of the enormous social, physical, and economic costs borne by many areas of the country where obstacles to private investment result in disproportionate unemployment and low incomes. This proposal provides for a significantly enhanced, comprehensive, focused program of economic development assistance to help these areas overcome the obstacles to private investment and private sector job creation.

Mr. Chairman, that concludes my prepared statement. My colleagues and I will be pleased to answer any questions that you may have.

BUDGET AND LEGISLATION SUMMARIES

Senator HOLLINGS. Thank you. I have been following your statement with these fine summaries of the new budget and the legislation prepared by your staff. I will make them part of our record.

[The summaries follow:]

EDA REAUTHORIZATION
LEGISLATIVE AUTHORIATION LEVELS AS OF AUGUST 13, 1979

Provision	NPWEDA ($000)		House Public Works ($000)		House Banking * ($000)		Senate Bill ($000)	
	80	81-85 2/	80	81	80	81	80	81
Public Sector	$685,980	$715,200	$1,270,200	$1,370,200	$125,000	$125,000	$729,980	$830,000
P.W. Grants 1/	595,200	615,200	1,095,200	1,195,200	125,000	125,000	595,200	640,000
T.A. & Planning	90,780	100,000	100,000	100,000	(204)	(204)	89,780	95,000 6/
304 (State funds)	-	-	75,000	75,000			20,000	75,000
SW Border Commission							25,000.	20,000
Private Sector Development Financing	569,353	845,920 3/	569,353	850,000	325,000	470,920	227,923	195,920
Loans	191,430	200,000	191,430	200,000	150,000	200,000	150,000	150,000
Interest Rate Subsidies	350,000	600,000 4/	350,000	600,000	175,000	225,000	50,000	-
Loan Guarantees								
Face Value	(1,800,000)	(2,500,000)	(1,800,000)	(2,500,000)	(1,800,000)	(2,200,000)	(1,800,000)	(1,800,000)
Appropriation	27,923	45,920 5/	27,923	50,000	-	45,920	27,923	45,920
Research, Evaluation and Demonstration	4,000	50,000	20,000	50,000	-	-	10,000	10,000
Administration	Such sums	Such sums	Such sums	Such sums	-	-	Such sums	Such sums
TOTAL AUTHORIZATION	$1,259,333 (3,031,410)	$1,611,120 (4,065,200)	$1,859,553 (3,631,630)	$2,270,200 (4,720,200)	$ 450,000 (2,250,000)	$ 595,920 (2,750,000)	$967,903 (2,739,980)	$1,035,920 7/ (2,790,000)

1/ Includes 10% District bonus grants, growth center funds, Title IX, and 204 revolving loan fund grants.

2/ All figures in this column are estimates; the proposed legislation does not specify out-year authorization levels.

3/ For FY '82, this figure is $1,288,920; for FY '83, $1,338,920; for FY '84, $1,361,000; and for FY '85, $1,375,000.

4/ For FY '82-'85, this figure is $1,000,000.

5/ For FY '82, this figure is $88,920; for FY '83, $138,920; for FY '84, $161,000; and for FY '85, $175,000.

6/ For FY '82, this figure is $105,000; for FY '83, $115,000.

7/ For FY '82, this figure is $830,000; for FY '83, $840,000.

* Not final.

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Revised

Provision	NPWEDA	House Public Works	House Banking 1/	Senate Bill
Legislative Approach	New bill	Amending PWEDA	Amending PWEDA	Amending PWEDA
Length of Authorization	6 years	2 years	2 years	4 years for Titles I, III, and IV; 2 years for Title II loans and guarantees; 1 year for Title II interest subsidies
Programs Covered	Public sector, 2/ development financing (DFP), 3/ research and demonstration (R&D)	Public sector, DFP, R&D--plus countercyclical public works	DFP, revolving loan fund grants, Defense-adjustment planning grants	All EDA programs
Eligibility Criteria	NPWEDA amended (5 factors, 2 caps; Pockets; Adjustment Areas; Growth Centers; 67% eligibility)	NPWEDA amended plus existing PWEDA (overlapping factors; 90% eligibility) plus Defense-dependent areas	NPWEDA amended	NPWEDA amended
Dedesignation Moratorium	2-year eligibility for no longer qualified areas for public sector funds	2-year eligibility for all programs for holdovers and all areas in Districts; prohibition against dedesignation	Same as NPWEDA for programs covered	NPWEDA authority

1/ Not final; based on the Economic Stabilization Subcommittee bill.

2/ Planning, technical assistance, public works, revolving loan fund grants, 15% grants.

3/ Direct loans, loan guarantees, interest rate subsidies.

COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Title I - NPWEDA				
Planning Grant Authorizations	New language on state, sub-state, local area, and Indian tribe economic development planning; and adjustment planning (80% grants)	NPWEDA language plus PWEDA provision on State plan consistency with District and local plans (80%)	See page 10 Defense Installations item	Basically continues PWEDA language, but adds adjustment planning to planning title (80%) and performance standards
District Board Composition	Language identifying sectors to be involved in District planning process (3 provisions)	NPWEDA language (2 provisions)	No provision	NPWEDA language (1 provision)
Technical Assistance	New language and 80% grants (100% for environmental analysis)	NPWEDA language	No provision	NPWEDA language
Title II - NPWEDA				
Separate Design Grants	Allows separate design grants	NPWEDA authority	No provision	NPWEDA authority
Revolving Loan Fund Grants	Authorizes grants of up to 80% as part of Title II public sector program to make or guarantee loans to create or maintain jobs	Retains urban-oriented PWEDA 204 redevelopment language in DFP title, but modifies to allow EDA to make a grant instead of a loan to capitalize revolving loan funds	Modifies 204 language in DFP title to be used as in NPWEDA and to permit Secretary to authorize loans to be used for equity purposes (limit of $500,000 per firm)	Modified 204 language in public works title to be used as proposed in NPWEDA (could use clarification); also requires annual report (beginning in FY 1979) containing Secretary's independent evaluation of loan funds' effectiveness in each area

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
PWIP	No more than 5% of the authorization; priority to certain types of projects; all eligible areas can receive; purpose is to employ disadvantaged, long-term unemployed; 80% unless financial capacity exhausted	PWEDA (15 to 35% of appropriation)	No provision	5% to 25% of appropriation; NPWEDA language
15% Private Sector Grants	Language authorizing EDA to defray up to 15% of the costs of any private sector economic development or adjustment project	NPWEDA language	No provision	Expanded NPWEDA language
State Grants	Authorizes up to $40 million for funding of State economic development or economic adjustment projects identified in State strategies	PWEDA language (formula; up to $75 million) plus requirement that funds be used in same fiscal year unless less than $100,000	No provision	No formula - NPWEDA type of approach
Public Sector Consolidation	Combines Titles I, II, III, IV, and IX public sector	No consolidation	No provision	Combines Titles I, II, and IX

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Project Selection Criteria	Permits the Secretary to consider certain criteria (e.g., distress in area, long-term private sector jobs) for grants and DFP aid	No criteria	Contains DFP NPWEDA criteria and mandate the establishment of criteria in regulations	Only general PWEDA language for public sector grants; mandates the Secretary to consider some of the DFP NPWEDA criteria and authorizes her to consider others
Allocation of Funds to Rural Areas	None	None	None	Requires for 3 fiscal years that at least 40% of economic development public works, PWIP, and 15% grants be expended in rural areas
Title III - NPWEDA				
Size Limitation on Loans and Guarantees	None	None	15% of total DFP authorization can be used for loans of more than $10 million, for guarantees of more than $20 million, and for aid to firms with assets in excess of $50 million	Loans limited to $5 million at one time and $10 million to one firm; loan guarantees limited to $10 million at one time and $20 million to one firm except for 10% of authorization; also exception for up to $100 million to complete EDA Steel Loan Guarantee Program
Size Limitation on Firms Assisted	None	None	15% of total DFP authorization can be used as described above	No more than 10% of loans and loan guarantee authorization may be provided for firms with assets in excess of $50 million; also exception for up to $100 million to complete EDA Steel Loan Guarantee Program

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Direct Loans	Permits loans for up to 75% of project cost; 15% equity	NPWEDA language	NPWEDA language; only 5% equity for ESOPs	Permits loans for up to 65% of project cost; 15% equity
Interest Subsidy Terms	Authorizes a reduction of up to 7 percentage points but no lower than 3%	NPWEDA language	Authorizes a reduction of up to 7 percentage points with a 4% floor	Authorizes a reduction of up to 5 percentage points with a 5% floor
Loan and Guarantee Fees	Permits the Secretary to charge fees for loan guarantees	NPWEDA language	Requires the Secretary to charge fees for loans and guarantees of at least 1/4 of 1%	Requires the Secretary to charge a fee of at least 1/4 of 1% for each guarantee
Eligibility for DFP Aid	Only areas that meet the new NPWEDA criteria (no holdovers)	All areas (PWEDA and NPWEDA)	NPWEDA language	NPWEDA language
OEDP Requirement for DFP Aid	Waives for first 2 years of program	NPWEDA language	NPWEDA language	Waives only for FY 1980
ESOP Assistance	Specifically authorizes use of Demonstration funds for ESOPs (ESOPs are also eligible for other aid)	NPWEDA language plus recognition in DFP title of eligibility of employee ownership plans and Administration-approved language on protecting employee interests	Requires that 5% of DFP aid go to employee ownership situations if possible; lowers equity requirement to 5%; protects employee interests; contains reporting requirement	NPWEDA language plus explicit recognition in administration title of eligibility of employee ownership plans and other Administration-approved language concerning protection of employee interests

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Role of Chief Elected Official in DFP Program	Requires concurrence of such official or designee on DFP projects; may be waived if unavoidable conflict of interest	NPWEDA language	Similar to NPWEDA but broadens to include requirement of timely response by local official	Similar to NPWEDA but broadens to include requirement of timely response by local official
PWEDA's Revolving Fund (Section 203)	Eliminates (per OMB instructions) revolving fund so that EDA loan repayments go to Treasury and funds are appropriated annually to honor guarantees	NPWEDA language on direct appropriations, but retains PWEDA revolving fund as well	Language similar to NPWEDA	NPWEDA language
Subordination of EDA Loans and Guarantees	Allows subordination as needed	NPWEDA language	Full subordination for loans; authority to subordinate on up to 30% of loan guarantees excluding working capital guarantees	Full subordination for loans; authority to subordinate on up to 10% of loan guarantees
Title IV - NPWEDA				
Research and Evaluation Programs	New language improving PWEDA authorities	NPWEDA language in Title III	No provision	NPWEDA language in Title III plus annual reporting requirement on results and recommendations
Demonstration Program	New language authorizing wide range of activities	NPWEDA language plus authority for program of equity financing in Title III	No provision	NPWEDA language in Title III plus requirement to test feasibility of establishing equity financing program as part of DFP

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Title V - NPWEDA				
Under Secretary for Economic Development	Authorizes Under Secretary of Commerce for Economic Development to reflect importance of EDA activities	NPWEDA language	No provision	No provision
CETA Linkage	Authorizes actions to coordinate with CETA programs and to provide employment for persons eligible under CETA	No provision	No provision	NPWEDA language
PWEDA's National Public Advisory Committee on Economic Development	Eliminates	Retains PWEDA language	No provision	Eliminates
Authority to Cancel Public Works Loans	No authority, but OMB approved language on 6/26	No provision	No provision	OMB-approved language
10% Holdback on Grants	Authorizes retention of up to 10% of grants until compliance is assured	NPWEDA language	No provision	NPWEDA language

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Annual Report	Consolidated report on all EDA activities; due date of April 1 of next fiscal year	NPWEDA language, but inadvertently retained separate PWEDA requirement for Title IX report	No provision	A much expanded section that calls for assessment of programs, including employee ownership and adjustment assistance and a February 1 due date (FY 1979 report will have to address adjustment assistance projects specifically); also requires a report to Congress by March 1980 on plans for implementing Title II, Section 303 (research, evaluation and demonstration) and Section 401 (eligibility criteria).
Comptroller-General Review of Programs	No provision	No provision	No provision	Requires a review of all EDA programs by February 1, 1981
Nonrelocation of Firms Benefitted by EDA Aid	PWEDA language improved to explicitly cover entire Act	NPWEDA language (includes mistake in NPWEDA which can be corrected in Conference)	No provision	NPWEDA language corrected
Non-Discrimination and Affirmative Action	Allows actions to benefit socially and economically disadvantaged persons and firms they own	No provision	No provision except benefits to such persons and firms are a factor in DFP project selection	NPWEDA language

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Anti-Inflation	Allows Secretary to impose President's anti-inflationary guidelines on recipients of aid	No provision	No provision	No provision
Excess Capacity	PWEDA plus language allowing aid where modernization is essential to retain employment	NPWEDA language	No provision	NPWEDA language modified as agreed to by Administration
Davis-Bacon Wages	Slightly revised PWEDA language; no practical effect	PWEDA language	No provision	NPWEDA language
Interstate Compacts	Authorizes Interstate Compacts to fulfill purposes of Act	No provision	No provision	NPWEDA language
Exemption From State Laws Restricting Lending of Public Credit	Allows Aid authorized by Act, notwithstanding State lending of credit laws	No provision	No provision	NPWEDA language

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EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Limitations on Facilities for Energy Generation, Transmission, and Distribution	No limitations	Continues PWEDA's limitations of no more than $7 million in aid under Titles I and II to such projects	No provision	Amends PWEDA to allow $7 million plus 5% of Title I and II authorizations for specific types of projects (gasohol, low-head dams, solar energy equipment, coal gasification)
Other				
Gasahol Production Facilities	No provision, but is allowed by preceding provision	Authorizes construction and operation of gasahol and methane production facilities and up to $100 million under Title IX for this purpose	No provision	Preceding provision allows use of some funds for these purposes
Closing or Opening of Defense Installations	Allows aid to respond to closings but not openings	Allows aid for both closings and openings	Explicitly allows aid for closings and loss of major Defense contracts; also sets up early warning system and requires planning grants if requested	Requires the Secretary to provide appropriate assistance, upon request, to areas experiencing employment losses as a result of Defense closings or cutbacks

EDA REAUTHORIZATION
COMPARISON OF MAJOR LEGISLATIVE PROVISIONS

Provision	NPWEDA	House Public Works	House Banking	Senate Bill
Three-Mile Island Study	No provision	Requires study of long-term economic effects in surrounding counties; first report due Feb. 1, 1980; authorizes $200,000 per year	No provision	No provision
NEPA-Type Environmental Requirements	No provision; NEPA applies	No provision	No provision	Authorizes the Secretary to determine whether public works projects funded are consistent with Federal, State, and local environmental regulations and plans
S. W. Border Commission School Program	No provision	No provision	No provision	Authorizes a 2-year $45 million program to be administered by the S. W. Border Commission to finance school construction in border areas for Mexican children who are legal immigrants or whose parents have immigrated legally

PUBLIC SECTOR GRANTS

Senator HOLLINGS. Let's move right to the public sector grants. Can you explain how that request of $275 million dovetails and works with the expanded EDA development financing program? For instance, what new activities would be authorized under the public sector grants that EDA isn't already providing at the present time?

Mr. HALL. Yes, Mr. Chairman, the $275 million will be folded into the base level of the public works activity, which is a little over $225 million. So we are talking about a $500 million public works effort. There are two aspects that are new features. One is the ability to fund separate design grants. This is proposed in the legislation and included in the Senate-passed bill.

Senator HOLLINGS. Does the House suppport that?

Mr. HALL. Yes, in fact, there is great support in the House Public Works Committee and it is in their bill. The purpose of being able to fund separately design grants is that many of the smaller communities particularly in rural areas don't have the funds or expertise to develop plans and specifications for public works projects. The amendment would provide for an initial EDA grant to design and develop the project.

Senator HOLLINGS. Is that the two-step funding recommended by GAO?

Mr. HALL. That is correct, Mr. Chairman.

Senator HOLLINGS. You said there were two things. Funding design grants is one. What was the second?

15 PERCENT GRANTS

Mr. HALL. The second one is the 15 percent grant program which I mentioned in my testimony. The grant would be used to finance fixed asset costs that otherwise would be the obligation of the firm. These costs include land, plant, equipment, and site improvement that would not ordinarily be supplied by the public sector.

Basically, Senator, it is an experimental effort to influence, by funding through the public sector, individual entrepreneur decisions. We are going to use this new experimental authority in the most distressed areas—inner city and very distressed rural areas—which have with great competitive disadvantage in terms of employers' location decisions. These grants will go through the public sector and will finance those things, perhaps assisting in land acquisition and site improvement, that would benefit a single entrepreneur.

Senator HOLLINGS. Why would that be a grant and not a loan?

Mr. HALL. The grant would be to the public sector, but in effect would be passed through to the private sector. It would not be a direct grant to the private firm.

Senator HOLLINGS. Where is the accountability once it is made, and the benefit is given to the private firm?

Mr. HALL. That is correct, and this would be in conjunction with an EDA loan or guarantee. A guaranteed loan or a direct loan would be the cornerstone of a total package that would represent the level of

Federal financial inducement needed to affect the decision of a firm to expand or locate in a distressed area. The parts that could be made included would be this 15 percent grant piece, plus the guaranteed loan or direct loan piece, and possible even a subsidy piece. So it has to be done as a part of a total package.

Senator HOLLINGS. Do we have a track record anywhere in the Government now of any program, where the down payment is sort of made by the Government and it goes through the public entity to the private sector?

Mr. HALL. Not really, but the UDAG program in effect operates this way in many instances where there is a grant made to the local community—the public sector, and the public sector can use that grant to either lend money or buy site and turn the site over to a single entrepreneur.

Senator HOLLINGS. Where do these requests come from? Do they come from the entrepreneur or public entity?

Mr. HALL. In this instance, it would have to be a package effort.

Senator HOLLINGS. That is the result. But who comes to EDA? Is it XYZ Corporation or the city? Who?

Mr. HALL. I would say, Senator, that in some cases it would probably be XYZ Corporation; in other cases it might be the city or local economic development authority or development district.

Senator HOLLINGS. It could come either way?

Mr. HALL. Yes. And I should point out that the grant that the public sector would make in effect to this firm—and I use the words—in effect—can also be recaptured by the public sector. In other words, it can be paid back.

Mr. HAUSNER. You could, Senator, given certain conditions, when you think the firm really doesn't need long-term permanent assistance give them an initial grant in lieu of taxes, and require repayment to the city at some later date without any principal or interest payment in the interim. In effect, it is then a very long-term, low cost loan. The agency would make a decision whether permanent assistance was needed in grant form or whether the funds should be recaptured.

Senator HOLLINGS. Is that reflected in the Senate bill?

Mr. HALL. That is correct. And again, it is an experimental program.

Senator HOLLINGS. When you say "experimental," when are you going to look back and see if the experiment failed or not? Is it a year? What do you envision, when you say "experimental," as to its length and when would you prove to yourselves if it is successful or not?

Mr. HALL. I think there are basically two stages. We are talking about setting aside $50 or $60 million for these types of grants in fiscal year 1980. The first year we are going to step back and look at the kinds of packages developed and the ways in which they are put together. A fuller understanding of what actually has taken place will require a couple years of experience. The critical thing is the retention of the firm in the area, the economic growth of the firm, et cetera. As part of our regular evaluation program, we are going to put special emphasis on this provision. As I indicated, the evaluation of the first year will focus on the mounting of the program and the types of loans, types of

firms, and types of situations funded. The second year, we will have some information in terms of how viable the firms have been, how much employment has been created and how long it has remained.

EXPERTISE IN INDUSTRY AND JOBS

Senator HOLLINGS. Do you have people in your agency that have experience relative to industry and jobs? I will be a little more specific, for example, sewing operations. In my section of the country we have many of those type operating there. I would start one out on the Capitol lawn if I could get the machines. There is always someone from whom I can get a bunch of machines. You will give me a loan from that 15 percent, and I can talk about female jobs and minority jobs, and when I get it and all that will be in it is nothing but Government money. It will be fine as long as you keep the money there. In about 3 or 4 years it is gone and they will go some other place. As a solicitor to attract industry and jobs for my State, I can get all the sewing operators in South Carolina I want. They never come and stay and become a part of the community. They never put anything in the community. They will pick up and leave, and you have an empty building. That is the kind of experience you should have in EDA, because you can run through that $60 million in a short time. I can run through it in 60 days. The whole thing is an experiment and you can come back and have nothing but sewing operations that looks like jobs, but it is nothing permanent.

Mr. HALL. Senator, the answer to the first part of your question, I think the agency does have considerable experience and understanding of industry and the structural makeup of industry. We have been running a loan program now for several years, and, of course, we have resources and access to other parts of the Department of Commerce.

To the question of highly mobile industry, such as the apparel industry——

Senator HOLLINGS. Then we get into the question of union and non-union garment manufacturers. I can move the whole downtown Manhattan garment industry to South Carolina with this program, but then I don't know how long it will last. That is the kind of experience you are going to have show and perceive. You are going to have to make sure they are appropriate and not a relocation of existing industry and jobs.

Mr. HALL. You are absolutely correct. Of course, as you know, we have a legal prohibition against the relocation of existing industry.

Senator HOLLINGS. What is that provision against relocation?

Mr. HALL. Yes, section 202.

Senator HOLLINGS. I think that is a good idea.

Mr. HALL. The other thing we do as part of our analysis of whether this is an appropriate business project for the agency to engage in, is to go in and make judgments in terms of what kind of jobs and industry are involved. We are very familiar with the historical pattern of the apparel trade in terms of mobility and location.

Senator HOLLINGS. You have to dovetail with technical training. I don't know about the other States, but I know about Connecticut and

North Carolina. As Governor I really took the best I could find from the experience in North Carolina and the leadership that existed in the State of Connecticut when Senator Ribicoff was Governor. Now we have, I think, the best technical education program in the country. At least 35 of the 50 Governors have been there to look at it.

I can go into Calhoun, which is 70 percent black, but it has only a 3.2 percent unemployment. The average person coming from Washington would go down to Calhoun and say all we can do is put in a sewing operation. That isn't the case at all. They can learn and through technical training find jobs. As you can imagine we have more coming in all those locations, Eastman Kodak and a lot of others are coming along. So it has got to depend on the local effort to some extent to review that training. Technical assistance can get over burdened with consultants and studies and reports and another analysis and study. All they have to do is put all that money to doing something.

TECHNICAL ASSISTANCE

What do you envision with your technical assistance money?

Mr. HALL. As far as using technical assistance in developing the financing program, what we are trying to do is provide assistance to the employers that are trying to put the loan packages together. Small and medium-sized employers do need assistance for feasibility studies, marketing studies, and structuring the financial packages. We think it is vitally necessary to have some capacity to provide financial assistance so that expert industry consultants can go in and deal with employers and entrepreneurs and help them design the package and projects that subsequently will come through the agency and be funded.

I would like to point out that under the trade adjustment assistance program we have funded a series of what we call trade adjustment assistance centers. This has been a successful attempt to provide specialized and expert assistance to those firms that have been impacted by foreign trade. These centers, which are not Federal institutions, represent a range of organizations. In one State it is actually a State agency, and in some it is tied to a university, but they all have a capacity to quickly assist or bring in technical people to assist the employer on his immediate and specific problems and develop the kind of recovery plan and financial package that is needed. These employers do need that assistance, particularly the small and medium-sized enterprises.

Senator HOLLINGS. Well, we can do that for the small firm and minority firm, and that is where we should give it, to the minority firm. But generally speaking you can fritter away the money studying a particular community as to whether a business was viable. Literal fortunes can be spent in the money that is going to all the consultants.

SBA is establishing small business development centers at various universities. We have one at the University of South Carolina. What proportion of the firms that EDA serves are eligible for SBA assistance?

Mr. HALL. We estimate, using the definition that a small business is one with less than 500 employees, that 86 percent of the firms that

receive EDA aid are small businesses. This suggests, Mr. Chairman, that most of the firms assisted by EDA would also be potentially eligible for SBA financing. As a general practice, we have in the past referred most of the loan requests for an amount less than $500,000 to the SBA.

Senator HOLLINGS. Now what limit do you have? I wasn't listening too closely there.

Mr. HALL. We have set a floor on the size of assistance. Most of the requests that come in under $500,000 are referred to the SBA.

LOAN OR GUARANTEE LIMITATIONS

Senator HOLLINGS. Is there a ceiling on your loan guarantees?

Mr. HALL. In the present act, there is none. The only ceiling we have is an administrative ceiling of no loan or guarantee larger than $50 million, except for the steel industry. Under the Senate-passed bill, there is a provision that caps the size of any individual direct loan at $5 million, with no more than $10 million to any one firm. On the guaranteed loans, the Senate-passed bill limits the individual guarantee to $10 million, with no more than $20 million for any firm. However, there is an exception provision which will allow us to do a certain amount of business in larger loans and guarantees with a limit to any one firm of $50 million.

Senator WEICKER. While we are on that, has the administration discussed with anyone in your office the possibility of using programs administered by EDA to provide aid to Chrysler?

Mr. HALL. No, sir.

Senator WEICKER. There has been no discussion of that?

Mr. HALL. No, sir.

Senator WEICKER. Mr. Chairman, I have to leave in 5 minutes. I have two brief questions.

Senator HOLLINGS. Go head.

ASSISTANCE TO OLYMPICS

Senator WEICKER. On Lake Placid, is everything in shape there or are you going to be back for more money?

Mr. HALL. The reports from the Winter Olympic Committee indicate that there will be no need for more Federal funds for construction.

Senator WEICKER. Has anybody from the City of Los Angeles been in touch with EDA vis-a-vis the Olympics to be held there?

Mr. HALL. There have been preliminary discussions between the City of Los Angeles and managers of the 1984 Summer Olympics, with the administration and with EDA. My understanding is that there may be legislation developed to provide Federal support for the construction of facilities and rehab of facilities for the 1984 Summer Olympics. I believe that consideration is being given to providing EDA with the opportunity to manage this as well.

Senator WEICKER. Mr. Chairman, I would hope, because I know your feelings—and I am not coming down on Mr. Hall, because I know he feels very much as you and I—somebody better keep us up to date, because you haven't a chance for any kind of reception when it all of a sudden appears after the fact.

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Senator HOLLINGS. On that, an article in the September 8 edition of People magazine indicates that an EDA engineer monitoring the construction of the Lake Placid Olympic facilities was "banned from the site by his bosses" because he found the roof trusses for the new arena "could be unsound." Of course, you remember the one under construction in Chicago that recently collapsed, and Senator Weicker remembers the Hartford Civic Center. What has been done to assure the Lake Placid arena or facilities will be safe?

Mr. HALL. Well, there were questions raised as to the safety of the facility in question. These issues were specifically addressed in the form of an outside engineering consultant analyzing the whole construction, including the issues that were raised by the engineer in question, and by others as well. In addition, the report of the consultant was reviewed by the National Bureau of Standards as to procedure and modus of the analysis. The report states that basically the structure is sound, and that there are only some minor modifications that have to be made in the construction. It is the general conclusion that the structure is safe and well constructed. I have available, if the committee is interested, a copy of the consultant's report and also the review of the study that was done by the National Bureau of Standards.

Senator HOLLINGS. They both conclude it is safe?

Mr. HALL. That is correct.

Senator HOLLINGS. We have received some letters from Mr. David T. Evans, the EDA engineer mentioned in the magazine that will be made part of the record. In one letter he says he doesn't have anything to do but read magazines. I refer you to that letter and would like you to comment either now or later.

Mr. HALL. I haven't seen the letter. I would like to comment at another time.

Senator HOLLINGS. All right.

[The letters and comments follow:]

LETTERS FROM DAVID T. EVANS, U.S. DEPARTMENT OF COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION

July 9, 1979

XIII Olympic Winter Games
P.O. Box 1980
Lake Placid, NY 12946

Mr. F. Ray Marshall
Secretary of Labor
Department of Labor
200 Constitution Ave., N.W.
Washington, DC 20210

Dear Mr. Marshall:

I feel that you should know, if you don't already, that the U.S. Department of Labor (DOL) is performing poorly in two areas relating to the federally-funded construction for the 1980 Olympic Winter Games:

1. The quantity and quality of OSHA inspections have been, and are, grossly insufficient. As a result, the Olympic workers are constantly exposed to unnecessary danger.

2. Virtually nothing is being done to insure that the required five percent of the labor force is women.

What's worse is that the DOL situation here in Lake Placid is but a small example of the national condition.

Unfortunately rampant impropriety is occuring here on the part of government and private organizations - in the name of the Olympics - because officials are afraid to be accused of interferring with the sacrosanct.

Sincerely,

David T. Evans, P.E.
Project Engineer

August 10, 1979

Mr. Shigeki J. Sugiyama
Assistant Special Counsel (Investigation)
Office of the Special Counsel
1717 H Street, NW
Washington, DC 20415

Dear Mr. Sugiyama:

I have virtually no responsibilities left as a result of the mismanagement of EDA officials. I must now occupy myself during

workdays by reading magazines, newspapers, and writing letters and memos such as this one, to try to regain my responsibilities.

Meanwhile, there is much I could be doing to insure that the Olympic Construction will be successfully completed (many problems remain to be solved).

I understand from my supervisor, David Bochnowich, that the EDA Management Audit Report, which was prepared by the Office of Audits of the Department of Commerce, contains some of the same accusations which I have made regarding management.

I am certain now that EDA, the Lake Placid Olympic Organizing Committee, and the Gilbane Building Company have been acting in concert to discredit me and isolate me from all construction activities, so that they can circumvent laws, regulations, the EDA Grant, and contract documents in the name of the Olympics.

Sincerely,

David T. Evans, P.E.
Project Engineer

Box 345
Lake Placid, NY 12946

25 July 1979

The Honorable Ernest S. Hollings
United States Senate
Washington, DC 20510

Dear Mr. Senator:

Karen Noble Hanson, New York State Director of Farmers Home Administration, is "one of the newest members of the (Lake Placid Olympic) Organizing Committee" according to the Adirondack Daily Enterprise of Thursday, 19 July 1979.

Do you think it appropriate that this Federal employee serve on the Committee?

Sincerely,

David T. Evans, P.E.
EDA Project Engineer

LETTER FROM ROBERT T. HALL, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

OCT 1 1979

Honorable Ernest S. Hollings
United States Senate
Washington, D. C. 20510

Dear Senator Hollings:

This letter is in response to your request for my comments on a letter from David T. Evans, Project Engineer, to Shigeki J. Sugiyama, Assistant Special Counsel (Investigation), Office of the Special Counsel, dated August 10, 1979, with copies to you and other members of the Congress and the press.

The letter states that Mr. Evans has no job responsibilities and that he believes EDA is acting in concert with the Lake Placid Olympic Organizing Committee and the Gilbane Building Company to "discredit" him and "isolate" him from all construction activities in violation of the law.

I deny that EDA, in concert with others or alone, is attempting to "discredit" or "isolate" Mr. Evans from construction activities. However, Mr. Evans' charge that he is being denied the opportunity to fulfill his job responsibilities causes me concern.

The EDA Personnel Office was instructed to conduct a job audit of Mr. Evans' position to ascertain exactly what duties he is performing. The Personnel Office conducted the audit during the week of September 24, 1979 and will submit a report to me shortly.

EDA has been working in cooperation with the Office of the Special Counsel on the matter of Mr. Evans' allegations. Accordingly, we have informed the Special Counsel that this audit will be undertaken. A representative of the Special Counsel has indicated to EDA that this kind of information will also be beneficial to its investigation.

I will keep you apprised of this situation.

Sincerely,

Robert T. Hall
Assistant Secretary
for Economic Development

LOS ANGELES OLYMPICS

Senator WEICKER. Again I would request, Mr. Hall, that your office keep this committee informed as to exactly what it is that is going on vis-a-vis EDA and Los Angeles. I think it is terribly important. I think there is a major policy question that is going to have to be addressed, and I think it is going to be possible to do it with the knowledge at hand rather than at the last minute. You are in a negative situation which is really what you are going to find if *x* dollars are requested from the committee for Los Angeles.

Mr. HALL. Senator, I think that the administration understands fully the difficulties that arose out of the Winter Olympics and how collectively some things were done that perhaps should have been done differently in terms of authorizations, estimates, roles and responsibilities, control, et cetera. We are very carefully cataloging what we think should be the way to do things, if the decision is made to go forward with Federal support for the Summer Olympics. We would hope that we could avoid many of the difficulties that arose in the Winter Olympics.

Senator WEICKER. I still don't understand why this should be through EDA. Why isn't it in separate legislation standing on its own feet as a matter of authorization?

Mr. HALL. Senator, I believe it would be separate authorization, but it would authorize the moneys to be channeled through EDA.

INSPECTOR GENERAL REVIEW OF LAKE PLACID

Senator HOLLINGS. Has the Inspector General now completed her report—do you have your own Inspector General?

Mr. HALL. That is right. We have been working with the Inspector General, and they participated in the review. I would like to ask Mr. Heim to comment.

Mr. HEIM. As you know, the Inspector General issued a report in December dealing with 25 separate items concerning the fieldhouse. The recommendation to EDA was that these items be investigated by an outside group of consulting engineers and that the assistance of the National Bureau of Standards be sought. That has been done. The National Bureau of Standards has served as a technical advisor to the Inspector General as well as to EDA. They have reviewed the report, and in the report that you have before you here they have advised us that the work has been done. They are basically satisfied.

Senator HOLLINGS. I didn't hear what you said.

Mr. HEIM. They have advised us that the work has been done as basically intended. They had an outside group of consulting engineers evaluate these 25 concerns raised by the Inspector General.

[CLERK'S NOTE.—The following information was received subsequent to the hearing and by direction of the chairman has been included in the record.]

[The information follows:]

LETTER FROM MARY P. BASS, INSPECTOR GENERAL, U.S. DEPARTMENT OF COMMERCE

September 28, 1979

Mr. Warren Kane
Staff Director
Senate Subcommittee on Appropriations
State, Justice and Commerce
Room 146A, Capitol Building
Washington, D.C. 20510

Dear Mr. Kane:

This letter supplements the information contained in my letter to you dated July 16, 1979 regarding allegations of mismanagement concerning the EDA funded 1980 Olympic Winter Games Project made by David Evans in his memorandum to me dated June 22, 1979. My initial letter provided a general overview of Mr. Evans' allegations and the resulting reactions of various EDA officials in Lake Placid, N.Y. and in Washington, D. C. This letter provides additional data obtained through interviews with Ramon Lopez, Project General Manager, Gilbane Building Co. (GBC); Michael Oliver, former EDA/Bureau of Prisons project engineer for Athletes' Housing, and several EDA personnel in Lake Placid, N.Y. and in Washington, D.C. including David Bochnowich, the EDA Project Director, and William Nelson, Deputy Chief, Project Management Division, Office of Public Investments. Also we reviewed various documents made available to us by GBC, EDA, and Michael Oliver. The results of our additional review again are presented in the same order as the allegations in Mr. Evans' June 22nd memorandum.

1. Double Entries in Budget

We interviewed Mr. Ramon Lopez and analyzed GBC's $18.1, $13.6, and $11.0 million budgets. Mr. Lopez stated that only the $18.1 million budget contained duplications, amounting to $250,000. This resulted from inclusion of the same work items in the estimates for both the Bureau of Prisons and the EDA-funded portions of the Athletes' Housing venue. Mr. Lopez also stated that the $600,000 credit from the bonding company's settlement for the Computerized Steel Fabricators, Inc. bankrupcy on the ski jump venue had been overlooked in preparing the $18.1 and $13.6 million budgets. However, our review of documentation for the $18.1 million budget indicates that the credit had been considered in preparing that budget estimate, although it was not included in the $13.6 million budget, as discussed in paragraph 2 below. The $250,000 duplication in the estimate for the Athletes' Housing venue was included in the $18.1 budget. The Athletes' Housing duplications were not included in the $13.6 and $11.0 million budgets, however.

2. Computerized Steel Credit

Mr. Lopez stated this credit was overlooked on the $18.1 and $13.6 million budgets since they were not prepared from nor reconciled to available accounting records, but rather were prepared from administrative records maintained by GBC's project engineers. As stated above, our analysis of the $18.1 million budget indicates the credit was properly considered in preparing this budget. After preparation of the $13.6 million budget, GBC's reconciliation of budget elements to the accounting records revealed this omission and that action resulted in the credit being considered in the revised $11.0 million budget. Therefore, the Computerized Steel Fabricators Inc., credit was omitted only on the $13.6 million budget.

3. Robinson, Green & Beretta Fee

We interviewed Michael Oliver and reviewed documentation provided by him dealing with the Robinson, Green & Beretta (RGB) change order. Mr. Oliver's objection to RGB's fee was not that it was excessive for the work specified in the change order, i.e., design of a pipeline, but rather that the change order did not provide for a credit from RGB for design of a sewage treatment plant which the pipeline design replaced. Subsequent conversation with Mr. Bochnowich indicated that a credit was apparently never received for the deleted work item. Therefore, as part of our current examination of architect/engineer contracts, we will determine the value for the work deleted and question that applicable part of the RGB contract amount.

Mr. Oliver advised us that he could not specifically recall William Nelson's justification for approving this change order without ascertaining that the credit due for work deleted had been included.

4. August Bohl Change Orders

In July 1978, EDA-Washington did reverse Mr. Bochnowich's decision to disapprove four August Bohl change orders amounting to approximately $145,000. At the same time EDA-Washington reversed a Roger B. Kennedy General Contractor Inc. change order amounting to $69,000 which Mr. Bochnowich also had disapproved. All of these change orders were disapproved by Mr. Bochnowich because he concluded that the work specified in these change orders would not have been required if GBC and August Bohl had accomplished the construction site opening in accordance with the specifications of the August Bohl contract.

Orin Fayle, Chief, Project Management Division, Office of Public Investment and William Nelson, his deputy, strongly deny stating that they reversed Mr. Bochnowich's decision "for political reasons." Mr. Fayle stated that there were compelling reasons for his decision, but we have been unable to locate any documentation in EDA-Washington files or otherwise which provides a basis for or otherwise explains these compelling reasons for reversing Mr. Bochnowich's decisions.

Based upon the information contained in EDA files on this matter, we are inclined to support Mr. Bochnowich's contention that the work covered by these change orders was avoidable. We will examine this matter further and seek outside professional engineering advice as part of our audit of the construction contracts for the Athletes' Housing venue. If we finally agree with Mr. Bochnowich on this matter, we will question the costs claimed under the EDA grant for these change orders.

5. Roger P. Kennedy Claim

In our earlier letter we reported that this allegation was invalid since both Mr. Nelson and Mr. Bochnowich have stated to us that Mr. Bochnowich's decision was made with no interference or pressure from EDA-Washington. Nevertheless, subsequent discussion of this matter with Mr. Bochnowich disclosed that this claim was based upon the same avoidable circumstances that gave rise to the August Bohl/Kennedy change orders previously discussed. Mr. Bochnowich has advised us that that his decision to approve this $140,884 claim was based upon the result of EDA-Washington's reversal of his decision to disapprove the August Bohl/Kennedy change orders. That is, if his disapproval action had been upheld by EDA-Washington, he would also have disapproved this claim.

Therefore, as with the August Bohl/Kennedy change orders, we will examine this matter further during our audit of the construction contracts for the Athletes' Housing venue. If we find that the work upon which this claim was based could have been avoided by adherence to contract specifications, we will question the applicable costs charged to the EDA grant.

6. Unnecessary Funding

The primary concern centered on the administrative offices in the headhouse of the arena. From a review of available correspondence and interviews with Mr. Bochnowich and with Floyd Hill, EDA project engineer at Lake Placid, it is apparent that GBC provided incomplete information to EDA, LPOG, and Office of Inspector General officials regarding the work to be performed. Originally GBC gave indications that only Phase II renovations to the arena were to be performed, but later issued a bid package for both Phase II and Phase III,and did not provide an EDA cost breakdown between the two phases. However, with a budget limitation of approximately $900,000 for the arena renovations, the one bid received for $1.9 million plus overtime to accomplish the proposed scope of work was rejected and this forced a redesign of the renovation work. It now appears that LPOG/GBC will have to limit renovations to "necessary" items to avoid exceeding the funds available through the additional $11 million budget.

According to the latest plans, LPOG will contribute between $500,000 and $600,000 from its administrative funds to go with the $900,000 available from the EDA financed construction budget to complete the necessary renovation work.

7. Apples, Oranges and Bananas

We have conducted a review of the three budgets prepared by GBC, and the analysis of these budgets prepared by Mr. Bochnowich's staff. Our review of this documentation indicates that the budgets are comparable and the reductions from budget to budget can be traced and explained. The primary causes of reductions were deletions of work items which are to be donated or paid from non-Federal sources, deletion of non-vital items, and reductions in the scope for a variety of work items.

8. NBS-Skilling Report

Since my original letter to you, the NBS and Skilling, Helle, Christiansen, Robertson reports have been received and were released to the public. I understand you have a copy of those reports. The reports, together with an explanation of the findings and recommendations contained therein were presented at press conferences in Lake Placid and Albany, New York on August 23, 1979. In the letter transmitting the results of its review of the Skilling report to EDA, the National Bureau of Standards stated that "It is our opinion that the investigation was conducted in an entirely professional manner, that it adequately addresses those issues which relate to safety and integrity of the structure, and that the recommended actions are both reasonable and proper."

NBS has recommended that the firm of Skilling, Helle, Christiansen, Robertson be engaged to perform a final inspection of the Field House Complex and that certain other items also be accomplished. In turn, EDA has recommended to LPOG that necessary action be taken on the NBS recommendations, which LPOG officials have advised us they will do. We will continue to monitor the actions taken by EDA and LPOG in implementing the NBS recommendations.

We believe that necessary actions have been initiated on all eight of the concerns discussed above. We shall continue to monitor the actions remaining to be completed to assure they are accomplished as intended.

We have received requests from the Office of Special Counsel and from John Osthaus of the House of Representatives Appropriations Committee Staff to be kept appraised of our actions in such matters as discussed herein. Therefore, a copy of this letter is being sent to them.

If you have any questions on the matters discussed herein, please feel free to call upon me or Fred Heim of my staff. My number is 377-4661 and Mr. Heim may be contacted at 634-7888.

Sincerely,

Mary P Bass

Mary P. Bass
Inspector General

KNOXVILLE ENERGY EXPOSITION

Senator HOLLINGS. Is EDA into that Energy Expo in Tennessee?

Mr. HALL. Yes, we provided just this week a $4.2 million grant to the Energy Expo for site preparation for the exposition.

Senator HOLLINGS. A $4.2 million grant?

Mr. HALL. Yes, from EDA. I believe there are other funds being requested for the U.S. pavilion; I will defer to Assistant Secretary Porter on that point.

Mrs. PORTER. Yes, there is a request for $20.8 million for the U.S. pavilion at the exposition site.

Senator HOLLINGS. Well, I don't want to get off on that one right now, but I will make this fact sheet a part of the record.

[The information follows:]

Knoxville Expo '82

Federal grants for Expo are:

EDA	$4.25 million
HUD	5.00 million
Appalachian Regional Commission	2.00 million
Dept. of Interior	1.20 million
TOTAL	12.45 million

Steps to be followed sequentially for the Federal recognition and Federal participation phases, under PL 91-269, covering international expositions to be held in the USA.

1. Preliminary contact with Expo Staff, DOC by organizers.
2. Feasibility study to be made by organizers.
3. Decision by organizers to proceed or to desist.
   Example - Kansas City desisted after an in-depth feasibility study.
4. Filing by organizer of an application for Federal recognition addressed to the Expositions Staff, Department of Commerce, accompanied by 15 exhibits. Exhibits must show: that applicant has a purpose and concrete plan for holding the exposition, evidence of State, regional and local support, a financial plan, time schedules, benefits to be derived and residual use plans, materials for an environmental impact statement complying with NEPA of 1969, statement from applicant agreeing to accept a Commissioner General appointed by the President, and other requirements.
5. Upon receipt of the application Expo Staff will analyze it and accompanying exhibits. Primary consideration will be given to those applications which do not require Federal financing for exposition development. This does not apply to funding for a Federal pavilion. Public hearings could be held by the Expo Staff to clarify issues raised by the application.
6. If Expo Staff report recommends Federal recognition, the Secretary of Commerce shall submit a favorable report to the President. Concurrently, the Secretary of State will also file a report with the President that the exposition qualifies for recognition by the Bureau of International Expositions (BIE) in Paris, a 36 nation body of which the USA is a member.
7. If the President concurs in the favorable reports from the Secretaries of State and Commerce, he may grant Federal recognition to the exposition by indicating his concurrence to the two Secretaries and authorizing them to seek BIE registration.

The President shall extend invitations, by proclamation or by such other manner he deems proper, to the several States of the Union and to foreign governments to take part in the exposition, provided that he shall not extend such an invitation until he has been notified officially of BIE registration for the exposition.

FEDERAL PARTICIPATION

If the exposition has received (1) Federal recognition and (2) been registered by the BIE, the applicant shall outline the nature of the Federal participation contemplated, including whether Federal pavilion construction is contemplated. If a Federal pavilion is desired (and the U.S. is the host country and a treaty member of the BIE) applicant's statement shall include exhibits on location, boundaries, surface and subsoil conditions, evidence of applicant's ability to convey by deed the real property comprising the Federal pavilion site in fee-simple and free of liens and encumbrances to the Federal government.

Upon receipt of the statement, and the exhibits, the Expo Staff shall prepare a proposal plan in cooperation with other interested departments and agencies of the Federal Government for Federal participation in the exposition. To prepare the plan Staff shall conduct a feasibility study, including cost estimates, and shall determine whether or not the government would have need for a permanent structure in the area of the exposition or whether a temporary structure would be more appropriate. Advice of the Administrator of GSA should be sought to the extent necessary in carrying out the proposed plan for Federal participation in the exposition.

The Secretary of Commerce, upon receipt of the plan, shall submit a report to the President including (a) evidence that the exposition has met the criteria for Federal recognition and has been so recognized; (b) a statement that the exposition has been registered by the BIE; and (c) the proposed plan.

CONGRESSIONAL AUTHORIZATION

The Federal government may participate in an international exposition proposed to be held in the USA only upon the authorization of the Congress. If the President finds that Federal participation is in the National interest, he shall transmit to the Congress his proposal for such participation including:

(a) evidence that the exposition has met the criteria for Federal recognition and has been so recognized.

(b) that it has been registered by the BIE.

(c) plan prepared by the Secretary of Commerce in cooperation with other interested departments and agencies of the Federal government for Federal participation in the exposition.

The Participation Plan will include the proposed budget for pavilion design and construction; exhibit design; fabrication; installation and dismantling; operations; administration; and Office of the U.S. Commissioner General.

Additionally, a legislative proposal accompanies the Plan.

LETTER FROM LEON RIDENOUR

[CLERK'S NOTE.—Subsequent to the hearing the following letter and attachments were received from Leon Ridenour, chairman, Citizens for a Better Knoxville, regarding the international energy exposition to be held in Knoxville, Tenn. By direction of the chairman they have been made part of the record.]

[The letter and attachments follow:]

LETTER FROM LEON RIDENOUR, CHAIRMAN, CITIZENS FOR A BETTER KNOXVILLE

SEPTEMBER 18, 1979.

Senator ERNEST F. HOLLINGS,
Chairman, Subcommittee on State, Justice, Commerce, the Judiciary, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR SENATOR HOLLINGS: I am writing in regard to the use of funding a pavilion for Knoxville's proposed international exposition. We previously expressed our reasons for opposing this project in a letter of September 7.

It has been called to our attention recently that the U.S. Travel Service is quickly and quietly moving ahead with attempts to obtain authorization for the proposed Federal pavilion project. Apparently we were too late in discovering the appropriate authorizing committees in the House and the Senate to enable input on our part to their discussions of the issue. In any case, we expect an attempt to secure funding in the near future, and we believe that the Travel Service and the promoters here will try the "quickly-quietly" approach again. The reason is simply that the larger exposition project is highly vulnerable and it is getting increasingly more vulnerable as it gets further and further behind schedule.

We would like to reiterate that we are very much opposed to the project and we would like an opportunity to express our views before the subcommittee when it considers the matter.

Thank you for your attention.

Sincerely,

LEON RIDENOUR,
Chairman.

SEPTEMBER 7, 1979.

Senator ERNEST F. HOLLINGS,
Chairman, Subcommittee on State, Justice, Commerce, the Judiciary, Committee on Appropriations, U.S. Senate

DEAR SENATOR HOLLINGS: I am writing in regard to our opposition to the funding of a Federal pavilion for Knoxville's proposed International Energy Exposition, scheduled to be held in 1982. In discussing this matter with Mr. Warren Kane of your subcommittee staff the suggestion was made that we communicate with you on the issue.

It is our understanding that funding was at least temporarily halted in August by the House because of certain procedural irregularities. We believe that many other reasons exist for opposing the project, and we would like to offer information that we think should be considered before any funds are approved for this project.

The group of which I am chairman was formed almost 3 years ago in an effort to obtain a referendum on the proposed exposition and to distribute information concerning the realities of Expo and its probable impact on the city of Knoxville and its people. At the present time, it appears all but certain that we have been effectively beaten down by raw political power, legal technicalities, and shenanigans in our attempt to achieve a referendum. This has occurred in spite of the fact that we collected more than 14,000 signatures of registered city voters who desired a referendum. It also occurred in spite of the fact that independently conducted and financed polls out of the College of Communications at the University of Tennesse demonstrated that over three-quarters of the citizens desired a referendum on the issue of the exposition. Perhaps the opposition to a referendum on the part of the promoters can be explained by the fact that these polls also revealed that a solid and continuous absolute majority of Knoxvillians oppose the exposition while never more than one-

third have supported Expo. The most recent poll (May 1979) has 27 percent in favor of the project.

Our general substantive reasons for opposing the project are summarized in enclosure 1, a working paper used for a meeting with Governor Alexander in February. As may be seen, we see the project as involving massive disruption and congestion, high direct and indirect costs, high financial risk for the public and the private sector, and low residual benefits. And all of this would occur in an area which already has a rapidly growing and healthy economy which surely does not need additional public sector stimulation.

In addition to the above points, we believe you should be made aware of a number of issues regarding the current status of the project:

—The Expo project continues to be mired down in an almost 3-year-old attempt to acquire $25 million in private (upfront) financial support. Now on their third basic plan, the promoters have been trying for some 16 months to put this money together via an extremely complex five-tier system ranging from local financial institutions to national money center banks. The core reason for these difficulties lies in the fact that this quite simply is a most risky and speculative venture. In fact, in our view it is a sure loser.

—The promoters are also experiencing major difficulties regarding public sources of support. The project was promised $12.45 million in Federal grants by the President a year ago; but the money has yet to come through. Again, you find an extremely complex situation in which four different agencies are involved, and two of them had not received applications at the time of the President's announcement. Aside from the Federal grants, a proposed State pavilion is still in limbo regarding financing, design, and even location; and, of course, financing of the Federal pavilion is still under discussion. The chief reasons for these difficulties arises from defects in the project itself combined with woefully inadequate performance on the part of promoters in both the private and public sectors.

—The city has not completed the process of acquiring the land of private owners, and indeed city personnel have been most hesitant in proceeding with condemnation proceedings against major opposing landowners in the area (involving two medical facilities of substantial size and a major tire sales company), presumably because of fear of a court challenge of the city's legal right to condemn property for such purposes. It may be added that this property includes the location that would be used for the proposed Federal pavilion.

—The City/Expo Corp. has not reached agreement with L & N Railroad and Southern Railroad, who combined own almost half of the 67-acre site.

—The project has received serious adverse publicity concerning conflict of interest by some of the promoters, which along with other things has led to a demand for management changes at the top of the Expo Corp. As such changes occur (and they are already occurring) serious disruptions and further delays may follow in all parts of this incredibly complex Expo "system."

—As the project has bogged down regarding the above-mentioned issues as well as others, the issue of "time availability" has increasingly become a most serious, and in all likelihood unmanageable, problem with respect to completing the project by May 1982, even if everything were to fall in place in the very near future.

One final issue needs to be raised. What would happen to the proposed Federal pavilion after Expo? Along with everything else, this question is also unresolved. In recent months, two possibilities have been most frequently mentioned: a Federal office building and an "energy research" center. The first option quite obviously would require substantial funds for conversion from a pavilion. The second proposal would also face this problem; but probably more important, the so-called energy research center actually would largely contain existing (and already housed) programs at the University of Tennessee (Transportation Center, Environment Center, Water Resources Center, etc.). In other words, it apparently is an attempt to rationalize an expenditure of over $20 million, which became necessary when the Department of Energy informed the U.S. Travel Service people in late 1978 that it had no need for such a facility for their purposes.

This project was poorly planned; it is being poorly executed; and it is not desired by the people of Knoxville. We hope you will consider these factors as you consider funding of the Federal pavilion. If at all possible and assuming it is necessary in order to stop the pavilion funding, we would appreciate an opportunity to appear in person

before your subcommittee when you consider the issue. We have enclosed some backup information. We have far more. Should you desire further information, do not hesitate to contact me (615–523–1291) or Professor Joe Dodd (974–2300; 584–5810) of the University of Tennessee, who is our chief researcher.

Sincerely,

LEON RIDENOUR,
Chairman.

MEMORANDUM

To: Governor Lamar Alexander.
From: Citizens for a Better Knoxville, Leon Ridenour, Chairperson.
Subject: Issues and perspectives that should be considered in regard to your forthcoming decision concerning the proposed State pavilion for Expo 1982.
Date: February 8, 1979.

Process/citizen participation.—Surely, one of the most distressing aspects of the whole Expo promotional process has been the conscious attempt to avoid citizen participation. Specific reference can be made to: the lack of a referendum, even though an overwhelming majority of city voters desired such participation (see enclosed statement, dated October 23, 1978, No. 7); the postponement (cancellation?) of the R/UDAT (Regional/Urban Design Assistance Team) study by a team of outside architects, planners, and social scientists; the lack of citizen participation in the HUD UDAG grant application process, as is required by Federal law. (See the enclosed article by Mark Thompson in The Gazette.) More generally, the Expo promotion process and information related thereto has been obscured from the beginning down to this day by a cloud of secrecy and deception that is totally inappropriate for any project that involves the use of public power and public money.

General state of Knoxville's economy.—As virtually all indicators would clearly reveal, the overall economic growth of Knoxville and the Knoxville area has been steady and strong. What we need to do is maintain (not disrupt) that overall progress, lessen the adverse impact of the growth which we do have, and move forcefully to eliminate our problem and distressed areas. We do not believe Expo would serve any of these goals. Redevelopment without Expo would be more selective, more economically sound, less risky, and quicker. Moreover, such an approach to redevelopment would eliminate the adverse impacts which would flow directly from Expo. We may further add that the Expo "redevelopment" approach starts off by relocating and disrupting (and in many instances eliminating) 62 businesses with some 1,400 employees, by dispossessing over 150 residents, and by taking at least part of $275,000 a year in property taxes out of the tax stream for a minimum of 4 years. Indeed, the Expo project has already harmed the development process in the valley by stifling projects that were already in the planning stage.

Massive disruption and congestion.—Such disruption and congestion will occur during both the 3-year construction period and the 6-month operation of the Expo. Simultaneous construction of the Expo site itself, the Tennessee pavilion, I–640 and I–40/75, local street improvements in the area immediately surrounding the site, the new South Knoxville bridge, the East-West Mall hotel/garage complex, the State Street parking garage complex, the Bell House School parking garage, and any other construction which might occur in the downtown/UT area, would lead to extreme disruption, if not chaos, in regard to traffic movement as well as business activity and residential living for some 3 years before the exposition even gets here. Disruption and congestion during the operation of Expo would probably be even worse because of the inherent nature of dealing with up to 29,000 cars daily and the fact that the Expo Corp. has what amounts to no parking plan. Indeed, no adequate solution to the parking problem seems to be possible.

High direct costs.—In direct costs the city has already contributed $11.66 million to the project. As a new request, it has recently been asked to contribute the public improvements required for the site (only parts of which are covered by Federal grants), with the cost for the city apparently being some $3 million, if the Expo Corp.'s $9 million estimate of the total site improvement cost are accurate (which is far from certain given our past experiences). In regard to land acquisition and relocation costs, we are absolutely certain that the funds currently available are woefully inadequate. Additional land costs could be as much as $10 to $20 million, depending on the cost

of the railroad properties. Additional relocation costs could be in that range or even more, depending on the cost for relocating the railroads. Direct costs would also involve: funds for a projected $21 million in local street improvements in the Expo area, with the local and State components still undetermined and/or unavailable to the public; and funds to cover a dramatic increase in demand for city services to meet the needs and problems which would flow from an influx of up to 100,000 visitors per day, with some $4 million needed for additional police and fire protection alone.

High indirect social costs.—Indirect general social costs could be even more important than the direct costs as we experience: higher accident and crime rates; higher prices—across the board in the private and public sectors; more air pollution; more time and money wasted in traffic congestion; and the social impact of the economic bust which would follow the boom.

High financial risks.—Expo by itself or as part of a redevelopment package is an extremely risky and speculative venture. As a result, substantial public funds are absolutely essential. At this time, the Expo promoters are continuing their struggle (of almost 2 years) to put together a financial package which would avoid a referendum. But one thing is clear: anyone—the taxpaying public or the private investor—who puts money in this project must be prepared to lose it. (See enclosed statements, dated October 16, 1978 and October 23, 1979.)

Low residual benefits.—The Expo promoters give us little information about these residuals and what information we do have is constantly changing, usually with no public acknowledgement of the changes. But * * * the originally proposed "free" public park is far from certain. If built, it surely would be at public expense. The high-powered, airborne mass transit system—about which we hear and see so much—appears to be well on the way to being transformed into a new bus line. Only speculation exists concerning post-Expo redevelopment of the site. As for the Federal and State pavilions, UT (apparently) is attempting to create a post-Expo energy education need for the former, while the latter is still being fought over, both as to location and post-Expo usage and control. It is significant that the general public has no opportunity to participate in such residual discussions.

State pavilion decision.—In regard to the proposed State pavilion, two basic points should be made. First, if this part of the project follows what we have seen thus far, cost overruns should be expected. Indeed, someone in the master architect's firm reportedly has stated that this structure with residual use as a 24,000 seat capacity arena would cost some $40 million. Second, the Expo Corp. argues that the State will receive some $27 million in new revenues as a result of this project. As we have consistently demonstrated (see statement of October 16, 1978), the Expo data cannot be accepted at face value. Indeed, the Expo promoters all too frequently overstate revenues and understate costs. In this particular instance, three basic points should be made: (*a*) Realization of the projected revenues by the State would depend on Expo attracting 12 million visitors, which is a very speculative projection (see enclosed October 16, 1978 and October 23, 1978); (*b*) tax revenues are also dependnet on an extremely high level of visitor expenditures (see same); and (*c*) although the details of the revenue projections and the methodology used in the projections are not publicly available, we strongly suspect that no attempt was made to account for what in many instances would simply be a shift in consumer preference or priority. Instead of buying and paying taxes on some other goods or service, the consumer would be paying taxes on Expo items. In this regard, it should be noted that the attendance projections call for over 20 percent of visitation to come from the four-county Knoxville metropolitan area, with an additional 25 percent from the remaining area within 100 miles of Knoxville. Moreover, many of the others projected to attend, as Expo admits in a different context, are expected to already be in the area as tourists. In other words, to a substantial degree we are not talking about "new" revenue but simply old revenues collected by a different agent.

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MEMORANDUM

To: Leon Ridenour.
From: Joe Dodd.
Subject: Your requests for suggestions concerning information to be sent to newly involved individuals and agencies re the Expo promotion.

I believe the following points should be emphasized:

1. More than a majority of Knoxville residents continue to oppose the exposition, even after over a year of propaganda and largely one-sided news coverage. An overwhelming majority (86 percent) favor a referendum on the issue.

2. The exposition, either by itself or in conjunction with 2d Creek redevelopment, is not a viable economic project. I believe this is dramatically illustrated in our critique of the Economic Research Associates financial feasibility studies.

3. The project can only take place with substantial government subsidy, probably in excess of $20 million (excluding Federal and State pavilions at some $20 million each).

4. With the threat of a referendum (and the attendant fear to risk one) here and legislative hesitation and opposition in Nashville, the Expo promoters absolutely have to have substantial Federal assistance.

5. Since the project will not go without massive Federal aid, you should especially emphasize to Federal officials that if they fund this project, they would be directly assisting the Expo promoters in ramming this massive project down the throats of an unwilling citizenry.

6. Although we have been unsuccessful in getting the attention of the President in order to inform him of our side of the picture, we should nevertheless advise other administration officials that this project clearly runs counter to the President's expressed cost/benefit approach to Federal spending as well as his commitment to the general citizenry rather than the economic and political elite.

7. Nothing has occurred in recent months to alter our substantive critique of the project as involving high disruption, high costs (direct and social), high risks, and low benefits (all of which are detailed in our position papers).

8. Specific reference should be made to the fact that this "redevelopment" project would begin by dislocating from the center city or completely eliminating 62 businesses with some 1,400 employes (many of whom would find it extremely difficult if not impossible to find other jobs because of age and/or transportation problems). in place of these permanent jobs, we have a promise of 6 months of temporary jobs for some 3,600 employees (mostly in a moonlighting status) and a redevelopment "plan" that is not only speculative and excessively optimistic but for which there is no developer in hand or in sight.

9. We view selective redevelopment without Expo as a far superior approach because of (a) would eliminate the negative features of Expo and (b) would be appropriate for our growing and basically healthy local economy.

I will prepare elaborations and supporting data on any of these issues for anyone who expresses an interest. I am also available for phone calls at my office (974–3007) or home ([redacted]).

EXPO TIME SCHEDULE

We have two time schedules. The first was probably put together in late 1976 or early 1977. It will be referred to as the original time schedule. The second was probably put together in October 1978. It is referred to here as the new time schedule. Reference is also made there to the current status of the particular activity under discussion.

Site acquisition.—Original plan called for site acquisition to begin in May 1977, with all acquisitions completed by the fourth quarter of 1978. New time schedule calls for all acquisitions to be completed by May or June 1979. Current status—19 parcels purchased at cost of some $2 million. As yet no authority to condemn unwilling property owners, with reported reasons being the inadequate level of funds available.

Relocation.—Original time schedule called for all to be completed by first quarter, 1979. The new schedule calls for relocation to begin in December 1978. Current status—no relocation completions have occurred so far as we are aware. Knoxville News-Sentinel of May 16 reports that Savage has agreed to a price of some $700,000, which is almost 60 percent of the entire relocation budget.

Demolition.—Original time schedule called for a starting date of second quarter, 1978 with all completed in second quarter, 1979. New schedule has demolition starting in December 1978. Current status—no demolition has occurred.

Site preparation.—Original schedule called for a third quarter, 1978 start, with completion in the fourth quarter, 1979. New time schedule called for a starting date of March 1979, with all work completed by December 1979. Current status—nothing has occurred. Furthermore, under new schedule: (1) bidding process should have gotten underway in January 1979; (2) installation of flood control elements should have been completed and grading should have begun in January 1979. No evidence exists even to indicate that working drawings have been done.

State pavilion.—Original time frame indicated that all preliminary work would be done in 1977 and 1978, with bidding for construction completed in second quarter, 1979 and actual construction underway in third quarter, 1979. New flow chart calls for all preliminary work to be completed with the beginning phase of developing working drawings in May 1979. Supposed to acquire land, prepare site, let bid, and start construction by November 1979. Current status—do not even have the conceptual phase behind them. The location, the usage during the proposed Expo, the usage in the residual phase, and the method of financing are also still up in the air.

U.S. congressional authorization.—Original schedule called for authorization by June 1977. The new schedule calls for such authorization by March 1979. Current status—no funds for the Federal pavilion are in the President's budget for the next fiscal year. A measure to provide such funding and authorization has been introduced in the Senate and assigned to committee. No action has been taken in the House of Representatives.

U.S. commissioner general appointed.—Original schedule's specified date was April 1977. Appointee was to have been assisting KIEE with international sales re exhibitors as of September 1977. Under new schedule, appointment was due in November 1978, with the sales promotion beginning in January 1979. Current status—no one has been appointed, presumably because of lack of congressional authorization or some other difficulty at the executive level.

KIEE financing.—Original flow chart indicated bond sales would begin in September 1977. The new schedule does not make reference to KIEE financing schedule. But the current plan (the third) was first passed by the KIEE board over a year ago. It was submitted to the Department of Commerce in May 1978 and to Knoxville City Council in October 1978. Since that time public pronouncements of impending or actual completion have appeared in the press regularly, with the latest being in the Knoxville News-Sentinel of May 16, 1979.

Parking plan.—Original time schedule called for a completed parking plan by the first or second quarter of 1978. The new schedule makes no reference to a parking plan. Current status—apparently nothing has been done.

JOE DODD,
(Compiled May 16, 1979)
Associate Professor, Department of Political Science, University of Tennesssee.

[From the Tennessee Journal, June 11, 1979]

KNOXVILLE'S EXPO PLAGUED WITH PROBLEMS—SOLUTIONS SOUGHT—TIME NOW SHORT

Solving the Nation's energy crisis might be simpler than resolving all the problems facing Knoxville's planned 1982 International Energy Exposition. If Expo officials can solve the problems before running out of time, the project could be a success, with the Knoxville area reaping economic benefits. But Expo is now in a precarious position. Failure to solve even one of the present problems could cause the entire project to fail.

Scheduled to open May 1, 1982, Expo is envisioned as an international fair centered on the energy theme. An amusement park and cultural events from participating nations would highlight the 6-month exposition. The proposed site is a 67-acre area between downtown Knoxville and the University of Tennessee often aptly described as an industrial slum. Federal and State pavilions—hoped for but not yet guaranteed—would be the main permanent structures left after Expo, with most of the 25 to 30 nations expected to participate setting up temporary exhibitions. At Expo's conclusion October 31, 1982, the site would be used by the city for redevelopment into housing and commercial projects.

But today the plans for Expo are far from reality. Many stumbling blocks stand in Expo's path, with financing the project probably now the most formidable. The city of Knoxville has pumped in $11.6 million and the Federal Government has promised another $12.4 million in grants that will be combined to buy and prepare the site. But Expo officials have had difficulty meeting Federal grant requirements, and $5 million of the Federal money is now held up because it is indirectly tied to a larger problem—finding $25 million in private loans.

The $25 million is needed to fund Expo until it opens when ticket sales should become the primary source of revenue. Expo officials' trouble in convincing banks to loan the $25 million is evidenced by the fact officials have missed many self-imposed projections on when the money would be found and by the difficulty in determining just how much has been firmly committed. At least $15 million and possibly as much as $20 million appears firm. Officials continue to say the rest will be secured in a matter of a few days or weeks but are unwilling—or unable—to produce proof to back up their latest predictions.

Even if the $25 million in loans is found, Expo's success would still not be certain. A multitude of other problems awaits solution:

—Despite Expo officials' claims they are ahead of the schedule used for the 1974 Spokane exposition, time is rapidly running out. This summer will be a pivotal period, as the project cannot remain in limbo much longer. There may still be time to prepare Expo and necessary complementary facilities by opening day, but the schedule is so tight further delays might be fatal.

—Two railroad lines and the old Louisville & Nashville Railroad station are on the site. Expo cannot affort to buy all the property and relocate the lines. Expo officials have been negotiating with the railroads for many months and are confident a solution to the problem will be reached by the end of June. Leasing the land or allowing one of the railroads to remain on the site and run only in the early morning hours when Expo is closed has been considered.

—Knoxville Community Development Corp. has encountered cost overruns in buying the property. The site has already been trimmed from 80 acres to 67, and further cuts may be necessary. KCDC officials say only that they can get all property needed for Expo within the $11.6 million allotted by the city.

—As the site shrinks in size, the projected attendance of 12 million—or about 70,000 a day—becomes more unreasonable. Only so many people can be packed into a certain area before lines get too long and congestion becomes too great, discouraging return visits. The 12 million figure was reached by taking the middle ground of a prediction that attendance would be between 9½ and 14 million. Economic Research Associates, a respected firm with a good track record of predicting attendance at expos, based its projection in part on Knoxville's proximity to major population centers and the Great Smoky Mountains National Park. But the 12 million projection is widely disbelieved.

—Funding for Federal and State pavilions is still questionable. The State has pledged $10 million for a State pavilion that can later be used as a State office building. But the State money is contingent on proof of the $25 million private financing and congressional approval of funding for a Federal pavilion. Knoxville's desire to combine other funds with the State money to build a combination arena-office building further complicates the matter. A bill to appropriate $25 million for a Federal pavilion was recently introduced in Congress and is now in committee.

—Knoxville traffic problems could only be worsened by the influx of Expo visitors. To counter that, the State is speeding to complete about $130 million of highway improvements in 3 years. Again, the schedule is very tight. A shortage of parking and housing must also be conquered to accommodate Expo crowds.

—The project does not have the support of the entire community. Polls indicate a majority of Knoxvillians oppose Expo, and Expo backers fought a drive to have a referendum on the issue because of fear of losing.

If Expo can overcome the problems and become a reality, the benefits for the Knoxville area would be substantial. Increased tourism would aid the economy of Knoxville and the State. Redevelopment on the site and proposed related commercial developments could increase the property tax base and ease the burden on Knoxville homeowners. A successful Expo might be the only way to save a rapidly dying downtown business district. New jobs would abound during the 6-month fair, and permanent employment could result from the boosted economy. The interstate system will be improved—and much more quickly than without Expo.

Despite the problems and the relatively short period of time in which to solve them, there is some reason to believe Expo will occur. The project may now have reached the point that it cannot be allowed to die. Although Expo officials have said they will not go back to the city to ask for more money, that possibility should not be ruled out. Recently the city council has voted strongly in favor of Expo on key issues. The Federal Government has invited foreign countries to participate in the project and might be willing to step in to be sure Expo happens before having to withdraw the invitations.

The reputation of Knoxville's business community, the major driving force behind Expo, is on the line. Business leaders may be forced to do everything they can to guarantee the success of Expo. The fact that the project has not yet collapsed may be the strongest argument for its possible success. Facing one crisis after another, Expo has not succumbed. And slowly, Expo seems to overcome most crises.

If Expo does get off the ground, it would still have trouble breaking even. The bulk of income depends on ticket sales and other onsite revenues, and the projected 12 million attendance figure is almost certainly too high. But the present budget calls for a $17 million surplus that would go into a trust fund for Knoxville. An attendance of 9.3 million is needed to break even, with no one likely to complain if Expo does that well. Expo officials have budgeted $10 million in contingency funds, which should handle unforeseen costs or make up the difference if attendance does not reach the break-even point. And a scaled-down version of Expo, with lower operating costs, must remain an option.

At this time most Expo officials remain highly optimistic about the prospects for success. Several others on the periphery of the project say the odds are no better than 50–50 Expo will become a reality. One thing is certain: time is of the essence, and solutions to some problems must begin to crystallize within the next few weeks.

[From the Tennessee Journal, Aug. 27, 1979]

Further Troubles for Expo—Outcome Will Influence Numerous Knoxville Issues

Knoxville's International Energy Exposition, struggling for months to cling to some chance for success, has encountered more problems that may push Expo 1982 nearer failure. A top-level management shakeup that would strip Expo cochairman Jake Butcher and other Expo leaders of much of their power was in the works late last week. But the last-ditch attempt to salvage the project might be too little and too late to overcome the multitude of problems that must be conquered before Expo is scheduled to open in May 1982. If those problems cannot be solved and Expo fails, Knoxville will feel the effects in many ways.

In Expo's latest crisis, a money shortage caused difficulty in meeting the staff's weekly payroll. Unidentified individuals paid the salaries week before last out of their own pockets. Butcher's United American Bank and the Butcher family City and County Bank have advanced most of the loans they pledged in the first tier of private financing for Expo. As another payroll deadline approached last week, four other Knoxville banks refused to make any more loans to Expo for fear the project might collapse. Those banks were demanding that a new management team be brought in to run Expo before they would loan any more money. Expo officials reported a conditional agreement had been reached calling for the banks to loan Expo $200,000. But conflicting reports said no agreement has been reached.

Whether or not the short-term money trouble has been solved, the biggest problem remains the lack of time to get Expo off the ground. Site preparation has just begun, the $25 million in private financing is still not tied down, and conditions for a $5 million Federal grant have not been met, among other things.

If Expo should fail, as now appears very likely, plans to build a combination arena-State office building would be delayed. The legislature intended that the $10 million the State is contributing to the arena complex be used for Expo, and the Alexander administration does not want to spend the money in the absence of Expo without going back to the legislature.

Knoxvillians are hoping for a 20,000-seat arena for University of Tennessee basketball games comparable to luxurious Rupp Arena in Lexington, Ky. But the $22

million allocated for the arena-office building probably cannot provide anything better than a barebones building on a rather cramped site.

The delay that would result if Expo fails might help solve the arena problems. The proposed site was chosen at least in part because of an indirect connection with conditions on the $5 million Federal grant promised to Expo. Without Expo, the site might be moved to a larger area nearer UT. The arena enjoys much stronger support among legislators and the general public than Expo does. Returning to the legislature to ask for funding for a Knoxville sports arena—instead of Expo—probably would result in more money. With such a significant investment on the line, the arena should be done right.

Knoxville mayoral race.—Other fallout from the Expo uproar will be felt in the October 16 Knoxville mayoral election when incumbent Mayor Randy Tyree is seeking reelection. Tyree is a Democrat with close ties to Jake Butcher. He has been a staunch Expo backer.

In recent years Knoxville mayors have failed to win reelection. In 1971 Republican Kyle Testerman defeated incumbent Leonard Rogers. Four years later Tyree scored a surprising upset victory over Testerman even though the incumbent had the support of most political leaders of both parties, virtually the entire business community, and both Knoxville newspapers.

During his term Tyree has sought to establish a rapport with the downtown Knoxville establishment and to broaden his base in other ways. He officially announced his reelection candidacy last Monday, a day or two ahead of the latest Expo problems. His principal opponent in the nonpartisan election will be Knox County Trustee Bob Broome, also a Democrat. Broome has support among the old guard faction of the Knoxville Democratic Party and from some Knox County courthouse Republicans. In the 1975 mayoral election Broome supported Testerman. With Tyree still blaming the former mayor for some problems he says he inherited, Testerman and his allies are likely to be in Broome's corner in this election.

Polls have shown that Expo has never had the support of a majority of Knoxvillians. When asked last week about the political ramifications of his support for the ill-fated project, Tyree noted that he has only attempted to carry forward what Testerman initiated. Broome has had a middle ground position on Expo, and he sharply criticizes Tyree for refusing to support an Expo referendum proposal. Broome will no doubt attempt to milk the Expo issue as election day approaches.

Along with the general Expo problem, Tyree also encountered a political dilemma on the related issue of the selection of a site for the combination arena-State pavilion-State office building. Several weeks ago Tyree opted to locate the facility on the site favored by organizers of the Pegasus Corp., a group with close ties to Butcher that is planning to build a luxury hotel near the arena. Tyree's decision went against the wishes of competing hotel developers known as the Landmark group. The decision embittered the Landmark organizers and may hurt Tyree politically with some in the Knoxville banking and business establishment whose support he has sought to cultivate.

Butcher.—The Expo problem could also have serious ramifications for Jake Butcher and his United American Bank in Knoxville. For about a year and a half UAB quarterly reports have been less than impressive, with the bank experiencing a sharp decline in earnings. According to newspaper reports, UAB and Butcher-controlled City & County Banks have loaned $900,000 for Expo operations. In addition, Butcher and UAB have expended considerable money for travel, entertainment, and promotion on behalf of Expo. The question becomes whether UAB can absorb a loss of this size.

Obviously, last week's developments also represented a personal setback for Butcher. The Knoxville banker assumed the chairmanship of Expo several years ago at the request of Mayor Kyle Testerman. He resigned the position during his 1978 gubernatorial race, after which he became cochairman along with Knoxville businessman Jim Haslam. Right or wrong, Expo has generally been perceived primarily as Butcher's project.

Highways.—Expo's impending failure might also slow down massive construction work planned for Knoxville's inadequate interstate system. State officials have been fighting tight timetables in hopes of completing most of the work before Expo's scheduled opening. While the work definitely will be completed even if there is no Expo, the timing will not be of as great concern.

ASSISTANCE TO MINORITY BUSINESSES

Senator HOLLINGS. The Office of Minority Business Enterprise has almost $32,600,000 in their budget for client services. So between OMBE, the SBDC's funded by SBA mentioned earlier, and your university services program, all of those combined, is not that sufficient assistance to small business without launching your new technical assistance program?

Mr. HALL. No. I think OMBE and SBA objectives are different from what we are trying to achieve with our technical assistance. The OMBE program is basically trying to work with minority enterprises, trying to establish new businesses, expand existing businesses, et cetera; and we think that is an appropriate role. The SBA's programs focus on working with smaller businesses. The technical assistance we are talking about is technical assistance that is directly related to the development and packaging of applications that are going to come in under $1.8 billion of guaranteed loan authority. The SBA deals only with small business. OMBE is dealing primarily with minority business. They are not dealing with putting financial assistance packages of this magnitude together. They are dealing with general management and business assistance. We are talking about targeting assistance related to managing and running a vastly expanded development financing program.

DIRECT LOANS

Senator HOLLINGS. On the direct loans, they will be increased from the 65-percent current maximum level to 75 percent. Why?

Mr. HALL. Basically, Senator, the direct loans go primarily to firms that have the most difficulty in securing private credit; by definition it is difficult to get a guaranteed loan for them. So they have a very tight financial situation, and we would like to be able to make the loans up to 75 percent because it would be easier for the minority firms, new ventures, firms with new technology and marginally profitable companies to put together a better financial package. It improves their debt/equity ratio because they are carrying less debt.

LOAN GUARANTEES

Senator HOLLINGS. As you said in your statement, EDA will no longer obligate 20 percent of the face value of their loan guarantees as a reserve for default. Now according to GAO that is a good policy. But what happens if they are defaulted?

Mr. HALL. We are doing our best to estimate what amounts would be required.

Senator HOLLINGS. How did you come up with an estimate of $27,923,000 for defaults in 1980? How did you arrive at that precise amount?

Mr. HALL. I will defer to my financial staff in terms of the exact procedure. But basically it was derived from agency experience. We have about a 6-percent default rate. We looked at the loan guarantee portfolio. We made certain judgments on what was happening. We made the best estimate we could. Now in the event the $27.9 million is

insufficient, that is, more firms belly up next year than we anticipate, then we have the authority to fall back on the general revenues of the Treasury to make up for defaults.

Senator HOLLINGS. What is EDA's exposure on current loan guarantees?

Mr. HALL. I think it is a little over $200 million, Senator. Let me look at the numbers. If I recall, it is around $234 million in guaranteed loans. That is exclusive, of course, of the steel industry. Yes, it is $235 million.

Senator HOLLINGS. What is the largest loan guarantee EDA has now?

Mr. HALL. It is the Seatrain loan in New York. It is for $70 million. This is a collection of incremental loan guarantees that were recently combined into one package. The initial loans were made long before this administration.

Senator HOLLINGS. Long before several administrations. How is that coming? What does it look like from the EDA standpoint? Is it being paid back on time?

Mr. HALL. I think we have been doing fairly well. As I recall, when we repackaged the loan into the new configuration, it was something like $25 million that was returned to the Federal Government. I would like to ask Mr. Glen Waldron to be more specific.

Mr. WALDRON. We did receive about a $25 million payment possibly a year ago. We restructured the whole financial package. It was on a short-term basis; it is now spread out over a longer period.

Senator HOLLINGS. Is it viable now?

Mr. WALDRON. We see it as a viable loan.

Senator HOLLINGS. Is there a maximum amount prescribed for EDA loan guarantees?

Mr. HALL. As I indicated previously, the maximum amount is $50 million—but that is an administrative determination—except for the steel program. S. 914 does provide for the specific caps on the size of loans and loan guarantees.

Mr. HAUSNER. There is also a business size cap. S. 914 proposes to limit assistance to firms that are not larger than $50 million in assets.

EQUITY INVESTMENTS

Senator HOLLINGS. What is this authorization in that bill for equity investments in firms?

Mr. HALL. Yes there is, Senator—and I will ask Ms. Milkman to clarify the equity provision.

Ms. MILKMAN. The Senate bill does in the demonstration program authority specifically say that EDA is expected to run a demonstration equity financing program.

Senator HOLLINGS. Would you identify yourself for the record, please.

Ms. MILKMAN. Beverly Milkman.

Senator HOLLINGS. I remember the revolving fund concept. We did that for industrial development for jobs through title IX.

Mr. HALL. That is correct.

Senator HOLLINGS. When you say an equity investment, you mean the Government actually owns or a local entity can invest and buy stock?

Ms. MILKMAN. That is correct. The administration did not specifically request that, but it is in the Senate bill.

Senator HOLLINGS. Is it in the House bill?

Ms. MILKMAN. It is in the Senate bill and we expect something in the House bill.

Senator HOLLINGS. I don't know how that is going to go with this committee.

Mr. HALL. Senator, as Ms. Milkman pointed out, this is not a proposal of the administration, and we are not requesting funds for this purpose.

Senator HOLLINGS. I will talk to the conferees. You can be sure that will get us in all kinds of trouble.

INTEREST SUBSIDIES

There is a good deal of uneasiness, Mr. Hall, relative to these interest rate subsidies. You mentioned that the Senate authorized only $50 million, and the House Banking Committee authorized only $175 million, and yet you budget for a program of $350 million. You have no experience with that in EDA, as I recall. Wouldn't a good initial approach to be a little bit more modest in that amount?

Mr. HALL. In all honesty, Senator, I share your uneasiness, and I think that possibly a program for somewhat less than $350 million would not be inappropriate.

STATE INVOLVEMENT

Senator HOLLINGS. On the State involvement, to what extent does the new legislation contemplate a larger State role in economic development?

Mr. HALL. Senator, in terms of legislation, S. 914 does not provide for much of a change in the role of the States in terms of going into new types of activities, but it does change the State program funding approach. We believe it does improve the operation of the 304 program—that is the grants to the States. It gives greater flexibility for the States and Governors to use the State grant program, and for EDA to distribute the limited funds available under it.

A second area, where there are some changes in terms of the State role, consists of a strengthening and improvement of the State planning role vis-a-vis the local planning role of economic developments districts and cities and counties. We think it is important that there be better coordination and cooperation between State planning and the local jurisdiction's planning.

Those I think are the two major areas where changes are proposed.

Senator HOLLINGS. That is the whole point of my question—trying to keep up with EDA to determine it is not funding something already funded by the regional commissions. And you are going to be watching that closely.

Mr. HALL. Yes. The bill also does provide—in fact instructs us to better coordinate the planning of the title V regional commissions with the EDA activities.

Senator HOLLINGS. Will you provide for the record a table detailing by State the 1979 funds provided under both 302 and 304 and the State investment planning and supplemental grants funded by the regional commissions?

Mr. HALL. Yes, we can provide that information for the 302 and 304 programs. I would have to defer to Assistant Secretary Porter in terms of State-by-State funding coming out of the Commissions.

Mrs. PORTER. We will request the regional commission staff to provide that to the committee.

Senator HOLLINGS. If we could have that in the record I think some of the members want to study that.

[CLERK'S NOTE.—The information appears on pages 3036 through 3038.]

ALLOCATION OF 302 FUNDS

Senator HOLLINGS. What is the basis of allocating 302 funds?

Mr. HALL. Mr. Hausner is in charge of 302.

Mr. HAUSNER. 302 funds, Senator, go to distressed cities and they are distributed by calculating the degree of distress of different urban centers around the country working with the localities and EDA regional offices. The agency has basically been funding the more distressed of the cities in the various regions of the country, cities reaching down as low as 75,000 in population.

Senator HOLLINGS. What is the difference between the $20 million the Governors receive under section 304 and the supplemental grant funds of the regional commissions? Do you know that difference?

Mr. HAUSNER. I think 304 funds are funds that we give by formula to the State to carry out a particular development project or supplement local projects in EDA distressed areas. The supplemental grants, the commissions use, are moneys that go to the States via the regional commission to undertake individual development projects in the States, not restricted to EDA designated distressed areas.

INLAND ENERGY IMPACT PROGRAM

Senator HOLLINGS. The inland energy impact program, what is the status of the legislation for that $150 million requested by EDA?

Mr. HALL. Senator, S. 914 does not contain the inland energy impact program as proposed by Senator Hart and endorsed by the administration, and it does not appear that such authorization will come out of the House bill either. So for all intents and purposes I think any proposal for an inland energy impact program as part of the Public Works and Economic Development Act reauthorization is dead. The administration is considering what can be done to expand and improve the existing 601 program managed by the Department of Agriculture, which does some of the things that were proposed in the Hart Inland Energy Impact bill.

Senator HOLLINGS. Who administers that, Farmers Home?

Mr. HALL. That is correct.

[CLERK'S NOTE.—In a budget amendment transmitted in H. Doc.

96–207, dated October 12, 1979, the President withdrew the request for the $150 million.]

TRANSFER OF BUSINESS AND INDUSTRIAL LOAN PROGRAM

Senator HOLLINGS. When the administration announced the enlarged program for EDA they stated the intention to merge the business and industrial loan program of the Farmers Home Administration, and the SBA 501–502 State and local investment company programs into EDA. Has that reorganization been submitted to the Congress? What is the status of that?

Mr. HALL. No, Senator, that reorganization proposal has not been submitted to the Congress, and action on submitting the reorganization proposal has been deferred. The matter will be reviewed.

PERSONNEL CEILINGS

Senator HOLLINGS. Is there any kind of personnel ceiling by the administration that prevents you from filling the 829 positions already authorized in your base during anytime you may be under a continuing resolution?

Mr. HALL. No, Senator. The difficulty in fully utilizing all of the positions in fiscal 1979 was a result of having a shortage of funds to employ the individuals.

OFFICE OF TEXTILES REPROGRAMING

Senator HOLLINGS. Mrs. Porter, I wanted to ask you about the September 11 reprograming notice that was sent to the subcommittee providing 11 additional positions for the Office of Textiles. That request will be made part of the record.

[The letter follows:]

LETTER FROM ELSA A. PORTER, ASSISTANT SECRETARY FOR ADMINISTRATION

SEP 11 1979

Honorable Ernest F. Hollings
Chairman, Subcommittee on State,
Justice, and Commerce, the
Judiciary, and Related Agencies
Committee on Appropriations
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This letter is to request your concurrence with a proposed FY 1979 reprogramming action involving the Office of Textiles in the Industry and Trade Administration. This action responds to the Administration's new approach and determination to deal more effectively with the serious problems that face the textile and apparel industry.

Involved is the transfer of $330,000 and 11 positions to the Office of Textiles from two other separate offices in the Bureau of Domestic Business Development. An increase in resources and staff will enable the Office of Textiles to increase its level of effort to meet expanding requirements and implement new programs designed to aid the textile and apparel industry. Briefly, these new activities will include: continuous evaluation of textile and apparel imports; additional analytical support required for monitoring and for vigorous implementation of bilateral agreements; expanded efforts to assist the textile and apparel industry in initiating a major export drive; inclusion of the ladies' apparel industry in a pilot program to enhance productivity in the apparel industry; and preparation of reports to the President on imports and conditions in the textile and apparel industry.

Sincerely,

Elsa A. Porter
Assistant Secretary
for Administration

Department of Commerce

Notification of Proposed Reprogramming

Fiscal Year 1979

Operating Unit: Industry and Trade Administration
Appropriation: Operations and Administration
Program: Textiles

FISCAL SUMMARY	(Dollar Amounts in Thousands) Perm. Pos.	Amount
1. Reprogramming from:		
Import and business programs.....	-2	-$ 66,000
Industrial analysis.....	-9	- 264,000
Total.....	-11	-$330,000
2. Reprogrammed to:		
Textile programs.....	+11	+$330,000

Description/Justification

The reprogramming of 11 positions and $330,000 will enable the textile program to respond to the President's determination to assist and aid in the health and growth of the textile and apparel industry. This new approach was addressed in the President's Statement of November 11, 1978, and later outlined in a White House paper, dated February 15, 1979, under the unofficial name of the Textile "White Paper."

With additional resources, the Office of Textiles will conduct, on a continuing basis, global import evaluations of textile and apparel imports, from all countries, on a category-by-category basis. The purpose will be to analyze, in the context of U.S. market growth and conditions in the industry, the impact of all textile and apparel imports. Results of this analysis will be evaluated for their negative and positive consequences for trade measures in the light of U.S. rights under the Multifiber Arrangement (MFA). Additional analytical support, to insure tighter monitoring and vigorous implementation of bilateral agreements, will be provided. Improvements in the quality and timing of monitoring efforts as well as the availability of information necessary for prompt evaluation and action will be realized. Import surges that cause market disruption will, therefore, be aggressively controlled. In addition, this reprogramming will enable the office to assist the textile industry in initiating a major export drive through a market development program and through the vigorous Federal efforts to tear down foreign trade barriers. In addition, the efforts to develop a pilot program to enhance productivity in the apparel industry will be expanded to include the ladies' apparel industry. Finally, quarterly reports will be prepared for the President on imports and the industry's economic status.

Effects

The resources required for the textile program will come from:

- Import and business programs (-2 pos., -$66,000)

  The reprogramming of two positions to the Office of Textiles will reduce from 5 to 3 the staff that currently makes up ITA's Footwear Industry Team. The reduction in resources will not substantially affect ITA's ability to carry out the existing broad program objectives intended to assist the footwear industry.

- Industrial Analysis (-9 pos., -$264,000)

  The reprogramming of 9 positions to the Office of Textiles will reduce the industrial analysis program from 136 to 127 positions. Though coverage of other industries will be decreased, it has been determined that resources would be better used if directed toward textile and apparel industry analysis.

EXPLANATION OF REPROGRAMING

Senator HOLLINGS. Can you elaborate on that?

Mrs. PORTER. Yes, Mr. Chairman. This request would support the textile "white paper" where the administration has pledged itself to increase its activities to assist the textile and apparel industries. These 11 positions and $330,000 would increase the size of the Office of Textiles by approximately one-third. We would take the positions from the other activities currently under way in the Bureau of Domestic Business Development. We think that this increment of staff then would be better able to address the analysis of import data and the implementation of bilateral agreements. We want, as you know, to increase our export drive in this area. There is a special productivity project that we have planned in the ladies' apparel industry and other kinds of assistance programs. So this is a major increase in the administration's support to work with the textile industry.

Senator HOLLINGS. That is very good, because I had a meeting yesterday with Governor Askew, who is taking over the Special Trade Representative position. His success or failure is going to be measured in the implementation by the administration of the bilaterals. That is where they have always failed. A lot of people think now that we have the Multilateral Trade Treaty ratified that the job is over. But the difficult task comes in implementing those bilaterals.

TEXTILE INFORMATION MANAGEMENT SYSTEM

Is that computer over at the Department of Commerce working yet?

Mrs. PORTER. Yes, sir. We have some initial data from it, and the full implementation of the full textile information management system is on target; that is to say, we are on schedule. We expect a request for a proposal for the full system to be issued in October, which is right on schedule.

Senator HOLLINGS. And that is in October. Then when will it be fully implemented?

Mrs. PORTER. There are several target dates. I think the domestic data base date would be on line June 30, 1981, according to the current schedule.

Senator HOLLINGS. Is there any way to accelerate that? We could be out of business by then.

Mrs. PORTER. Sir, we think this is as fast as it is possible to get the whole system going. Actually by September 30, 1980, the whole program should be operational, but the performance reports and trade monitoring programs are already operational as part of this system. It is an incremental activity.

I would like to submit to the committee, if you don't already have it, our schedule of activities in implementing the textile information management system.

Senator HOLLINGS. I wish you would. I would appreciate that schedule. Let us look at that closely and if there's some other questions I will submit them to you, because that has got to be accelerated

somehow. They can attack different commodities, violations of different articles, and this garment industry and everything else like that, and in 2 months a firm can be out of business.

Mrs. PORTER. We are well aware of what is happening. The TIM system is providing us additional information, and we are trying to get the system up incrementally—moving as fast as we can so that we can manage it.

[The information follows:]

WEEKLY
TIMS MILESTONE REPORT

Dates		Resources to be Obligated	Description
Estimated	Completed		
Sept 30		$150,000	
Sept 30	Sept 30'78		Shipping Profile Report, automation of imports by date of export from agreement countries, Step 1 in the Textile Automated Monitoring System (TAMS).
Jan 31	Jan 10'79		Early Warning Report of surging imports from controlled countries (Part of TAMS).
Feb 28	Feb 28		RFP issued for Requirements Study on Textile Information Management Systems (TIMS). This Management Information Systems will encompass TAMS, a data base, and economic analysis capacity.
Mar 3	Mar 6		Accelerated Preparation of General Import Quantity Data.
Mar 16	Mar 16		Bidder's Conference.
Mar 25	Mar 25		Evaluation criteria determined by Technical Team for TIMS Contractor Selection.
Mar 27	Mar 27		Contract completed to identify sources for TIMS Data Base.
Apr 3	Apr 3		Closing date of submission of bids on TIMS Requirement Study.
Apr 5	Apr 4		Preparation on accelerated schedule of General Import Value Data.
Apr 6	Apr 5		Technical Evaluation Committee selects Requirements Study Contractor.
Apr 12	Apr 12		Requirement Study Contract.
Apr 17	Apr 19		Interagency review of data base for TIMS.
Apr 30	Apr 27		Completion of New Starter Automated Report on Uncontrolled Countries.
Apr 30	Apr 30		Accelerated schedule preparation of Summary General Import Data by Quantity and Value.
May 1	Apr 18		Delivery of temporary terminals connecting with Commerce computer and NIH Service Bureau.

Dates		Resources to be Obligated	Description
Estimated	Completed		
May 27	May 25		Complete Performance Report (TAMS).
Jul 18	Jul 18		Begin review of Functional Requirements Study prepared in accordance with DAO 212-1.
Oct 22 1/			Hardware and Systems RFP for TIMS issued.
Feb 8'80 1/		$1,600,000	Award on ADP contract.
Mar 21 1/			Preliminary design for TIMS systems submitted to Office of Textiles.
May 7 1/			Delivery of ADP hardware.
May 15			RFP issued for econometric model.
Jun 30			Core data base for import monitoring established plus necessary software.
Aug 15			First TQ's and other import statistics produced on new computer systems by Census.
Aug 30		$650,000	Contract award for econometric model development.
Sept 30			Performance Report (TAMS) and other trade monitoring programs become operational on new equipment and become part of TIMS.
Dec 30			Trend analysis and on-line interrogation for trade negotiations becomes possible. Production of Market Reports, etc.
Jun 30'81			Domestic data base is on-line.
Sept 30			Export promotion module is fully operational.
May 30'82			Econometric model completed and integrated with total system.
Sept 30			Economic forecasts produced.
Dec 30			Domestic analysis module completed and integrated with Executive Routine and Domestic, Foreign Data Base.
Feb 28'83			Acceptance test of System complete.

NOTE 1/. Date shown has been slipped one week.

SUBMITTED QUESTIONS

Senator HOLLINGS. Unless you want to add something I have several other questions, as does Senator Weicker, that we will submit for response in the record.

Mr. HALL. That is fine.

[The following questions were not asked at the hearing but were submitted to the Department for response in the record subsequent to the hearing:]

Questions Submitted by Senator Hollings

Public Sector Grants

Please explain how the request for $275,000,000 for Public Sector Grants complements the expanded EDA development financing program.

Answer:

The request for an additional $275 million in public sector grants will complement the expanded EDA Development Financing Program (DFP) in several ways. Of the $275 million, $215 million will be used for public works projects comparable to those funded under the Agency's ongoing public works program. We will, however, modify the regulations for that program to make it easier for public works funds to be used in conjunction with DFP aid to private firms.

The remaining $60 million will be used to fund the new development financing grants program. This program, which will only be used in conjunction with the development financing loan and guarantee program, will be used primarily as a locational incentive, by providing funds to defray up to 15 percent of the costs of a project which would ordinarily be borne by the private sector firm. The grant would be made to the public agency which would in turn use the funds to assist the private firm. Such grants will complement the loan and loan guarantee program by providing that extra benefit needed to influence a job-generating firm to locate or remain in a particularly distressed area.

What new activities will be authorized via the Public Sector Grants that EDA isn't already allowed to do under present authorities?

Answer:

One major new activity will be the 2-stage grant for public works projects. EDA will be able to make an initial grant to a community to help defray the costs of architectural/engineering work and environmental assessments. EDA will then, upon completion of the above work, make the grant for the actual construction of the project. The 2-step grant is designed to help those communities which do not have the financial resources to pay for up-front A/E work needed for a public works project. It should also help minimize the incidence of overruns, and cover the cost of gathering and analyzing environmental information needed for EDA decision-making.

A second major change is the provision that EDA can provide funds to defray up to 15 percent of the costs which would ordinarily be borne by a private firm (see previous response).

The statement indicates that some of this $275,000,000 will be used for the construction and rehabilitation of public facilities and special projects to provide immediate jobs for the unemployed. Is this a more subtle title for the labor intensive public works program that was to be part of the President's urban initiative, but never funded?

Answer:

No. The public works construction and rehabilitation authorities requested by the Administration represent a continuation and minor modification of the Public Works Impact Program (PWIP) that has been run by EDA for a number of years. The PWIP program always emphasized immediate jobs for the unemployed. The proposed legislative authorities also give priority to projects which include such national objectives as energy conservation, historic

preservation, and maintenance of basic facilities. Moreover, the proposed authorities permit funding PWIP projects in any designated redevelopment area or pocket of distress without the special separate designation currently required.

How much will be requested in 1981 for the Public Works projects started in 1980 under the new two-step funding procedure and how will you assure that you are not over-committed as a result of approving design work projects?

Answer:

In using the new two-step approval authority for public works projects (with step-one grants for design and step-two for construction), EDA will avoid an over-commitment of its future year funds by limiting the amount of each year's appropriation which can be used for step-one grants. Since FY 1980 is the first year this new authority will be used, we will limit the step one grants to two percent of the public works appropriation. Based on our present estimates, this would mean that $9 million will be available for step-one grants in FY 1980. These step-one grants could commit EDA for up to $90 million worth of step-two grants. The requests for these step-two grants will be made during both FY 1981 and FY 1982. By limiting step-one grants, we will be assured that we will not be overcommitting our funds.

Rural Urban Balance

How much of the revised request of $1.4 billion will go to rural areas, and how much to urban areas?

Answer:

EDA has long been committed to promoting balanced economic development among regions and between rural and urban places. This commitment is demonstrated by EDA's current practice of distributing funds among regions to reflect both their degree of distress and their targets of development opportunity as well as the Agency's policy of allocating funds to EDA eligible urban and rural places in roughly equal amounts.

EDA's commitment to a balanced approach to rural and urban economic development will remain firm in the years ahead. The Agency intends to give rural and urban areas equal amounts of funds for public works and economic adjustment assistance. Of EDA's funds for business development financing, approximately 70 percent will go to urban areas and 30 percent to rural areas. EDA has set this 70/30 ratio after considering the concentration of population in urban areas; the likely demand for assistance, particularly the need for capital of older industrial firms in urban areas; and the existence of the FmHA business and industry loan program which serves rural areas only.

The objective of the EDA allocation approach is to move over time to an allocation of funds that corresponds to the urban and rural eligible population; that is, roughly 60 percent urban and 40 percent rural.

In our earlier hearings, we printed a table showing the 1979 regional office allocations. Do you have for the record a table which shows the distribution of EDA's current obligations by each regional office? How does the obligations to date compare with the allocation ratios presented at our March 13 hearings?

Answer:

The following table shows the current allocations and project approvals to date, compared to the figures provided at the March hearing.

It should be kept in mind that these percentages will change somewhat when the figures are revised as of September 30.

ECONOMIC DEVELOPMENT ADMINISTRATION

FY 1979 Regional Office Allocations 1/

REGIONAL OFFICE	Preliminary Allocations Augst 28, w/o Trade 2/		After Conference Cmte Language w/o Trade 3/		After House Colloquy w/o Trade & Title IX 4/		As of Sept. 13 5/		As of Sept. 13 5/	
	Amount	Percent	Amount	Percent	Amount	Percent	ALLOCATION	%	APPROVED	%
Philadelphia	77,440	29.3	105,665	33.9	80,660	29.1	$126,899	29.8	$79,076	24.7
Atlanta	45,250	17.1	51,635	16.6	49,615	17.9	82,016	19.3	63,209	19.8
Chicago	40,995	15.5	44,130	14.1	37,140	13.4	57,861	13.5	35,671	11.2
Austin	35,000	13.2	39,250	12.6	38,805	14.0	47,582	11.1	45,242	14.1
Denver	19,135	7.2	24,555	7.8	25,225	9.1	39,071	9.1	34,857	10.9
Seattle	46,900	17.7	46,705	15.0	45,735	16.5	73,605	17.2	61,741	19.3
TOTAL	264,720	100.0	311,940	100.0	277,180	100.0	$427,034	100.0	$319,796	100.0

1/ Excludes Section 304, Sudden & Severe, Hqs Allocations, A/S Reserve-Bonus--all planning except continuation grants for districts.

2/ Based on OPCS Methodology.

3/ Represents 1975-1977 percentages excluding Section 304, Drought, Title X, LPW I & II, and TAA.

4/ Based on 1975-1977 percentage with all of 304, Drought, Title X, LPW I & II, TAA and Title IX excluded.

5/ Excludes Section 304, Trade Adjustment Assistance, and all Planning except continuation grants for districts.

Development Lending

Why are the direct loans being increased to 75 percent of an applicant's cost for fixed assessments or working capital instead of the current level of 65 percent?

Answer:

EDA should be able to provide a direct loan for up to 75 percent of project cost because this amount of loan will make it easier for minority firms, new ventures, and new technology firms, to obtain a total financing package i.e., a combination of an EDA direct loan, borrower's equity or a subordinated loan of 15 percent, and the remaining 10 percent in private financing.

Just about everybody is forecasting a sharp down-turn in the economy. If there is a recession, how confident is EDA that the private lending institutions will have sufficient resources available to take on a $1.8 billion lending program?

Answer:

If there is a sharp downturn in the economy, the problem would be less the capacity of lending institutions and more the demand by businesses. A recession cancels or defers investment decisions, especially in distressed areas where there are other obstacles to investment. It is these areas that go into a recession in bad shape and come out in worse shape. The availability of the EDA DFP can provide at least some softening of the impact of the recession of investment levels in distressed areas, especially given the authority to combine the different tools. In the aggregate the $1.8 billion guarantee program is a very small percentage of total business financing needs in EDA's eligible areas and not likely to exceed the resources of the private lending institutions.

State Involvement

To what extent does the new legislation contemplate and provide for a larger state role in economic development than current EDA legislation?

Answer:

The new legislation itself does not provide for a larger state role in economic development than current EDA legislation. However, EDA will continue to take administrative steps to strengthen effective state involvement with economic development.

First, states will be encouraged to move toward improved development strategies.

Second, EDA will be investigating the appropriate means for giving these strategies greater influence over EDA investments in general while maintaining direct EDA assistance to local jurisdictions.

Third, EDA will look to the states for active participation in the outreach, generation and packaging of Development Finance Program assistance.

How much is allocated in the amended budget for Section 302 Planning and Section 304 Development Grants? How does that compare to the 1979 levels for these programs?

Answer:

We propose a funding level of $6,500,000 for Section 302 State planning and $20,000,000 for Section 304 Grants to States. These are the same levels as are available in FY 1979.

Many of the states receiving 302 planning funds also receive funds from the regional commissions for State Investment Planning.

a. *How does EDA determine that it is not funding something already funded by the commissions?*

b. *Please provide for the record a table detailing by state the 1979 funds provided under both 302 and the commissions?*

Answer:

a. State planning funds provided by the Regional Commissions are intended specifically for the formulation of an investment plan for project funds provided by the Commissions. State planning funds provided by EDA are intended for comprehensive State economic development planning activities which coordinate all State investments and other development activities. In addition, Regional Commission activities tend to focus on rural development issues, whereas EDA funded State planning addresses both rural and urban development.

   In considering applications for State 302(a) assitance, EDA examines the institutional and programmatic arrangements for economic development within each State, including Regional Commission programs where they exist. Many States have chosen to combine State responsibilities for EDA and Regional Commission funded State planning activities in the same office. In such cases, EDA encourages the States to prepare joint work programs in order to coordinate and clearly define EDA and Regional Commission funded activities. In all States, EDA requires that 302(a) supported activities be fully coordinated with all other State development activities, including those funded by Regional Commissions.

b. Attached is a chart showing FY 1979 funding under both the EDA Section 302 program and the Regional Commission program.

CODE NO.	STATES		1979 302(a) Grant Levels		1979 Title V Not Including ARC	1979 ARC	Total
	TOTAL		7,156,530		3,802,759	152,200	11,111,489
01	ALABAMA		120,000			55,000	175,000
02	ALASKA		150,000				150,000
03	ARIZONA		100,000		181,646		281,646
04	ARKANSAS		137,000		45,970		182,970
05	CALIFORNIA		175,000		147,000		322,000
06	COLORADO		105,000		87,000		192,000
07	CONNECTICUT		150,000		150,000		300,000
08	DELAWARE		115,690				115,690
09	DIST. OF COLUMBIA		110,000				110,000
10	FLORIDA		180,000		100,000		280,000
11	GEORGIA		160,000		100,000		260,000
12	HAWAII		90,000				90,000
13	IDAHO		130,000		83,737		213,737
14	ILLINOIS		150,000				150,000
15	INDIANA		220,000				220,000
16	IOWA		75,000				75,000
17	KANSAS		80,000		43,869		123,869
18	KENTUCKY		150,000				150,000
19	LOUISIANA		165,000		48,506		213,506
20	MAINE		126,000		150,000		276,000
21	MARYLAND		185,000			22,000	207,000
22	MASSACHUSETTS		275,000		150,000		425,000
23	MICHIGAN		210.000		150,000		360,000
24	MINNESOTA		150,000		150,000		300,000
25	MISSISSIPPI *		160,000			50,000	210,000
26	MISSOURI		130,000		47,184		177,184
27	MONTANA		130,000		140,000		270,000
28	NEBRASKA		50,000		140,000		190,000
29	NEVADA		- -		72,348		72,348
30	NEW HAMPSHIRE		81,500		150,000		231,500
31	NEW JERSEY		165,000				165,000
32	NEW MEXICO		140,000		165,036		305,036
33	NEW YORK		300,000				300,000
34	NORTH CAROLINA		125,000		100,000		225,000
35	NORTH DAKOTA		100,000		140,000		240,000
36	OHIO		100,000				100,000
37	OKLAHOMA		150,000		38,790		188,790
38	OREGON		165,000		45,028		210,028
39	PENNSYLVANIA *		200,000			25,200	225,200
40	RHODE ISLAND		108,000		150,000		258,000
41	SOUTH CAROLINA		120,000		100,000		220,000
42	SOUTH DAKOTA		100,000		140,000		240,000
43	TENNESSEE		160,000				160,000
44	TEXAS		118,340		156,145		274,485
45	UTAH		150,000		90,500		240,500
46	VERMONT		110,000		150,000		260,000
47	VIRGINIA		-		100,000		100,000
48	WASHINGTON		125,000		-		125,000
49	WEST VIRGINIA		110,000				110,000
50	WISCONSIN		175,000		150,000		325,000
51	WYOMING		-		140,000		140,000
52	AMERICA SAMOA		-				-
53	GUAM		90,000				90,000
54	PUERTO RICA. *		105,000				105,000
55	VIRGIN ISLANDS		105,000				105,000
	N.Marianna Islds.		75,000				75,000

FOOTNOTES: * States Requested Time Extensions of 302(a) Grants and did not recieve FY 79 Funds. Amount shown is for FY 78 Grant.

What is the basis of allocating 302 funds?

Answer:

EDA initiated the Section 302(a) State planning grant program in FY 1975. In determining the levels of these first grants, the Agency considered a number of factors: population, unemployment rate, number unemployed, per capita income, number of families below the poverty level, and the size and complexity of the State's economy.

The Agency's experience with this program has shown that the level of resources required to support an effective state economic development planning program increases with the sophistication of the effort. In general, a lower level of annual fundings is needed by states establishing organizational authorities and a technical base for the planning effort than for states attempting to formulate, manage and refine an economic development strategy.

Fifty-two of the eligible fifty-six applicants now participate in the EDA program. In allocating the available funds, the Agency attempts to provide each participant with a minimum level of $100,000. The remaining available funds are then distributed to those States which are most willing and able to effectively utilize additional resources in advancing their economic planning program.

What is the difference between the $20,000,000 the Governors receive under section 304 and the supplemental grant funds of the regional commissions?

Answer:

Section 304 of PWEDA provides funds to the governors for the purpose of supporting economic development projects in a state. The funds are controlled by the governors, although their use must be in conformity with EDA policies and regulations.

Funds for Regional Commissions are made available by Congress under a separate appropriation, and go directly to the Commissions (whose membership is made up of governors). Commissions are separate entities, and their funds are completely apart from Section 304. Regional Commission supplemental grants are authorized under Section 509 of the Act; individual Commissions are authorized to determine the proportion of their funds that will be used for supplemental grants.

Please provide for the record a table detailing by state the 1979 funds provided under both 304 and the regional commissions supplemental grants.

Answer:

The following indicates the Section 304 allocations for FY 1979 and the Regional Commission funding.

State	Section 304	Regional Commissions Supplemental Grants	Total
Alabama	$424,860	...	$424,860
Alaska	470,904	...	470,904
American Samoa ...	19,328	...	19,328
Arizona	450,046	$422,425	872,471
Arkansas	552,952	808,463	1,361,415
California	1,423,756	...	1,423,756
Colorado	116,440	819,281	935,721
Connecticut	177,187	...	177,187
Delaware	31,761	...	31,761
Dist. of Columbia	113,514	...	113,514
Florida	145,087	661,600	806,687
Georgia	367,421	860,000	1,227,421
Guam	29,386	...	29,386

State	Section 304	Regional Commissions Supplemental Grants	Total
Hawaii	36,023	...	36,023
Idaho	165,459	129,880	295,339
Illinois	606,541	...	606,541
Indiana	185,392	...	185,392
Iowa	109,412	...	109,412
Kansas	155,622	1,778,441	1,934,063
Kentucky	798,750	...	798,750
Louisiana	540,831	1,717,507	2,258,338
Maine	144,054	...	144,054
Maryland	131,557	...	131,557
Massachusetts	547,535	...	547,535
Michigan	799,767	2,185,175	2,984,942
Minnesota	535,726	1,752,595	2,288,321
Mississippi	798,668	...	798,668
Missouri	293,497	1,814,991	2,108,488
Montana	297,238	...	297,238
Nebraska	169,381	...	169,381
Nevada	60,886	224,400	285,286
New Hampshire	75,646	...	75,646
New Jersey	387,631	...	387,631
New Mexico	622,602	876,274	1,498,876
New York	650,293	...	650,293
North Carolina .	432,905	873,050	1,305,955
North Dakota ...	226,511	189,826	416,337
Ohio	596,724	...	596,724
Oklahoma	530,221	1,673,816	2,204,037
Oregon	329,393	457,478	786,871
Pennsylvania ...	519,378	...	519,378
Puerto Rico	580,871	...	580,871
Rhode Island ...	245,401	...	245,401
South Carolina .	364,873	686,800	1,051,673
South Dakota ...	142,074	100,000	242,074
Tennessee	557,076	...	557,076
Texas	708,188	...	708,188
Utah	192,939	860,825	1,053,764
Vermont	58,743	...	58,743
Virginia	173,712	1,391,858	1,565,570
Virgin Islands .	12,870	...	12,870
Washington	855,285	99,600	954,885
West Virginia .	620,786	...	620,786
Wisconsin	381,742	1,025,600	1,407,342
Wyoming	35,155	177,690	212,845
TOTAL	20,000,000	21,587,575	41,587,575

Southwest Border Education Assistance

S. 914 contains authority for appropriations of up to $45,000,000 for grants to elibible local education agencies along the Southwest Border for construction of school facilities.

a. Does the Administration support this section?
b. Will any of the funds in the amended budget be used to carry out this section?

Answer:

a. The Administration agrees with the goals of the section which authorizes grants for local education agencies along the Southwest Border to construct schools. In fact, in an address to the Congressional Hispanic Caucus on September 13, the President said, "And I strongly support, by the way, the legislation which just, has already passed the Senate to give the Southwest Border Commission authority to award construction grants to ease severe overcrowding in schools in the Southwest, in heavily Hispanic areas." However, we remain uncertain as to the appropriate routing of such an appropriation.

b. There is no present intention to use any of the funds in the amended budget to carry out this section. S.914 authorizes the funds to be appropriated to the Southwest Border Regional Commission, not to EDA or the Secretary of Commerce. It would be a separate appropriation.

Indian Tribal Grants

How much is proposed for 1980 for the planning grants given to Indian tribes, and how does it compare to the amount currently allocated for such grants?

Answer:

The budget proposes a funding level of $3,800,000 for Indian planning in FY 1980 compared to level of $4,000,000 for FY 1979. The request does not contemplate a reduction in the number of grantees or in the level of services. Unused funds from prior year grants have made it possible to extend certain grants; this results in a reduced requirement for FY 1980 funding.

Senator Gravel has recommended a $277,000 increase to the 1980 request in order to provide a 7.7 percent cost of living adjustment. Would EDA object to such an increase?

Answer:

No cost of living increase has been proposed for any EDA planning grantees in this budget. We do not feel that such funding should be a priority.

Assistance to Minority Broadcasters

How much assistance has EDA provided to minority broadcasters since the President announced such aid would be forthcoming?

Doesn't this kind of assistance conflict with EDA's usual job creation guidelines of $10,000 of assistance per job created?

Answer:

EDA has financed only one minority broadcaster to date; the project is a $572,500 loan to two radio stations located in Mesa and Phoenix, Arizona. The job/cost ratio of $11,450 was somewhat higher than our guideline of $10,000 per job, but EDA felt that the other aspects of the project were sufficiently strong to justify exceeding the job/cost ratio guideline by that small margin.

Technical Assistance

An additional $15,000,000 is requested in the technical assistance budget to establish a network of regional centers. Please describe what these centers are supposed to accomplish.

Answer:

The primary purpose of these centers will be to provide a place where businesses can get quick, competent, authoritative assistance in putting projects together that can be quickly approved by EDA. Thus, the major function of the centers will be to help businesses "package" approvable projects. We will also expect the centers to play a role in informing business persons about the program and with the business persons' consent, providing needed management assistance after the project has been approved. Use of these centers will be voluntary. Business persons will be able to come directly to EDA, and they will also be able to seek help from other sources of expertise in the program, both public and private.

How many university centers are now funded by EDA and is any change contemplated in either this number or funding? How will the university centers fit into the new regional center proposal?

Answer:

The Economic Development Administration (EDA) now funds 32 centers in 28 states and plans to continue funding the university centers at the same $3 million level as during Fiscal Years 1978 and 1979. We do not plan to terminate funding of any centers in Fiscal Year 1980, although EDA plans to follow through with the planned merger of the Southwest Minnesota State center with the statewide University of Minnesota center. We will add two new centers and one new training center in the next fiscal year.

EDA's policy involves the establishment of university centers as permanent institutions within a six-year period so that the EDA funding level of centers is expected to decline to $50,000 a year by the sixth year and continue at that level thereafter. Accordingly, the following twelve centers will be reduced in funding by $15,000 to $25,000 in Fiscal Year 1980 to conform to the six-year permanent institution-building funding cycle:

Chico State, California
Illinois-Chicago Circle
Maine
Massachusetts
Missouri
New Hampshire
New Mexico
Oklahoma
Plattsburgh, N. Y.
Rutgers, N. J.
Southern California
Washington State

The Technical Consulting Teams (TCT) for each region will be selected through an open solicitation process and the centers are eligible to submit proposals to be considered as TCT's. A few centers are expected to bid on the TCT request-for-proposal.

The SBA is establishing small business development centers at various universities such as the University of South Carolina, and also is expanding their management assistance program. What proportion of the firms that EDA serves are eligible for SBA assistance?

Answer:

Using the definition that a small business is one with no more than 500 employees, we estimate that about 88% of all loan guarantees are made to small businesses. This would suggest that most of the firms assisted by EDA would be eligible for SBA financing; however, EDA refers most assistance requests for less than $500,000 to SBA.

The Office of Minority Business Enterprise has almost $32,600,000 in their budget for client services. Don't we now have between SBA, your university centers program, and OMBE, sufficient assistance available to small business without launching still another program?

Answer:

This portion of the technical assistance program will be oriented to provide support for the new Development Finance Program. The other programs (SBA, OMBE, etc.) are more generalized in that they provide management and technical assistance to small businesses, and are not established to respond to EDA's new business assistance programs.

Districts

I will make part of our record the reprogramming dated August 3 from Assistant Secretary Porter covering the final $2,000,000 for the Winter Olympics at Lake Placid; the intention of EDA to support 270 economic development districts in 1980; and the assumption by EDA of the personnel function previously provided by the Office of the Secretary.

During 1979 EDA has $16,950,000 to support 245 districts. How is it planned to add 25 new districts to get to the new total of 270 districts and at the same time reduce the money for districts by $4,320,000?

Answer:

There will be 270 districts active in FY 1980--some financed with FY 1979 funds and some with FY 1980 funds. All of these districts will need FY 1981 planning grants. Because only 219 of the 270 districts will be funded from FY 1980 funds, only $11,755,000 will be required for their basic support. The balance of the FY 1980 funds will be used for supplemental grants to existing districts to strengthen their ongoing program.

Are all of the 245 districts to be approved in 1979 now funded?

Answer:

EDA has approved or is processing applications from enough new districts to bring the district total to 245 by the end of FY 1979. In the event that some of the applications are not approved by September 30, they will be funded early in FY 1980 in addition to the 25 which are currently scheduled for initial funding in FY 1980. We estimate that there may be as many as five of the applications which may not make the fiscal year deadline.

While EDA proposed to fund only 25 additional districts in 1980, is it not correct that there are some 60 districts that are eligible but unfunded?

Is the decision to fund only 25 more in 1980 based on EDA's assessment that only 25 of the 60 unfunded districts are qualified, or is the 25 based on budgetary constraints?

Answer:

When EDA has completed the funding of districts at the 270 level, there will remain around 50 unfunded districts from the October 1, 1979 district roster, including several which will never be organized for funding. There may be requests during FY 1980 for EDA to authorize the establishment of additional new economic development districts.

The decision to fund only 25 more districts in FY 1980 is an Administrative policy position based on our assessment that not all of the remainining unfunded districts would be ready for assistance in FY 1980.

EDA recently delegated to the regional offices the authority to make the annual renewals of the district planning grants. However, no additional personnel were given to the regional offices to carry out these responsibilities. How many staff years are saved in Washington by delegating these responsibilities, and why weren't the regional offices given additional personnel.

Answer:

The delegation of authority for Regional Directors to approve annual renewals of the district planning grants is not a recent event.

- o It occurred several years ago under a previous Administration.
- o Headquarters personnel were assigned to the Regional Offices at that time.
- o We do not have at this time any calculations of staff years saved.

Since 1968 there has been a decrease in staff assigned to the Planning office in Washington and an increase of staffing in the field; which totalled together make a net loss of professional planning staff. This overall decrease has taken place while new kinds of programs have been added and while the number of District, State and Urban planning grantees has increased 389%. Management responsibility for one-half of that increase has remained in Washington.

We are aware of the problem of planning staff workload. We are examining the specifics of the current distribution of tasks among the Regional Offices and within and among the different divisions so that we can better manage our resources to meet these needs.

The staff recently visited the Austin regional office and found out that the delegation of the planning grant authority carried with it the task of resolving some 100 audit exceptions in the planning grants previously approved by EDA Washington. Shouldn't these exceptions be resolved by the Washington staff before the renewals were delegated to the regional offices?

Answer:

These audit exceptions derive from audits of planning grant project periods during the last three years which were fully the responsibility of the Regional Offices for management and monitoring. The Regional Offices are expected to resolve as much of the audit exceptions as they can and refer the rest to Washington.

- o This is not a case of Washington shifting its own responsibilities to the Regional Offices.
- o Regional Offices maintain the project files and are closest to the grantees and therefore should make the initial effort to resolve audit exceptions.

Administrative Support

Is EDA under any kind of personnel ceiling from the Department of OMB that prevents them from filling of the 829 base positions?

Answer:

The Agency has been under no such ceiling constraint although we do currently have some 50 positions vacant.

We have been substantially below ceiling for the entire year, but the agency's inability to hire to the full position allowance results from an overall funding shortage which was inherent in the budget itself and does not result from direct ceiling controls or the diversion of funds to other areas on a purely discretionary basis. Increases in uncontrollable costs, general inflation and the need to hire some relatively high-graded staff to implement special programs and help

determine policy and program direction simply meant that fewer people could be hired.

The FY 1980 Budget as presented in January, and the Budget Amendment do contain adequate funds for direct salary support of the staffing levels proposed, and to provide all necessary support costs for effective implementation of the new programs.

Do you know of any reason why EDA could not under the continuing resolution draw sufficient funds to fill all of your base positions and get a running start on the new program?

Answer:

We would expect to have funding at a level sufficient to support at least the full end of 1979 ceiling level. This would let us bring on approximately 50 more staff than we now have on board, and would let us get a good start on the new program.

Do the plans to open four additional regional offices in New York, San Francisco, Boston, and Kansas City contemplate any change in the number of positions for the Economic Development Representatives and their assistants in the various states?

Answer:

No increase in the number of Economic Development Representatives and their Assistants is requested in the 1980 budget and we have no plans to decrease their number. Under the expanded EDA program, this staff will continue to play a key role for the development of projects and applications for EDA assistance and for liaison with local groups in the formulation of economic development plans and strategies. They will advise the public of the possible uses of EDA program tools to facililate the economic development process and improve the economic cirucumstances of eligible areas. They will continue to report directly to the Regional Director.

There are 18 additional supergrade positions included in the amended estimate that is more than twice the current number. Are all these additional supergrades authorized? Why are 2 GS-16 Deputy Director's for Development Facilities requested on page EDA-10; and similarly 2 GS-16 Deputy Director's for Development Lending on page 13?

Answer:

All of the 18 supergrade positions are authorized and were converted to Senior Executive Service (SES) positions last July under the provisions of the Civil Service Reform Act. The additional SES positions (formerly supergrade positions) are appropriate for the administration of the expanded development facilities and development financing programs under NPWEDA.

National Demonstration Water Project

At our June 4 hearing I inquired as to the status of the NDWP which is being financed and coordinated through EDA. At that time, it was indicated that EDA wanted some time to look at the progress being made on the project before making any statement in regard to possible future funding. In the three months that have passed have you been able to do such an assessment? What are your findings to date?

Answer:

We are still unable to fully assess the efficacy of the NDWP program for a number of reasons:

- o While the grant was approved February 1, 1979, funds were not transferred from the other participating agencies to EDA until April.

- o The first quarterly report contained no substantive information since the project had just begun. The second quarterly report was due at the end of August but has not been received.

- o When EDA assumed the lead for this project, the program was not clearly defined; this problem has only recently been resolved. This means, however, that there is an entirely new staff which depends upon a Board of Directors for policy guidance; as a result, there have been delays resulting from lack of coordination between the staff and Directors.

While there are staff at the NDWP who have solid credentials in the field, it is too early to assess whether they will be able to carry out the objectives of this program to fully meet EDA's expectations.

Does EDA now endorse a $6 million funding level for this project? If not, what does EDA suggest as an appropriate level of funding for NDWP in FY 1980?

Answer:

Because of the factors noted on the previous response, EDA cannot make a judgment as to what level of funding would be appropriate in FY 1980. Until the NDWP gets fully underway and demonstrates its progress, our position is that no further EDA funds should be made available for the project.

No funds have been requested for the NDWP project; any diversion of funds from the budget, would be detrimental to our implementation of the Development Finance Program.

QUESTIONS SUBMITTED BY SENATOR WEICKER

This new budget estimate was developed in April, yet not submitted to the Congress until July 23. What timetable do you envision from here?

Answer:

We expect that an EDA authorization bill will be passed by the Congress and signed by the President during October. We also hope that the FY 1980 appropriation will be available to the Agency soon after passage of the authorization legislation. It is our understanding that the appropriations bill can follow very closely on the heels of the authorization legislation, and we hope that the Appropriations Committees will continue their efforts to see that this does occur and will shepherd appropriation bill through the Congress so that EDA will be able to mount its expanded program as soon as possible in FY 1980.

Revolving-Loan Grant Program

Last year, I sponsored legislation to change the local revolving loan program, under the old Section 204 of the PWEDA Act, to a grant program. In addition, during the appropriations process, I supported increased funding for its companion program, Section 202, the business loan and guarantee program. Taken together, I felt then, as I still do today, that such a package would

offer those economically distressed communities a viable economic tool for leveraging private business investments in our cities and create and retain permanent jobs and stabilize local tax revenue bases.

Furthermore, I would like to point out that during last year's budget request, I recommended that when plans for the PWEDA reauthorization were drawn up, that the Administration retain this unique and innovative concept within EDA's redevelopment grant program. In fact, I stressed the need to insure this program as a high priority for urban economic development, in light of the fact that the President's National Development Bank proposal had not had the guarantee of passing the Congress along with some of the other major urban policy proposals.

Well, Mr. Hall, we are now a year and a half late in securing such an important program, but, I am pleased to see that the Administration and the Senate have accepted the revolving-loan grant program concept as it was originally introduced by Congressman Roe in 1976, and again by me in May of 1978. This is one program among a number of the most useful mechanisms in EDA to get our cities back into business. I hope that the House will concur, so that the President can sign the new PWEDA Act.

Mr. Hall, can you pleas give us an update on the four pilot revolving loan projects which were funded at the end of last year? Were there any difficulties in monitoring and administering these projects? And, what sort of things has EDA learned from these projects? Please be specific.

Tgether the four projects were funded at $15 million. I understand that next year, $30 million is planned for the revolving-loan grant program. What plan does EDAhave for this new money? Can we expect anything new from the program? If so, could you be specific?

Answer:

The following sections provide information about the FY 1978, 1979, and 1980 programs.

FY 1978 Program

In FY 1978 EDA funded 14 RLF projects totaling $15 million under its Title IX Long-Term Economic Deterioration program.

The following is the status of FY 1978 Revolving Loan Fund projects (as of 9/4/79):

Grantee	Grant Amount	Total of Loans Made
Pittsburgh, Pa.	$1,625,000	$0
Maso Science & Tech. Found.	2,000,000	28,000
Mohawk Valley EDD, N.Y.	720,000	0
Rutland, Vt.	720,000	43,000
San Antonio, Tex.	1,625,000	120,000
N. W. Arkansas EDD	720,000	360,000
Lower Rio Grande	720,000	0
S. Delta EDD, Miss.	720,000	150,000
Neuse River EDD, N. C.	$1,625,000	$0
Long Beach, Calif.	1,625,000	0
Portland, Ore.	720,000	0
Coos Curry EDD, Ore.	720,000	44,000
S. C. Kansas EDD	720,000	55,000
Scioto County, Ohio	720,000	442,000
14 Projects	$15,000,000	$1,197,000

- Loans were farily evenly divided between working capital use and fixed asset acquisition (for plant expansion or start up).
- most loans were made to locally owned small firms primarily involved in manufacturing.

- o nearly every loan involved substantial leveraging, genreally from conventional private lending sources (averaging $11 for every $1 of RLF loan money).

It is clear that the grantees have had some difficulty gearing up to implement the program. The difficulties that confronded grantees included:

- o obtaining legal authority to make loans
- o obtaining approval of the plans to use the funds from city councils
- o preparing administrative plans to implement the local RLFs.

It appears now that most RLFs are underway.

FY 1979 Program

In FY 1979 we approved 26 RLF projects totaling $21 million. Grantees were asked to prepare administrative plans prior to approval of their projects and are knowledgeable of the RLF process.

FY 1980 Program

In order to help EDA understand the difficulties in establishing and RLF, an assessment of the program, to date, has been funded. A conference of RLF grantees is planned as part of the assessment. It will be held at the end of October. We will incorporate any new insights learned from the assessment into the FY 1980 program.

In FY 1980 $30 million will be available for the RLF program. We expect to target the RLF program to areas that have the capacity to implement an RLF in order to avoid delays. (Our experience in FY 1978 has indicated that capacity of the area is a significant factor in the success of an RLF).

We may also eatablish some single purpose RLF's in FY 1980 such as RLFs for gasohol or energy retrofit programs.

Mr. Hall, just one final followup concerning this matter. I understand that the House is considering equity financing proposals through the revolving-loan program. I know there exists a demonstration project under Title III of the Senate version of the PWEDA Act. Can you briefly describe both of these concepts? And, more importantly, how does EDA feel about equity financing and the whole idea of the Federal Government getting involving in company stock ownership?

Answer:

The Senate bill, S. 914, requires EDA under the authorities of the Title III demonstration program to conduct a demonstration effort to test the feasibility of establishing an equity financing program to carry out the purposes of the Title II development financing program. Since the Administration has requested no funds for the demonstration program in FY 1980, EDA would have no resources with which to conduct such as effort.

In the House, the Public Works Committee bill, H.R. 2063, authorizes the Secretary under the Title III demonstration program to conduct a program in equity financing for the purpose of promoting economic development in distressed areas. The Subcommittee on Economic Stabilization of the House Banking Committee in its bill, H.R. 4100, authorizes the Secretary under the Title II revolving loan fund program to approve, on an experimental basis, grants for revolving loan funds which permit the investment of not more than 10 percent of the EDA grant for equity purposes. The authorization stipulates that such investments shall not exceed $500,000 in any business and

authorizes the Secretary to prescribe other restrictions at the time of the EDA grant. The language gives the Secretary total discretion over permitting any use of revolving loan funds for equity financing purposes.

The Administration, in proposing new legislation for EDA, considered the need for equity financing and determined that there was not sufficient evidence available to suggest that a full-fledged equity financing program was needed. EDA believes that any venture into government involvement in providing equity to private firms should proceed cautiously as part of a rigorously structured and comprehensively evaluated demonstration effort. As indicated above, EDA has no plans and no resource to implement even a demonstration program in equity and no resources to implement even a demonstration program in equity financing in FY 1980. It should also be noted that none of the proposed legislative authorities require the Federal Government to take an equity position in a private firm and, in fact, the House Banking Committee's bill only authorizies recipients of revolving loan grants (e.g., cities and economic development districts) to provide funds for equity purposes.

Private Sector Development Financing: - New Title II

Under the Private Sector Development Financing section of the new PWEDA Act, the Senate has authorized EDA to guarantee $1.8 billion in private loans in FY '80; that's four or five times the value of loans the agency expects to guarantee this year. Also, direct loans and interest rate subsidies are being authorized at $150 million and $50 million respectively. The House is considering similar amounts, if not larger.

My concern, Mr. Hall, is does EDA really have the capacity to administer these expanded business development programs?

What are your plans in assuring us that these programs will be administered efficiently and effectively? We're talking about a considerably large amount of money so please be as specific as possible in your response.

It is my understanding that EDA is considering the use of "special regional centers." Is this true? And, if so, could you tell us what are these centers and what will they do to assist the businesses which apply for the financing programs?

Answer:

EDA is well aware of the administrative problems it will face in administering an expanded business development program. We expect to apply the following principles in carrying out our responsibilities:

1. Minimize duplicate paper work by expanding the authority of regional offices to approve projects.

2. Establish simple, clear and sensible guidelines for determining eligible projects.

3. Expand and improve our operational planning and control systems and our management information systems so that management at all levels can know what is happening; so that bottlenecks can be quickly spotted; and so resources can be quickly mobilized to remove such bottlenecks;

4. Rely heavily on financial institutions, local and development district organizations to "package" projects so that they will come to EDA in near perfect shape and ready for quick approval.

5. Supplement these organizations with the establishment of technical consulting teams to aid businesses in putting approvable projects together.

6. Establish a major training program for present EDA employees, new EDA employees, bank officers, local and district development officers and employees of the technical consulting teams so that all who are involved in the program are proficient in explaining, using and administering it.

7. Develop clear, complete screening manuals which will enable most people to screen projects before they are submitted to determine what needs to be done to make projects eligible for approval.

8. Attempt to place about two-thirds of the projects on a "fast track", lending to minimized processing time. These would be projects where banks make the credit judgment, and accept part of the risk, and where there are no problems of relocation, excess capacity, job cost ratio, firm size, size of loan guarantee, environment or civil rights.

9. To the maximum extent feasible, simplify processing and application forms. Rely heavily on banks for credit analysis.

We are considering the establishment of regional technical consulting teams, building on our successful experience with trade adjustment assistance centers in fulfilling our responsibilities under the Trade Act of 1974. The principal function of these teams would be to help businesses put their projects together. Use of these centers by businesses will be strictly voluntary and there would be nothing to stop businesses from dealing directly with EDA, or from working with some other public or private group to get help. The technical consulting teams would also have secondary functions of informing business persons and financing institutions about the program and, with the consent of the business person, providing management assistance after the loan or loan guarantee has been made.

Chrysler Aid

Mr. Hall, last month, Treasury Secretary G. William Miller indicated that the Carter Administration would recommend that the Federal Government guarantee loans to aid Chysler Corporation. On Wednesday, Chrysler President Lee Iacocca confirmed that Chrysler will request about $1.2 billion in government aid. Has the Administration discussed with anyone in your office the possibility of using programs administered by EDA to aid Chrysler?

Would you please advise the Subcommittee immediately of any discussions or negotiations between EDA and The White House, or EDA and Chrysler concerning the possibility of using EDA administered programs to aid Chrysler?

Do you believe that any of the EDA programs anticipated within the Economic Development Act of 1979 could be used to assist Chrysler without the need for further legislation? If so, specifically what safeguards would assure protection of taxpayers' dollars?

If EDA were to provide assistance to Chrysler, please indicate what guidelines would be used to determine whether federal assistance would be extend in the future to ailing companies?

Answer:

From what we have read in the paper about the assistance being requested by Chrysler, there appear to be no circumstances under which the EDA programs authorized in the revised legislation could be used to aid Chrylser. It is our understanding that aid of the magnitude sought by Chrysler would have to be handled through special, separate legislation.

We foresee no possibility that EDA aid will be provided to Chrysler; therefore, the question about guidelines for this type of activity in the future is something that we have not considered.

Steel Loan Program Update

Mr. Hall, could you bring us up to date on your steel loan program? I know that the Wheeling Pittsburgh loan guarantee is out. What other loan requests do you expect to complete this fiscal year? When will you complete action on all outstanding applications?

Answer:

At the present time, EDA has approved four applications for 90% EDA guarantees of loans totalling $253.5 million. Over 24,000 jobs are involved. We are now reviewing requests for guarantees of loans totalling $170.6 million, one of which is for a 90% EDA guarantee of a $111.1 million loan to Jones & Laughlin Steel Corporation (over 28,000 jobs). We expect to reach a decision on this project before the end of this fiscal year. We anticipate completing action on all outstanding applications presently filed under this program by December 31, 1979. We expect to carry over into fiscal year 1980 $160 million in guarantee authority, of which $100 million has been earmarked to entertain a feasible and qualifying application for a steel project in the Youngstown, Ohio (Mahoning valley) area. No such application meeting applicable guidelines and lending criteria has yet been submitted to us.

CORRESPONDENCE

LETTER FROM SENATORS TED STEVENS AND QUENTIN N. BURDICK

[CLERK'S NOTE.—Subsequent to the hearing the following letter regarding the Indian planning grant program was received. By direction of the chairman it has been made part of the record.]

[The letter follows:]

LETTER FROM SENATORS STEVENS AND BURDICK

SEPTEMBER 17, 1979.

Hon. ERNEST F. HOLLINGS,
Chairman, Subcommittee on State, Justice, Commerce, and the Judiciary, Committee on Appropriations, U.S. Senate, Washington, D.C.

DEAR FRITZ: We are writing to you to request favorable consideration by your subcommittee of a cost-of-living increase for EDA's Indian planning grant program. You will recall that a 10 percent cost-of-living adjustment was granted to EDA's economic development district grantees for fiscal year 1979. That increase amounted to $1.2 million.

EDA's Indian planning grant program began in 1967 with two grantees at less than $100,000. Since that time it has grown to 88 grantees, with a funding base of $4 million. These 88 grantees provide planning and development services to about 378 Indian reservations, Alaskan native villages, and other Indian land areas.

Since the start of the Indian program there has never been a cost-of-living adjustment. Yet in order to attract and retain qualified professional people for reservation economic development, a 10-percent increase in the fiscal year 1980 appropriation is appropriate.

As you know, the 1979 appropriation was $4 million. However, the administration request for fiscal year 1980 is an inexplicable $3.8 million, a reduction of this year's base by $200,000. It is our hope that the $4 million base be maintained together with the much needed cost-of-living adjustment.

We appreciate your consideration of this request.

Sincerely,

TED STEVENS,
U.S. Senator.
QUENTIN N. BURDICK,
U.S. Senator.

LETTER FROM JOHN J. GUNTHER

Senator HOLLINGS. The subcommittee has received a letter from Mr. John J. Gunther, Executive Director of the U.S. Conference of Mayors concerning the Economic Development Administration's fiscal year 1980 appropriations. The letter will be made part of our hearing record.

[The letter follows:]

LETTER FROM JOHN J. GUNTHER

SEPTEMBER 11, 1979.

Hon. ERNEST F. HOLLINGS,
Chairman, Subcommittee on State, Justice, Commerce, the Judiciary, Senate Appropriations Committee, Washington, D.C.

DEAR SENATOR HOLLINGS: The U.S. Conference of Mayors is very concerned about appropriations for the Economic Development Administration (EDA) in the Department of Commerce, and urges Congress to act with all possible speed to provide funding.

As you know, EDA's authorization expires on October 1; a continuing resolution would hinder the development of the business finance programs which are so needed during this time of economic recession.

I am sure that through the hearings this week you will understand the need to fund EDA fully at the President's requested levels and move quickly to fund EDA by October 1.

Sincerely,

JOHN J. GUNTHER,
Exective Director.

CONCLUSION OF HEARINGS

Senator HOLLINGS. The subcommittee will recess subject to the call of the Chair.

[Whereupon, at 11:20 a.m., Friday, September 14, the hearings were concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]

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